
QUARTERLY REPORT FOR THE FIRST QUARTER OF 2005

I . M . A . INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
HEAD OFFICE: OZZANO DELL'EMILIA (BOLOGNA)
SHARE CAPITAL FULLY PAID-IN: € 18,772,000
REGISTERED WITH THE BOLOGNA COMPANIES
REGISTER AT NO. 00307140376

CONTENTS

INTRODUCTION		PAGE	3
REPORT ON OPERATIONS		PAGE	5 - 12
DIRECTORS AND OFFICERS	PAGE	6 - 7	
GROUP STRUCTURE	“	8	
GROUP COMPANIES BY BUSINESS ACTIVITY	“	9	
REPORT ON OPERATIONS	“	10 - 12	
CONSOLIDATED BALANCE SHEET		“	14
CONSOLIDATED INCOME STATEMENT		“	15
EXPLANATORY NOTES		“	17 - 26
A) ACCOUNTING POLICIES	PAGE	18 - 21	
B) CONSOLIDATION PRINCIPLES	“	21	
C) SCOPE OF CONSOLIDATION	“	21 - 23	
D) TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)	“	23	
E) INFORMATION ON THE CONSOLIDATED BALANCE SHEET	“	23 - 25	
F) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT	“	25 - 26	
RECONCILIATIONS REQUIRED BY IFRS 1: FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS		“	27 - 38
INTRODUCTION	PAGE	28	
APPLICATION OF IFRS 1	“	28	
RECONCILIATION OF BALANCE SHEET AT 1 JANUARY 2004	“	29	
NOTES TO RECONCILIATION OF THE BALANCE SHEET AT 1 JANUARY 2004	“	30 - 31	
RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2004	“	32	
NOTES TO RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2004	“	33 - 35	
RECONCILIATION OF THE 2004 INCOME STATEMENT	“	36	
NOTES TO RECONCILIATION OF THE 2004 INCOME STATEMENT	“	37	
RECONCILIATION OF THE STATEMENT OF CASH FLOWS FOR 2004	“	38	
NOTES TO RECONCILIATION OF THE STATEMENT OF CASH FLOWS FOR 2004	“	38	

INTRODUCTION

This report was approved by the Board of Directors on 13 May 2005.

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

In particular, this report has been prepared in accordance with International Financial Reporting Standards (IFRS) and contains the information required by attachment 3D.

The reconciliations required by paragraphs 39 and 40 of "IFRS 1: First-Time Adoption of International Financial Reporting Standards" are provided in an appendix, together with explanatory notes on the methods of preparation and the items that appear in them.

REPORT ON OPERATIONS

DIRECTORS AND OFFICERS

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

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

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

BOARD OF DIRECTORS

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

CHAIRMAN AND MANAGING DIRECTOR

Marco Vacchi

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

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

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

MANAGING DIRECTOR

Alberto Vacchi

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

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

DIRECTOR WITH POWERS

Andrea Malagoli

Delegated powers:

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

DIRECTORS

Gino Benedetti, Paolo Braghieri, Paolo Dari, Italo Giorgio Minguzzi, Luca Poggi, Maria Carla Schiavina, Gianluca Vacchi, Stefano Visentini, Romano Volta.

**BOARD OF
STATUTORY AUDITORS**

(in office until 31 December 2006)

AUDITORS

Giorgio Comini - Chairman - Auditor

Amedeo Cazzola - Auditor

Piero Aicardi - Auditor

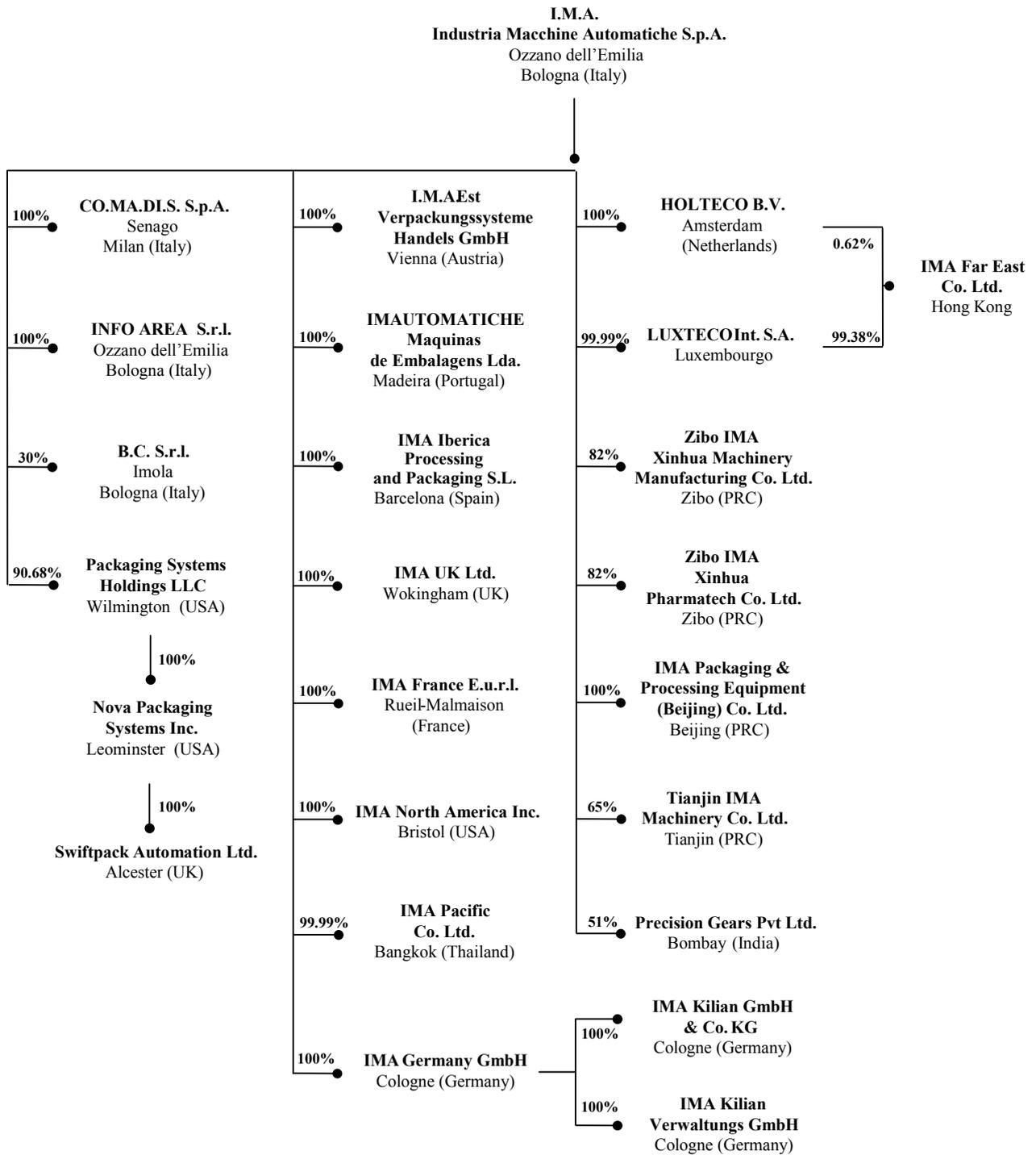
ALTERNATE AUDITORS

Vittorio Coraducci - Auditor

Chiara Gallina – Auditor

Antonella Grassigli - Auditor

GROUP STRUCTURE



GROUP COMPANIES BY BUSINESS ACTIVITY

MANUFACTURING
ACTIVITIES

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

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

B.C. S.r.l.
Imola – Bologna (Italy)

IMA Kilian GmbH & Co. KG
Cologne (Germany)

Precision Gears Pvt Ltd.
Bombay (India)

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

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

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

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

Swiftpack Automation Ltd.
Alcester (UK)

COMMERCIAL
ACTIVITIES

IMA Germany GmbH
Cologne (Germany)

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

IMA France E.u.r.l.
Rueil-Malmaison (France)

IMA UK Ltd.
Wokingham (UK)

**IMAUTOMATICHE
Maquinas de Embalagens Lda.**
Madeira (Portugal)

**IMA Iberica
Processing and Packaging S.L.**
Barcelona (Spain)

IMA North America Inc.
Bristol (USA)

IMA Far East Co. Ltd.
Hong Kong

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

IMA Pacific Co. Ltd.
Bangkok (Thailand)

OTHER
ACTIVITIES

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

IMA Kilian Verwaltungs GmbH
Cologne (Germany)

FINANCIAL
ACTIVITIES

Luxteco International S.A.
Luxembourg

HOLTECO B.V.
Amsterdam (Netherlands)

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

REPORT ON OPERATIONS

GENERAL PERFORMANCE

The demand for plant and machinery from the pharmaceuticals industry in 1st quarter 2005 was in line with the trend that we saw in the latter part of 2004. For example, the positive trend in North America, Eastern Europe and the Far East has continued, whereas demand from the European pharmaceutical industry was more sluggish, even if we are reasonably optimistic about future developments given the fact that we have various negotiations underway. Demand from Latin American countries, on the other hand, has been very strong: thanks to the economic recovery in that area, sales of pharmaceuticals are showing double-figure growth for the second year in a row, now that the excess production capacity that appeared in 2002, blocking any demand for new machines, has been reabsorbed. This scenario reflects the trend in drug sales by the pharmaceuticals industry which turned in rates of growth during the period of 8% in the USA and Canada, 5% in Europe and 13% in Asia and Latin America. Compared with the same period of the previous year, which was also positive, there has not been any overall expansion in demand in our sector. However, the signals that we have been picking up in our day-to-day dealings with customers and at important trade fairs held last April (Interpack in Germany and Interphex in New York) suggest that there will be an upswing in demand over the coming months, as opposed to a sharp slowdown in 2004. As for the competitive pressures that have been a feature of our industry since the second half of 2003, unfortunately we have to reiterate that they are still very high, with a negative impact on selling prices.

The very positive performance of the tea-packaging sector is continuing, driven by demand from eastern European countries that is still very dynamic and the ongoing replacement of obsolete machines by leading Western European groups.

KEY FIGURES

The income statement, balance sheet and order book figures for the period have all been prepared in accordance with IFRS, as required by law. Comparative figures for the previous year have also been reclassified using the same criteria, which explains the differences between these figures and the ones that were shown in the 1st quarter 2004 report.

Group revenues in 1st quarter 2005 amounted to 64.9 million euro compared with 58.8 million euro in the same period of 2004. The Nova Group, which entered the scope of consolidation in the last quarter of 2004, contributed revenues of 5.4 million euro. Based on the same scope of consolidation, revenues for the period came to 59.5 million euro, with a very limited increase on 2004. The next table gives a breakdown of revenues by sector during the first three months of the year:

in millions of euro	31.03.2005	31.03.2004	Change	%
Tea and herbal tea packaging	15.2	12.9	2.3	17.8
Pharmaceuticals packaging	40.1	33.5	6.6	19.7
Pharmaceuticals processing	9.6	12.4	(2.8)	(22.6)
Total revenues	64.9	58.8	6.1	10.4

Still in the period January-March 2005, new orders acquired came to 84.2 million euro, to which the Nova Group contributed 4.7 million euro, compared with 89.3 million euro in the same period of 2004. The following table shows the level of the order book at 31 March 2005 compared with that of 2004:

in millions of euro	31.03.2005	31.03.2004	%	Change
Tea and herbal tea packaging	40.3	45.9	(5.6)	(12.2)
Pharmaceuticals packaging	90.4	87.8	2.6	3.0
Pharmaceuticals processing	39.4	41.0	(1.6)	(3.9)
Total	170.1	174.7	(4.6)	(2.6)

The decline in new orders during the quarter only concerned the pharmaceuticals sector, both for packaging and for processing machines. This is not a cause for concern as the shortness of the period under consideration in a sector like ours, where individual orders are of high value, tends to amplify percentage variances in either direction, without being a true reflection of the trend in demand. In fact, all of the symptoms are that demand is rising, as witnessed by the numerous negotiations that are currently underway. Indeed, we have cause to believe that, to a certain extent, a number of new contracts were not closed earlier because of the fact that the industry's most important trade fair took place in April. This was the Interpack Fair in Dusseldorf, which takes place every three years, an event that attracts the interest and attention of all our customers. Under these circumstances, IMA has once again shown itself to be one of the most dynamic firms in the industry in terms of new proposals, giving it extremely interesting prospects for the future.

Given the low volume of sales, which is typical for this period of the year, the *operating result* is a loss of 4.6 million euro, compared with 3.6 million euro in 1st quarter 2004. Compared with the same period of 2004, the consolidated industrial margin is showing a decline due to a less favourable delivery mix and inefficiencies caused by the transfer of IMA Kilian GmbH & Co. KG to new premises. These are events that were foreseen in the budget, so they should not have any impact on the original estimates. The analysis of cost of sales also makes it possible to confirm that the exceptional events that negatively affected the results for the last quarter of 2004 are now coming to an end. R&D, marketing and general expenses are more or less in line with 1st quarter 2004, despite a significant increase in labour cost per head and the considerable expense of transferring IMA Kilian to its new plant.

Financial income and expense produced a negative net balance of 1.3 million euro, substantially in line with 2004 (-1.4 million euro).

The *result before taxes* therefore shows a loss of 5.9 million euro (-5.0 million euro at the end of March 2004).

Net debt as of 31 March 2005 amounted to 103.5 million euro, 29.5 million euro up on the end of December 2004. However, it has to be said that, during the period, there was an outlay of 13.3 million euro to buy treasury shares; without this, net debt would have amounted to 90.2 million euro, more or less the same as at 31 March 2004 when it was 89.2 million euro; and this despite the enlargement of the scope of consolidation to include the Nova Group. This confirms what we said at the end of 2004 concerning the Group's ability to generate cash even when times are hard. This increase over the figure at the end of December 2004, reflects on the one hand the result for the period, and on the other, the change in operating capital which, despite

a major decrease in trade receivables, has been affected by significantly higher inventories that were not offset by a rise in trade payables. This situation is normal in the early part of the year, when work is performed for deliveries scheduled to be made during the second half of the year.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FIRST QUARTER

The Shareholders' Meeting held on 27 April 2005, resolved:

- to allocate the net profit for 2004 to dividends per 0.40 euro per outstanding ordinary share, to non-distributable reserve in accordance with art. 2426 nr. 8 of the Italian Civil Code for a total of 225,476.20 euro with the remainder being transferred to the extraordinary reserve;
- to grant the Board of Directors for a period of 12 months the powers needed to buy up to a maximum of 3,610,000 ordinary shares of the Company at a price within a range of 10% above or below the average stock exchange price for the previous five days.
- to grant the Board of Directors for a period of 12 months the powers needed to dispose of or, in any case, to have at their disposal up to a maximum of 3,610,000 ordinary shares of the Company at a minimum price equal to the average purchase cost at the date of the disposal.

OUTLOOK FOR THE REST OF THE YEAR

No elements have emerged during first quarter 2005 to alter the forecasts made at the end of 2004. On the one hand, we expect demand to rise, even if only part of this increase will be reflected in Group revenues for the year, given that many of this year's orders will be delivered in 2006; on the other hand, we believe that it is feasible to achieve those improvements in industrial margin that we forecast and which, together with a containment of fixed costs, should allow us to recover around two points in operating result as a percentage of sales. These are confirmations that come not only from analysing the trend in internal costs, both selling and fixed, but above all from the huge interest that surrounded the IMA Group during the recent Interpack Fair and the high number of negotiations that we hope to conclude before the end of June. We mentioned the continuation of the competitive pressures that dominated the last two years. These pressures ought to ease up if this apparent acceleration in demand really does come about.

CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

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

CONSOLIDATED BALANCE SHEET

(IN MILLIONS OF EURO)

ASSETS	31 March 2005	31 December 2004	31 March 2004
NON-CURRENT ASSETS			
<i>Property, plant and equipment</i>	72.1	73.0	72.0
<i>Intangible assets</i>	58.0	57.3	41.5
<i>Interests in associates</i>	0.5	0.5	0.4
<i>Financial assets</i>	3.4	3.3	3.7
<i>Receivables from others</i>	0.9	0.8	0.9
<i>Deferred tax assets</i>	–	–	0.7
TOTAL NON-CURRENT ASSETS	134.9	134.9	119.2
CURRENT ASSETS			
<i>Inventories</i>	125.1	109.7	124.0
<i>Trade and other receivables</i>	87.0	101.5	90.4
<i>Income tax receivables</i>	5.4	5.3	1.1
<i>Financial assets</i>	0.6	0.7	0.4
<i>Derivative financial instruments</i>	–	1.6	–
<i>Cash and cash equivalents</i>	25.4	47.0	25.0
TOTAL CURRENT ASSETS	243.5	265.8	240.9
TOTAL ASSETS	378.4	400.7	360.1
EQUITY AND LIABILITIES			
EQUITY			
<i>Share capital</i>	18.8	18.8	18.8
<i>Share premium</i>	16.4	16.4	16.4
<i>Treasury shares</i>	(13.3)	–	–
<i>Other reserves</i>	28.3	28.5	25.8
<i>Translation adjustment</i>	(0.4)	(1.2)	0.5
<i>Hedging reserve</i>	(0.6)	1.1	(0.1)
<i>Retained earnings</i>	43.8	26.8	44.0
<i>Net profit (loss) for the period</i>	(5.9)	16.8	(5.0)
Total equity of the Group	87.1	107.2	100.4
<i>Minority interest</i>	2.2	2.3	2.2
EQUITY PERTAINING TO THE GROUP AND MINORITY INTEREST	89.3	109.5	102.6
NON-CURRENT LIABILITIES			
<i>Borrowings</i>	50.5	53.7	59.3
<i>Retirement benefit obligations</i>	23.9	24.2	22.9
<i>Provisions for risks and charges</i>	1.0	0.9	0.9
<i>Deferred tax liabilities</i>	0.7	0.7	–
TOTAL NON-CURRENT LIABILITIES	76.1	79.5	83.1
CURRENT LIABILITIES			
<i>Borrowings</i>	82.4	71.3	59.0
<i>Trade and other payables</i>	124.0	133.9	109.0
<i>Income tax liabilities</i>	1.0	1.3	1.0
<i>Provisions for risks and charges</i>	5.4	5.1	5.0
<i>Derivative financial instruments</i>	0.2	0.1	0.4
TOTAL CURRENT LIABILITIES	213.0	211.7	174.4
TOTAL LIABILITIES	289.1	291.2	257.5
TOTAL EQUITY AND LIABILITIES	378.4	400.7	360.1

CONSOLIDATED INCOME STATEMENT

(IN MILLIONS OF EURO)

INCOME STATEMENT	First quarter 2005	First quarter 2004
REVENUES	64.9	58.8
OPERATING COSTS		
<i>Other revenues</i>	(0.9)	(0.8)
<i>Change in work in progress, semifinished and finished goods</i>	(13.6)	(17.9)
<i>Change in inventory of raw, ancillary and consumable materials</i>	(1.0)	1.0
<i>Cost of raw, ancillary and consumable materials</i>	33.3	30.7
<i>Services, rentals and leases</i>	17.1	16.1
<i>Personnel costs</i>	30.9	29.3
<i>Depreciation and amortization expense</i>	2.8	2.8
<i>Provisions for risks and other expenses</i>	0.3	0.3
<i>Other operating costs</i>	0.6	0.9
TOTAL OPERATING COSTS	69.5	62.4
OPERATING PROFIT	(4.6)	(3.6)
FINANCIAL INCOME AND CHARGES		
<i>Income from investments and other financial incomes</i>	3.5	4.0
<i>Financial charges</i>	4.8	5.4
FINANCIAL INCOME AND CHARGES	(1.3)	(1.4)
PROFITS (LOSSES) FROM INTERESTS IN ASSOCIATES	–	–
PROFIT PERTAINING TO MINORITY INTEREST	–	–
RESULT BEFORE TAX	(5.9)	(5.0)

EXPLANATORY NOTES

A) ACCOUNTING POLICIES

This quarterly report on operations has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the I.A.S.B. - International Accounting Standards Board.

All of the figures contained in this report on operating performance are stated in millions of euro.

The most significant accounting policies applied are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are booked at purchase or construction cost, net of accumulated depreciation and adjusted for any impairment losses and/or writebacks.

The purchase cost includes directly attributable ancillary expenses, except for financial charges.

Property, plant and equipment are depreciated each year on a straight-line basis over their estimated useful life, as follows:

- Buildings 30-40 years
- Plant and machinery 5-10 years
- Equipment 4 years
- Other assets 3-9 years

Land is not depreciated as it has an unlimited useful life.

The book value of property, plant and equipment is reviewed periodically for impairment losses; this takes place annually or any time events or changes in the situation suggest that the carrying value may not be fully recoverable. If the carrying value exceeds the estimated realizable value, the cash-flow generating assets or units are written down to a point that reflects their realizable value; in other words, the asset's net selling value or its value to the Company if it continues to be used, whichever is the higher.

INTANGIBLE ASSETS

Bought-in intangible assets are booked at purchase cost including directly attributable ancillary expenses, whereas those acquired as a result of corporate aggregations are booked at their fair value at the date of acquisition.

Subsequently, intangible assets with a specific useful life are shown in the financial statements at cost net of amortization and adjusted for any impairment losses.

Intangible assets with a defined useful life are amortized each year on a straight-line basis over their estimated useful life, as follows:

- Industrial patents and intellectual property rights 3-10 years
- Concessions, licences and similar rights 5 years
- Trademarks 10 years

Research costs are charged to the statement of income as soon as they are incurred. Development costs that satisfy the requirements of IAS 38 for capitalisation are amortized over their expected useful life from the time that the products concerned

are available for sale or for use. The book value of capitalised development costs is reviewed annually for fairness to identify any impairment losses.

Advertising and start-up and expansion costs are charged to the statement of income as soon as they are incurred.

The book value of intangible assets is reviewed periodically for impairment losses; this takes place annually or any time it appears that the carrying value may not be fully recoverable. If the carrying value exceeds the recoverable value, the cash-flow generating assets or units are written down to a point that reflects their recoverable value; in other words, the asset's fair value or its value to the Company if it continues to be used, whichever is the higher.

Goodwill is the excess cost of a corporate aggregation compared with the buyer's quota of the net fair value referring to the identifiable values of the assets, liabilities and potential liabilities; it is an intangible asset with an indefinite useful life.

Goodwill is allocated to the related cash-flow generating units and subjected to annual impairment testing. If the value recoverable by the cash-flow generating unit is lower than the carrying value, an impairment loss is recorded.

FINANCE LEASES

Finance lease contracts are accounted for in accordance with IAS 17. This provides that:

- the cost of leased assets is attributed to property, plant and equipment and depreciated on a straight-line basis over their estimated useful life; and on the liabilities side, the financial debt owed to the lessor is booked for an amount equal to the value of the asset being leased;
- lease payments are booked in such a way as to separate the financial element from the capital component, which is considered a liability owed to the lessor.

Lease contracts in which the lessor retains substantially all of the risks and benefits of ownership are classified as operating leases and the related instalments are booked to the income statement on a straight-line basis over the duration of the contract.

FINANCIAL ASSETS

Financial assets include investments in securities and equity interests in other companies classified as available-for-sale, as well as financial receivables.

Financial assets are initially booked at cost, which corresponds to the fair value including ancillary charges. Subsequently, assets classified as available-for-sale are valued at fair value and financial receivables are valued at amortized cost.

INVENTORIES

Inventories are booked at the lower of cost and estimated net realizable value.

Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

CONTRACT WORK IN PROGRESS

Contract revenues and costs are booked on a state of completion basis. Expected losses are recognised as a cost as soon as they become known.

**TRADE AND
OTHER RECEIVABLES**

Receivables are initially booked at fair value; subsequently, they are valued at amortized cost, net of any impairment losses.

**CASH AND
CASH EQUIVALENTS**

This item includes cash, sight and short-term bank balances with an original maturity of not more than three months.

TREASURY SHARES

Treasury shares held in portfolio are booked by deducting them from equity. Gains and losses realized on the purchase and sale of treasury shares are booked to equity.

**PROVISIONS FOR
RISKS AND CHARGES**

Provisions for risks and charges are set aside to cover current, legal or implicit liabilities deriving from past events, the amount of which can be reasonably estimated at the end of the period.

If a liability is only considered potential, no risk provision is made, though adequate information is provided in the notes to the financial statements.

PERSONNEL BENEFITS

The provisions for severance indemnities and retirement benefits, which can be considered as post-retirement defined-benefit pension plans, are valued in accordance with IAS 19, using the projected unit credit method to determine the present value of the obligation.

BORROWINGS

Borrowings are initially booked at cost, which is the fair value of the amount received, net of ancillary charges. Subsequently, borrowings are valued at amortized cost using the effective interest rate method.

**DERIVATIVE
FINANCIAL INSTRUMENTS**

Derivative financial instruments are classified as hedging instruments if they meet the conditions for hedge accounting.

Derivative financial instruments are valued at their fair value. The fair value of foreign exchange forward contracts and options is calculated at the exchange rates on the date of valuation; the intrinsic value is booked to the hedging reserve, while any rate and volatility differential is booked to the income statement. The fair value of interest rate contracts is based on their market value.

TAXES

The Group has taken advantage of its right as per appendix 3D, art. 82 of Consob resolution no. 11971 of 14 May 1999 and subsequent amendments, to report income for the period before tax.

REVENUE RECOGNITION

Revenues are recognised to the extent that the economic benefits are likely to be obtained and the amount concerned can be determined with reasonable accuracy.

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

TRANSLATION OF FOREIGN CURRENCY BALANCES

As foreseen in IAS 21, the amounts originally expressed in foreign currency are accounted for as follows:

- monetary items are booked at the spot exchange rate applying at the end of the period;
- non monetary items are recorded using the exchange rates in effect at the time of purchase;
- non monetary items valued at fair value are booked using the exchange rates ruling at the time that the fair value is determined.

Exchange differences realized on the collection of receivables or the settlement of payables denominated in foreign currencies are booked to the income statement.

B) CONSOLIDATION PRINCIPLES

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

- the book value of consolidated investments held by the parent company or by other consolidated companies is eliminated against the Group share of their equity, booking their assets and liabilities on a line-by-line basis;
- significant transactions between consolidated companies are eliminated as are the receivables and payables and any unrealized profit resulting from intercompany transactions;
- minority interest in equity and net profit are shown as separate items in the consolidated balance sheet and income statement, respectively;
- companies acquired or sold during the period are consolidated for the period in which a majority interest was held.

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

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

C) SCOPE OF CONSOLIDATION

The quarterly report as of 31 March 2005 includes the financial and operating information of I.M.A. - Industria Macchine Automatiche S.p.A. (the Parent Company) and all the companies in which it directly or indirectly holds a controlling interest, except for IMA Kilian Verwaltungs GmbH.

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

COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

	Registered offices	Share capital fully paid-in	Direct investment	Indirect investment
Italian companies:				
• I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano E. (BO)	EUR 18,772,000	Parent company	–
• CO.MA.DI.S. S.p.A.	Senago (MI)	EUR 1,540,000	100%	–
• Info Area S.r.l.	Ozzano E. (BO)	EUR 98,800	100%	–
Foreign companies:				
• Luxteco International S.A.	Luxembourg	EUR 3,600,000	99.99%	–
• Holteco B.V.	Amsterdam (Netherlands)	EUR 920,000	100%	–
• IMA UK Ltd.	Wokingham (UK)	GBP 50,000	100%	–
• IMA North America Inc.	Bristol (USA)	USD 2,500	100%	–
• I.M.A. Est Verp. Handels GmbH	Vienna (A)	EUR 280,000	100%	–
• IMA Germany GmbH	Cologne (Germany)	EUR 90,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (F)	EUR 45,735	100%	–
• Precision Gears Pvt. Ltd.	Bombay (India)	RS (*) 17,852,100	51%	–
• IMA Far East Co. Ltd.	Hong Kong	USD 6,672,969	–	100% (1)
• Zibo IMA Xinhua Machinery Manufacturing Co. Ltd.	Zibo (PRC)	USD 800,000	82%	–
• Zibo IMA Xinhua Pharmatech Co. Ltd.	Zibo (PRC)	USD 978,000	82%	–
• Tianjin IMA Machinery Co. Ltd.	Tianjin (PRC)	USD 200,000	65%	–
• Ima Pacific Co. Ltd.	Bangkok (Thailand)	THB (*) 40,219,000	99.99%	–
• IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	Beijing (PRC)	USD 850,000	100%	–
• Imautomatiche Lda	Madeira (Portugal)	EUR 5,000	100%	–
• IMA Iberica Processing and Packaging S.L.	Barcelona (Spain)	EUR 590,000	100%	–
• IMA Kilian GmbH & Co. KG	Cologne (Germany)	EUR 3,600,000	–	100% (2)
• Packaging Systems Holdings LLC	Wilmington (USA)	USD 8,050,000	90.68%	–
• Nova Packaging Systems Inc.	Leominster (USA)	USD 8,050,000	–	90.68% (3)
• Swiftpack Automation Ltd.	Alcester (GB)	GBP 1,403,895	–	90.68% (4)

(*) The nominal share capital of Precision Gears Pvt Ltd. and IMA Pacific Co. Ltd. totals Rs 20,000,000 and Thb 100,000,000 respectively.

COMPANIES VALUED USING THE EQUITY METHOD

	Registered offices	Share capital fully paid-in	Direct investment	Indirect investment
B.C. S.r.l.	Imola (BO)	EUR 36,400	30%	–

**INVESTMENTS
VALUED AT COST**

	Registered offices	Share capital fully paid-in	Direct investment	Indirect investment
IMA Kilian Verwaltung GmbH	Cologne (Germany)	EUR 25,000	–	100% (2)

Notes (list of indirect investments):

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

IMA Kilian Verwaltungs GmbH carries on mainly the activity related to its function and responsibility as active partner of IMA Kilian GmbH & Co. KG. The investment in IMA Kilian Verwaltungs GmbH is carried at cost as both its nature and the amounts involved are immaterial.

Comitec S.r.l. was merged with IMA S.p.A. during 2005, with effect from 1 January 2005.

D) TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As laid down in Consob circular no. 14990 of 14 April 2005, which contains amendments and integrations to Consob circular no. 11971 of 14 May 1999 in consideration of EC Regulation no. 1606/2002, this report has been prepared in accordance with International Financial Reporting Standards (IFRS) and contains the information required by attachment 3D.

The reconciliations required by paragraphs 39 and 40 of "IFRS 1: First-Time Adoption of International Financial Reporting Standards" are provided in an appendix, together with explanatory notes on the methods of preparation and the items that appear in them.

For the purpose of this quarterly report, the Italian and foreign subsidiaries were asked to prepare their balance sheet, income statement and statement of changes in financial position in accordance with IFRS.

PricewaterhouseCoopers, our independent auditors, have been appointed to check the figures produced during the transition process; this audit work is still in progress.

The Parent Company IMA S.p.A. has opted to convert to IFRS in its statutory financial statements from 1 January 2006, as permitted by Legislative Decree 38 of 28 February 2005.

E) INFORMATION ON THE CONSOLIDATED BALANCE SHEET

The balance sheet figures at 31 December 2004 and 31 March 2004 included in this report on operations and the balance sheet figures at 1 January 2004, the date of the transition to IFRS, included in the attachments have been suitably reclassified and restated in compliance with IFRS to ensure that they are comparable.

ASSETS**NON-CURRENT ASSETS***PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS*

The decrease in property, plant and equipment and in intangible assets, 0.2 million euro compared with 31 December 2004, is mainly due to depreciation and amortization charges for the period of 2.7 million euro, only partly offset by the increase in capital expenditure.

FINANCIAL ASSETS

	31.03.2005	31.12.2004
Financial assets	3.4	3.3

This item mainly includes investments in securities for 3.2 million euro (3.2 million euro at 31 December 2004). These securities, which are held in guarantee for the R&D and innovation loans received, are classified as available-for-sale.

CURRENT ASSETS*INVENTORIES*

	31.03.2005	31.12.2004
Inventories	125.1	109.7

The increase of 15.4 million euro is the result of preparing machines that will be delivered to customers in later quarters of the year. This trend can be seen in the same period last year.

TRADE AND OTHER RECEIVABLES

	31.03.2005	31.12.2004
Trade and other receivables	87.0	101.5

This item mainly includes trade receivables of 71.7 million euro (91.1 million euro at 31 December 2004), a decrease of 19.4 million euro. This trend, which could also be seen in the same quarter last year, is the result of collections during the period, demonstrating the effectiveness of the Group's credit management policy.

Trade receivables include 17.1 million euro (12.5 million euro at 31 December 2004) of amounts due by customers for contract work in progress valued on a stage of completion basis, net of advances.

EQUITY AND LIABILITIES**CAPITAL AND RESERVES
PERTAINING TO THE GROUP**

In January and February 2005 the Parent Company IMA S.p.A. bought 1,349,121 treasury shares for 13.3 million euro. This amount has been deducted from equity as required by IFRS.

The change in equity compared with 31 December 2004 is therefore due principally to the purchase of treasury shares and the result for the period.

CURRENT LIABILITIES

TRADE AND OTHER PAYABLES

	31.03.2005	31.12.2004
Trade and other payables	124.0	133.9

This item mainly includes trade payables for 68.0 million euro (74.1 million euro at 31 December 2004) and advances received for 30.2 million euro (30.4 million euro at 31 December 2004).

It also includes the residual liability for the acquisition of 90.68% of Packaging Systems Holdings LLC, for 3.3 million US dollars (2.5 million euro), falling due for 3 million US dollars in May 2006 and the rest in May 2009. In connection with this acquisition, the Parent Company has signed an agreement under which it has granted a put option for the remaining shares in exchange for a call option for them. Both of these options can be exercised by the end of May 2009, at a price index-linked to the gross operating profit achieved by the Nova Group between 1 January 2005 and 31 December 2008. The amount booked to other payables for this agreement amounts to 4.4 million euro.

The change in this item essentially reflects the decrease in trade payables thanks to payments made during the period; a similar trend could be seen in the same period last year.

NET FINANCIAL POSITION

	31.03.2005	31.12.2004	31.03.2004	01.01.2004
Net debt	103.5*	74.0	89.2	73.7
including:				
• Cash and current financial assets	(26.0)	(47.7)	(25.4)	(49.4)
• Non-current financial assets	(3.4)	(3.3)	(3.7)	(3.7)
• Current financial liabilities	82.4	71.3	59.0	75.8
• Non-current financial liabilities	50.5	53.7	59.3	51.0

(*) The net debt reflects the outlay to buy treasury shares for 13.3 million euro, as mentioned previously.

With reference to 31 December 2004, the change in net debt is attributable, as in previous years, principally to the high value of inventories needed to cope with high planned deliveries, as well as the limited amount of free cash flow generated during the period.

The trend in net debt in 1st quarter 2005, less the effect of buying treasury shares, is substantially the same as in 1st quarter 2004, confirming the effectiveness of the current policies designed to limit working capital.

We expect the Group's financial position to improve considerably during the next few quarters thanks to normal business flows, as generally took place in previous years.

F) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

The income statement figures at 31 March 2004 included in this report on operations have been suitably reclassified and restated in compliance with IFRS to ensure that they are comparable.

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

Revenues from sales and services earned by the IMA Group during the period ended 31 March 2005 are analysed by geographical area and by product below (in millions of euro):

	from 01/01/2005 to 31/03/2005	from 01/01/2004 to 31/03/2004
E.U. (excluding Italy)	28.4	21.9
Other European countries	4.1	5.7
North America	15.0	14.2
Asia	7.6	8.1
Other countries	3.9	5.0
Total foreign markets	59.0	54.9
Italy	5.9	3.9
Total	64.9	58.8

**RECONCILIATIONS REQUIRED BY IFRS 1:
FIRST-TIME ADOPTION OF INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

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

INTRODUCTION

In accordance with art. 82-bis of the Issuers' Regulations as amended by Consob circular no. 14990 of 14 April 2005, this appendix contains the reconciliations required by paragraphs 39 and 40 of IFRS 1, together with explanatory notes on the methods of preparation and the items that appear in them.

Note that the figures contained in the IFRS 1 reconciliations have not been audited. Moreover, they are based on the IFRS currently in force and according to their existing interpretation; given that this is a topic in continuous evolution, it is possible that there may be partial changes in them during 2005.

As regards the IFRS adopted by the Group, see the section on accounting policies in the notes to the consolidated interim financial statements included in this report.

APPLICATION OF IFRS 1

The date for the transition to IFRS is 1 January 2004 and an opening balance sheet has been prepared as of that date. IFRS 1: First-Time Adoption of International Financial Reporting Standards provides for a series of voluntary and obligatory exemptions to facilitate the conversion process, while still providing adequate disclosure.

The main voluntary exemptions used by the IMA Group are as follows:

- **Business combinations:** the values of business combinations that took place prior to 1 January 2004 have not been restated.
- **Property, plant and equipment** certain property, plant and equipment classified as "Land and buildings" have been valued at fair value at the transition date and this value has been used as the so-called "deemed cost".
- **Employee benefits:** the cumulative actuarial gains and losses have been recognised in full at the transition date, so the option to use the "corridor method" was not exercised.
- **Cumulative translation differences:** the option to cancel the translation reserve at the transition date was exercised, as foreseen by IAS 21, starting to account for translation differences from that date onwards.
- **Derivative financial instruments:** IAS 32 and 39 have been applied from 1 January 2004; the comparative figures shown in the first year of transition therefore comply with these standards.

RECONCILIATION OF THE BALANCE SHEET AT 1 JANUARY 2004

Notes	ASSETS	Local accounting principles	Effect of transition to IFRS	IFRS
	NON-CURRENT ASSETS			
1.	<i>Property, plant and equipment</i>	58.7	13.2	71.9
2.	<i>Intangible assets</i>	43.0	(1.0)	42.0
	<i>Interests in associates</i>	0.4		0.4
	<i>Financial assets</i>	3.7		3.7
	<i>Receivables from others</i>	1.0		1.0
3.	<i>Deferred tax assets</i>	6.7	(5.9)	0.8
	TOTAL NON-CURRENT ASSETS	113.5	6.3	119.8
	CURRENT ASSETS			
4.	<i>Inventories</i>	117.4	(11.1)	106.3
	<i>Trade and other receivables</i>			–
5.	- Trade receivables	76.7	13.4	90.1
6.	- Advances, tax credits and other receivables	12.6	(1.3)	11.3
	<i>Total trade and other receivables</i>	89.3	12.1	101.4
	<i>Income tax receivables</i>	1.1		1.1
	<i>Financial assets</i>	0.4		0.4
7.	<i>Derivative financial instruments</i>		1.9	1.9
8.	<i>Cash and cash equivalents</i>	54.8	(5.8)	49.0
	TOTAL CURRENT ASSETS	263.0	(2.9)	260.1
	TOTAL ASSETS	376.5	3.4	379.9
	EQUITY AND LIABILITIES			
	EQUITY			
	<i>Share capital</i>	18.8		18.8
	<i>Share premium</i>	16.4		16.4
9.	<i>Other reserves</i>	22.5	(0.4)	22.1
10.	<i>Translation adjustment</i>	(1.4)	1.4	
11.	<i>Hedging reserve</i>		1.5	1.5
12.	<i>Retained earnings</i>	20.6	8.0	28.6
	<i>Net profit (loss) for the period</i>	19.0		19.0
	Total equity of the Group	95.9	10.5	106.4
	Minority interest	2.2		2.2
	EQUITY PERTAINING TO THE GROUP AND MINORITY	98.1	10.5	108.6
	NON-CURRENT LIABILITIES			
13.	<i>Borrowings</i>	51.6	(0.6)	51.0
14.	<i>Retirement benefit obligations</i>	21.5	1.0	22.5
15.	<i>Provisions for risks and charges</i>	1.6	(0.8)	0.8
	TOTAL NON-CURRENT LIABILITIES	74.7	(0.4)	74.3
	CURRENT LIABILITIES			
	<i>Borrowings</i>	75.9	(0.1)	75.8
	<i>Trade and other payables</i>			–
	- Trade payables	70.3	0.1	70.4
16.	- Advances received	28.4	(6.1)	22.3
17.	- Tax and other payables	23.1	(1.2)	21.9
	<i>Total trade and other payables</i>	121.8	(7.2)	114.6
	<i>Income tax liabilities</i>	1.6		1.6
	<i>Provisions for risks and charges</i>	4.4	0.1	4.5
18.	<i>Derivative financial instruments</i>		0.5	0.5
	TOTAL CURRENT LIABILITIES	203.7	(6.7)	197.0
	TOTAL LIABILITIES	278.4	(7.1)	271.3
	TOTAL EQUITY AND LIABILITIES	376.5	3.4	379.9

NOTES TO THE RECONCILIATION OF THE BALANCE SHEET AT 1 JANUARY 2004

The following notes explain adjustments to balance sheet items over 0.1 million euro:

1. The impact on Property, plant and equipment is mainly due to the valuation at fair value at the transition date of certain assets in the categories Land and buildings as permitted by IFRS 1; the impact of this valuation is 12.8 million euro. To this has to be added 0.4 million euro due to the reclassification of costs incurred on assets not owned by the company, as mentioned in note 2.
2. The changes in intangible assets are as follows:

i. capitalisation of development costs booked in previous years to the income statement	1.7
ii. elimination of start-up and expansion costs	(0.9)
iii. elimination of costs included in other intangible assets (see Note A below)	(1.4)
iv. reclassification to property, plant and equipment of costs incurred on assets not owned by the company	(0.4)
Total impact	(1.0)

(Note A)
The adjustments to Other intangible assets refer principally to advisory fees relating to R&D loans and other deferred charges that do not have the requisites needed by IFRS to be capitalised.
3. The amount corresponds to the tax effects of the adjustments for conversion to IFRS; in particular this amount refers to the Hedging reserve for 0.7 million euro (see note 11) and to Retained earnings for 5.2 million euro (see note 12).
4. The effect on Inventories is due to:

i. higher value of inventories due to their valuation at weighted average cost compared with LIFO	0.7
ii. construction contracts valued according to the completed contract method under the previous accounting principles and under the stage of completion method according to IFRS	(5.2)
iii. reclassification to trade receivables of construction contracts already valued at stage of completion	(6.6)
Total impact	(11.1)
5. The impact on trade receivables is due to:

i. the amounts due by customers for construction contracts valued on an accrued revenue basis (see note 4 ii.)	7.1
ii. reclassification of construction contracts (see note 4.iii.)	6.6
iii. advances from customers for construction contracts mentioned in points i. and ii. above.	(6.1)
iv. different method of accounting for the assignment of receivables to factoring companies (note 8)	5.8
Total impact	13.4
6. The impact refers to accrued income and prepayments as the amounts contained therein have been reclassified to trade receivables, other receivables and cash at banks based on their nature.

7. The amount refers to the fair value at the transition date of the exchange risk hedging instruments used to protect sales represented by forward sales of currency and options.
8. The amount refers to the different method of accounting for the assignment of receivables to factoring companies as IFRS apply more restrictive criteria for the recognition of definitive credit assignments than the previous accounting principles.
9. The amount refers to the revaluations carried out in accordance with the law on assets included in land and buildings valued at fair value at the transition date as permitted by IFRS 1.
10. The amount refers to the cumulative translation differences that are assumed to net out to zero at the transition date as permitted by IFRS 1.
11. The hedging reserve refers to the intrinsic fair value of the hedging contracts used to protect against exchange risk on sales represented by forward sales of currency and options (2.0 million euro), export financing (0.6 million euro) and IRS contracts (-0.4 million euro) for a total of 2.2 million euro; the amount of the hedging reserve comes to 1.5 million euro (2.2 million euro less the tax effect of 0.7 million euro).
12. The changes in retained earnings are as follows:
- | | |
|--|-------|
| Fair value of land and buildings | 12.8 |
| Valuation of inventories and contract work in progress | 2.4 |
| Liabilities for personnel benefits | (0.8) |
| Provisions for risks and charges | 0.3 |
| Intangible assets | (0.5) |
| Other reserves | (1.0) |
| Tax impact | (5.2) |
| | 8.0 |
13. The amount refers to the different value of borrowings valued at amortized cost using the effective interest rate method; as mentioned in note 2, the advisory fees relating to R&D loans have been reversed out of intangible assets.
14. The amount refers to the adjustment of the value of post-retirement benefit obligations, represented mainly by the employee termination indemnities of the Italian companies and the reclassification explained in the following note.
15. The impacts on provisions for risks and charges are as follows:
- | | |
|---|-------|
| i. Reversal of the provisions for losses on IRS contracts | (0.3) |
| ii. Reclassification of provision for personnel charges of the German company | (0.5) |
| | (0.8) |
16. The amount refers to the advances received from customers on contracts valued on the basis of IAS 11 for which the revenues accrued exceed the amount of the advances received from customers; these amounts have been reclassified to assets as a deduction from receivables (see note 5).
17. The amount relates to accrued liabilities and deferred income as the amounts contained therein have been reclassified to trade payables, other payables and bank overdrafts based on their nature.
18. The amount refers to the valuation at fair value of two Interest Rate Swap contracts.

RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2004

Notes	ASSETS	Local accounting principles	Effect of transition to IFRS	IFRS
	NON-CURRENT ASSETS			
1.	<i>Property, plant and equipment</i>	59.5	13.5	73.0
2.	<i>Intangible assets</i>	50.4	6.9	57.3
	<i>Interests in associates</i>	0.5		0.5
	<i>Financial assets</i>	3.3		3.3
	<i>Receivables from others</i>	0.8		0.8
3.	<i>Deferred tax assets</i>	6.5	(6.5)	–
	TOTAL NON-CURRENT ASSETS	121.0	13.9	134.9
	CURRENT ASSETS			
4.	<i>Inventories</i>	128.7	(19.0)	109.7
	<i>Trade and other receivables</i>			–
5.	- Trade receivables	75.3	15.8	91.1
6.	- Advances, tax credits and other receivables	12.2	(1.8)	10.4
	<i>Total trade and other receivables</i>	87.5	14.0	101.5
	<i>Income tax receivables</i>	5.3		5.3
	<i>Financial assets</i>	0.7		0.7
7.	<i>Derivative financial instruments</i>		1.6	1.6
8.	<i>Cash and cash equivalents</i>	50.3	(3.3)	47.0
	TOTAL CURRENT ASSETS	272.5	(6.7)	265.8
	TOTAL ASSETS	393.5	7.2	400.7
	EQUITY AND LIABILITIES			
	CAPITAL AND RESERVES			
	<i>Share capital</i>	18.8		18.8
	<i>Share premium</i>	16.4		16.4
9.	<i>Other reserves</i>	28.9	(0.4)	28.5
10.	<i>Translation adjustment</i>	(2.6)	1.4	(1.2)
11.	<i>Hedging reserve</i>		1.1	1.1
12.	<i>Retained earnings</i>	18.8	8.0	26.8
13.	<i>Net profit (loss) for the period</i>	13.3	3.5	16.8
	Total equity of the Group	93.6	13.6	107.2
14.	<i>Minority interests</i>	2.9	(0.6)	2.3
	EQUITY PERTAINING TO THE GROUP AND MINORITY INTEREST	96.5	13.0	109.5
	NON-CURRENT LIABILITIES			
15.	<i>Borrowings</i>	54.4	(0.7)	53.7
16.	<i>Retirement benefit obligations</i>	22.5	1.7	24.2
17.	<i>Provisions for risks and charges</i>	1.8	(0.9)	0.9
18.	<i>Deferred tax liabilities</i>		0.7	0.7
	TOTAL NON-CURRENT LIABILITIES	78.7	0.8	79.5
	CURRENT LIABILITIES			
	<i>Borrowings</i>	71.4	(0.1)	71.3
	<i>Trade and other payables</i>			–
19.	- Trade payables	74.0	0.2	74.2
20.	- Advances received	40.2	(9.8)	30.4
21.	- Tax and other payables	26.3	3.0	29.3
	<i>Total trade and other payables</i>	140.5	(6.6)	133.9
	<i>Income tax liabilities</i>	1.3		1.3
	<i>Provisions for risks and charges</i>	5.1		5.1
	<i>Derivative financial instruments</i>		0.1	0.1
	TOTAL CURRENT LIABILITIES	218.3	(6.6)	211.7
	TOTAL LIABILITIES	297.0	(5.8)	291.2
	TOTAL EQUITY AND LIABILITIES	393.5	7.2	400.7

NOTES TO RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2004

The following notes explain adjustments to balance sheet items over 0.1 million euro:

1. The impact on Property, plant and equipment is mainly due to the valuation at fair value at the transition date of certain assets in the categories Land and buildings as permitted by IFRS 1; the impact of this valuation was 12.8 million euro at the transition date, from which have to be deducted higher depreciation in 2004 of 0.2 million euro. To this has to be added 0.9 million euro due to the reclassification of costs incurred on assets not owned by the company, as mentioned in note 2.

2. Intangible assets:

i.	capitalisation of development costs booked in previous years to the income statement	1.5
ii.	elimination of start-up and expansion costs	(0.6)
iii.	elimination of amortization of goodwill and consolidation differences for 2004	4.9
iv.	reclassification to item Property, plant and equipment of costs incurred on	(0.9)
v.	recalculation of goodwill related to the acquisition of Nova based on IFRS 3 (see Note A below)	3.3
vi.	elimination of costs included in other intangible assets (see Note B below)	(1.3)
	Total impact	6.9

(Note A)

In September 2004 the Company bought 90.68% of Packaging Systems Holdings at the same time signing a Put&Call option for the residual 9.32% to be exercised by the end of May 2009. Under IFRS, this option contract merely represents extended payment terms for the remainder of the company's share capital; the overall goodwill has therefore been recalculated taking accounting of the contingent price of the option.

(Note B)

The adjustments to other intangible assets refer principally to advisory fees relating to R&D loans and other deferred charges that do not have the requisites needed by IFRS to be capitalised.

3. The amount of the deferred tax assets has been reclassified as a deduction from deferred tax liabilities.

4. The impact on Inventories is due to:

i.	Higher value of inventories valued at weighted average cost compared with LIFO	0.4
ii.	construction contracts valued according to the completed contract method under the previous accounting principles and under the stage of completion method according to IFRS	(5.1)
iii.	reclassification to trade receivables of construction contracts previously valued at stage of completion	(14.3)
	Total impact	(19.0)

5.	Trade receivables:	
	i. amount due to customers for contract work in progress based on accrued revenues (see note 4 ii.)	8.0
	ii. Reclassification of contract work in progress (see note 4 iii.)	14.3
	iii. advances from customers for contract work in progress mentioned in points i. and ii. above.	(9.8)
	iv. different method of accounting for the assignment of receivables to factoring companies (note 8)	3.3
	Total impact	15.8
6.	The impact refers to accrued income and prepayments as the amounts contained therein have been reclassified to trade receivables, other receivables and cash at banks based on their nature.	
7.	The amount refers to the fair value of the exchange risk hedging instruments used to protect sales represented by forward sales of foreign exchange and options.	
8.	The amount refers to the different method of accounting for the assignment of receivables to factoring companies as IFRS apply more restrictive criteria for the recognition of definitive credit assignments than the previous accounting principles.	
9.	The amount refers to the revaluations carried out in accordance with the law on assets included in land and buildings valued at fair value at the transition date as permitted by IFRS 1.	
10.	The amount refers to the cumulative translation differences that are assumed to net out to zero at the transition date as permitted by IFRS 1.	
11.	The hedging reserve refers to the intrinsic fair value of the hedging contracts used to protect against exchange risk on sales represented by forward sales of currency and options for 1.6 million euro; the amount of the hedging reserve comes to 1.1 million euro (1.6 million euro less the tax effect of 0.5 million euro).	
12.	The changes in retained earnings are the same as those in the reconciliation of equity at the transition date.	
13.	The changes in net profit for the period are the same as those in the reconciliation of the 2004 income statement.	
14.	As mentioned previously in point 2 of Note A, under IFRS the acquisition of a majority interest in Packaging Systems Holdings has in effect meant accounting for 100% of it; for IFRS purposes, the minority interest has therefore been eliminated.	
15.	The amount refers to the different value of borrowings valued at amortized cost using the effective interest rate method; as mentioned in note 2, the advisory fees relating to R&D loans have been reversed out of intangible assets.	
16.	The amount refers to the adjustment of the value of post-retirement benefit obligations, represented mainly by the employee termination indemnities of the Italian companies and the reclassification explained in the following note.	
17.	The impacts on provisions for risks and charges are as follows:	
	i. Reversal of provisions for losses on IRS contracts	(0.1)
	ii. Reclassification of provision for personnel charges of the German company	(0.8)
	Total impact	(0.9)

18.	The impact on deferred tax liabilities consists of:	
	i. Tax effects of adjustments for conversion to IFRS at 31 December 2004	7.2
	ii. Reclassification of deferred tax assets (see Note 3)	(6.5)
	Total impact	0.7
19.	The amount refers to the costs and related commissions payable booked according to the stage of completion of the contract; as mentioned in note 4, part of the contract work in progress used to be valued on a completed contract basis under the previous accounting principles.	
20.	The amount refers to the advances received from customers on contracts valued on the basis of IAS 11 for which the revenues accrued exceed the amount of the advances received from customers; these amounts have been reclassified to assets as a deduction from receivables (see note 5).	
21.	Tax and other payables	
	i. Reclassification of accrued liabilities and deferred income	(1.1)
	ii. Payables for the acquisition of Packaging Systems Holdings (see point 2 note A)	4.1
	Total impact	3.0

RECONCILIATION OF THE 2004 STATEMENT OF INCOME

Notes	INCOME STATEMENT	Local accounting principles	Effect of transition to IFRS	IFRS
1.	REVENUES	371.1	0.9	372.0
	OPERATING COSTS			
	<i>Other revenues</i>	(4.8)	0.1	(4.7)
	<i>Change in work in progress, semifinished and finished goods</i>	(0.1)	(0.1)	(0.2)
2.	<i>Change in inventory of raw, ancillary and consumable materials and goods for resale</i>	2.0	0.3	2.3
	<i>Cost of raw, ancillary and consumable materials</i>	128.0		128.0
3.	<i>Services, rentals and leases</i>	84.6	(5.7)	78.9
4.	<i>Personnel costs</i>	108.5	6.5	115.0
5.	<i>Depreciation and amortization expense</i>	16.3	(4.9)	11.4
	<i>Provisions for risks and charges</i>	1.3		1.3
	<i>Other operating costs</i>	3.3		3.3
	TOTAL OPERATING COSTS	339.1	(3.8)	335.3
	OPERATING PROFIT	32.0	4.7	36.7
	FINANCIAL INCOME AND EXPENSES	(4.2)		(4.2)
	PROFIT (LOSS) FROM INTERESTS IN ASSOCIATES	0.1	–	0.1
	PROFIT (LOSS) BEFORE TAX	27.9	4.7	32.6
6.	INCOME TAXES FOR THE PERIOD	(14.2)	(1.3)	(15.5)
	PROFIT (LOSS) AFTER TAXES	13.7	3.4	17.1
	PROFIT (LOSS) PERTAINING TO MINORITY INTEREST	(0.4)	0.1	(0.3)
	RESULT FOR THE PERIOD	13.3	3.5	16.8

NOTES TO THE RECONCILIATION OF THE 2004 STATEMENT OF INCOME

The following notes explain adjustments to income statement items over 0.1 million euro:

1. Revenues are 0.9 million euro higher because of the different method of valuing contract work in progress (previously under the completed contract method, now under the stage of completion method in accordance with IAS 11).
2. The impact is attributable to the different method of valuing inventories (previously at LIFO, now at weighted average cost).
3. The change in services, rentals and leases is due for 5.9 million euro to the reclassification to personnel costs of freelancers' and directors' fees and other personnel-related expenses such as insurance, accommodation, company cars and canteen, which under IFRS have to be included in labour cost. Another 0.2 million euro of higher costs have to be added to the reclassification for the capitalisation of start-up and expansion costs during the year by one of the Group's Chinese companies, which according to IFRS should not have been capitalised.
4. The changes in personnel costs are as follows:

Reclassification from services (see note 3)	5.9
Higher charges for defined-benefit pension plans (TFR)	0.6
Total impact	6.5
5. This effect refers principally to the lower costs for amortization of goodwill and consolidation differences as IFRS do not envisage the systematic amortization of goodwill, but only a periodic impairment test; the result of this test was that there was no need to write down the value of the goodwill shown in the financial statements.
6. The amount refers to the tax effects of the adjustments explained in notes 1 to 5.

RECONCILIATION OF THE STATEMENT OF CASH FLOWS FOR 2004

	Local accounting principles	Effect of transition to IFRS	IFRS
A. Opening short-term net debt	(20.6)	(5.8)	(26.4)
B. Cash flow generated (absorbed) by operations	36.1	6.5	42.6
C. Cash flow generated (absorbed) by investment activities	(23.7)	(3.5)	(27.2)
D. Cash flow generated (absorbed) by medium/long-term financial	2.8	–	2.8
E. Change in equity items	(14.4)	(0.4)	(14.8)
F. Net effect of exchange rate variances	(0.6)	–	(0.6)
G. Cash flow for the period (B+C+D+E+F)	0.2	2.6	2.8
H. Closing short-term net debt (A+G)	(20.4)	(3.2)	(23.6)

NOTES TO RECONCILIATION OF THE STATEMENT OF CASH FLOWS FOR 2004

The principal impact on net debt is the different method of accounting for the factoring of receivables as mentioned in note 8 to the balance sheet reconciliations at the transition date and at 31 December 2004.

IFRS apply more restrictive criteria for the recognition of definitive credit assignments than the previous accounting principles. This different method of accounting has entailed a reclassification from cash and cash equivalents to trade receivables of 5.8 million euro at the transition date and of 3.3 million euro at 31 December 2004.