
REPORT FOR THE FIRST HALF OF 2005



**Power, precision and high speed:
the unbeatable performance of
our technology for knotted tea bags**

REPORT ON OPERATIONS FOR THE FIRST HALF OF 2005
(TRANSLATED FROM THE ORIGINAL ISSUED IN THE ITALIAN
INTO ENGLISH LANGUAGE SOLELY FOR
THE CONVENIENCE OF INTERNATIONAL READERS)

I . M . A . I N D U S T R I A M A C C H I N E A U T O M A T I C H E S . P . A .
R E G I S T E R E D O F F I C E : O Z Z A N O D E L L ' E M I L I A
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I . M . A . I N D U S T R I A M A C C H I N E A U T O M A T I C H E S . P . A .
A N D S U B S I D I A R I E S

DIRECTORS AND OFFICERS

(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 10,000,000.00 euros, 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 at 31 December 2005)

CHAIRMAN AND MANAGING DIRECTOR

Vacchi Marco

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

Vacchi Alberto

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 estates 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

Malagoli Andrea

Delegated powers:

- banking operations;
- signing of contracts, arrangement and administration of insurance policies 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 AUDITORS

(in office until 31 December 2006)

STANDING AUDITORS

Giorgio Comini - Chairman - Auditor

Amedeo Cazzola - Auditor

Piero Aicardi - Auditor

ALTERNATE AUDITORS

Vittorio Coraducci - Auditor

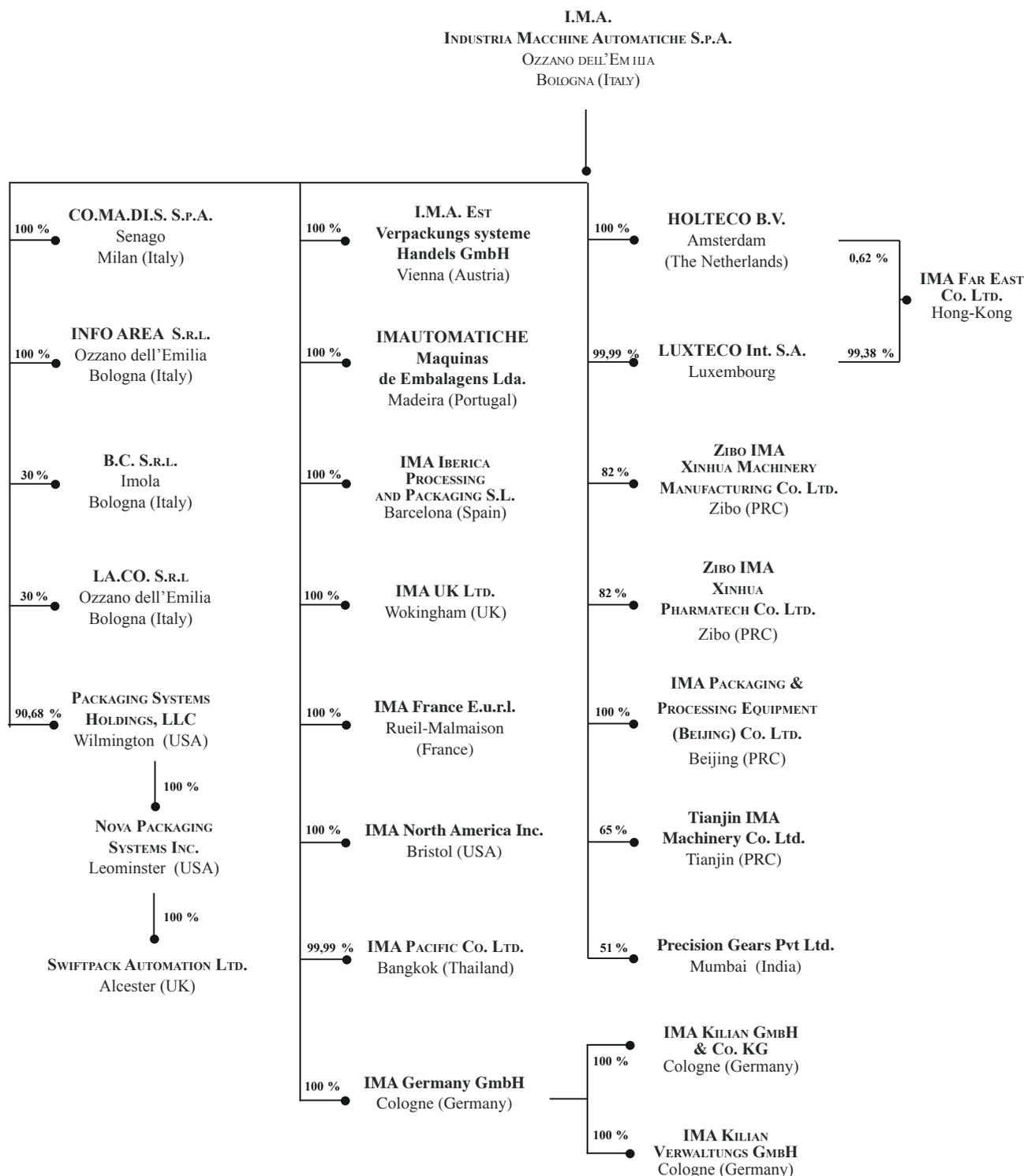
Chiara Gallina - Auditor

Antonella Grassigli - Auditor

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

GROUP STRUCTURE



GROUP COMPANIES BY BUSINESS SEGMENT

**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)

LA.CO. S.r.l.
Ozzano dell'Emilia
Bologna (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)

GROUP PERFORMANCE

INTRODUCTION

The half-year report has been prepared in accordance with the IAS/IFRS, issued by the IASB and endorsed by the European Union. This report also complies with the SIC/IFRIC interpretations.

For reporting purposes, the Parent Company I.M.A. S.p.A. and its Italian and foreign subsidiaries have prepared their financial statements in compliance with international accounting standards.

The consolidated figures reported for comparative purposes have been appropriately adjusted to the IAS/IFRS. The adjustments made are shown in the reconciliation schedules and explained in the notes.

The information disclosed in the report on operations for the first half of 2005 is the same that was disclosed in the half-year reports for the previous years as it is consistent with the principles for disclosing operations. Additional explanatory information is provided in the section “Notes to the consolidated financial statements”.

As permitted under Legislative Decree 38 of 28 February 2005, the Parent Company I.M.A. S.p.A. will adopt the International Accounting Standards from 1 January 2006 for its statutory financial statements. The financial statements of the Parent Company, which accompany this Report, have been prepared in accordance with Italian GAAP.

THE ECONOMIC SCENARIO

In the first six months of 2005 sales of pharmaceuticals worldwide rose by 6% as compared with an increase of 9% in the first six months of 2004. In the US, which alone accounts for 50% of worldwide consumption of pharmaceuticals, sales growth slowed from +10% in 2004 to +6% in 2005. Europe also witnessed a slow-down in sales expansion, especially in the United Kingdom (where the growth rate fell from +10% in the first half of 2004 to +2% in 2005) and in Italy and Spain. Growth rates for France and Germany stand at +6%, in line with the previous year. Growth rates of more than 20% were posted in the leading markets of Latin America, Russia and China.

The fact that the largest slow-downs occurred in countries like the United States and the United Kingdom, whose economies grew steadily in the first six months of 2005, confirms that pharmaceuticals sales in OECD countries are not closely linked to economic developments and are much more affected by industry issues. These mainly regard governments implementing more restrictive healthcare policies than in previous years and the introduction of new pharmaceuticals that offer little or no innovation and tend to take market shares away from similar products of competitors rather than creating additional demand. Other factors are the great concern caused by the side effects of some widely-used pharmaceuticals which were recalled immediately and the end of patent protection for a number of important pharmaceuticals. All these factors exerted pressure on the pharmaceutical industry both in terms of profitability and uncertainty, with a subsequent impact on capital expenditure in new production capacity. Although no official data is available, we estimate that demand for plant and equipment from the pharmaceutical industry weakened slightly in North America, contracted significantly in France and the UK and was essentially steady in the other EU countries. Demand in Latin America,

Central and Eastern Europe, and the Middle East expanded sharply. As regards the Far East, especially China, the strong growth in demand was mainly directed to local producers owing to the appreciation of the euro. Although their equipment is of lower quality and does not comply with international standards, it is far less expensive.

The persistence of weak overall demand from the pharmaceutical industry continued in 2005, which heightened the price strains that had already dominated 2004. This caused a further narrowing of industrial margins, which were already being squeezed by the steady and sharp depreciation in the US dollar.

The performance of the market for tea-packaging machines was completely different. Demand from Russia and the major European markets was still very robust and showed no signs of slowing down.

CONSOLIDATED INCOME STATEMENT

In the first half of 2005 the IMA Group operating profit was 1.3 million euros, down from 9.3 million euros in the first half of 2004. The Group posted a net loss of 1.1 million euros, compared with a profit of 3.5 million euros at 30 June 2004.

The table below reports the key figures for the consolidated income statement for the first half of 2005, with comparative figures for the year-earlier period:

in millions of euros	H1 2005		H1 2004		%
	Amount	%	Amount	%	
Revenues	156.5		163.8		<i>(4.5)</i>
Cost of sales	(97.6)		(98.7)		
Industrial gross profit	58.9	<i>37.6</i>	65.1	<i>39.7</i>	<i>(9.5)</i>
R&D costs	(9.3)		(9.2)		
Sales costs	(23.7)		(21.9)		
General and administrative costs	(24.6)		(24.7)		
Operating profit (E.B.I.T.)	1.3	<i>0.8</i>	9.3	<i>5.7</i>	<i>(86.0)</i>
Net financial income (expense)	(3.2)		(2.3)		
Profits (losses) from investments in associates	–		0.1		
Result before tax	(1.9)	<i>(1.2)</i>	7.1	<i>4.3</i>	<i>n.s.</i>
Income taxes	0.9		(3.5)		
Profit (loss) for the period	(1.0)	<i>(0.6)</i>	3.6	<i>2.2</i>	<i>n.s.</i>
Profit (loss) pertaining to minority interests	(0.1)		(0.1)		
Group profit (loss)	(1.1)	<i>(0.7)</i>	3.5	<i>2.1</i>	<i>n.s.</i>
Gross operating margin (E.B.I.T.D.A.)	6.4	<i>4.1</i>	14.5	<i>8.9</i>	<i>(55.9)</i>
Order book	195.0		165.9		<i>17.5</i>

REVENUES

In the first half of 2005 consolidated revenues amounted to 156.5 million euros, compared with 163.8 million euros in the first six months of 2004. The Nova Group was included in the scope of consolidation in October 2004 and accounted for 9.1 million euros of revenues for the first half of 2005.

With regard to our sectors of activity, the table below shows a breakdown of revenues compared with the first half of 2004:

millions of euros	H1 2005	H1 2004	Change	%
Tea, coffee and herbal tea packaging	34.3	36.8	(2.5)	(6.8)
Pharmaceutical packaging and other	92.2	86.6	5.6	6.5
Pharmaceutical processing	30.0	40.4	(10.4)	(25.7)
Total revenues	156.5	163.8	(7.3)	(4.5)

Revenues of the Nova Group are included under pharmaceutical packaging. The drop in revenues for the period, despite the fact that the order book at the start of the year was in line with that at the outset of 2004, mainly involved the processing machinery segment, reflecting both the loss of production at the IMA Kilian GmbH & Co. KG subsidiary during the transfer to its new facilities in Cologne and the increased complexity of a number of machines with highly customised features, which are scheduled to be delivered in the second half of the year. The table below shows a comparison of new orders for the first half of 2005 and new orders for the first half of 2004:

millions of euros	H1 2005	H1 2004	Change	%
Tea, coffee and herbal tea packaging	39.1	26.8	12.3	45.9
Pharmaceutical packaging and other	111.3	103.3	8.0	7.7
Pharmaceutical processing	50.4	55.2	(4.8)	(8.7)
Total new orders	200.8	185.3	15.5	8.4

Since orders acquired from the Nova Group were 12.1 million euros, orders acquired in the first half of 2005 on a like-for-like basis were 188.7 million euros, up 3.4 million euros from the first half of 2004. Specifically, the tea packaging sector was marked by a strong increase in orders thanks to a steady demand, as noted earlier. As regards both processing and packaging plant for the pharmaceutical and cosmetics sector, orders acquired in the first six months were lower than those acquired in the first half of 2004 on like-for-like basis. It should be recalled, however, that the good performance of the first half of 2004 was followed by a sharp slow-down.

The table below shows a breakdown of the order book at 30 June 2005:

millions of euros	30-Jun-2005	30-Jun-2004	Change	%
Tea, coffee and herbal tea packaging	46.9	35.3	11.6	32.9
Pharmaceutical packaging and other	101.9	89.9	12.0	13.3
Pharmaceutical processing	46.2	40.7	5.5	13.5
Total order book	195.0	165.9	29.1	17.5

The order book for the packaging operations of the Nova Group amounted to 7.5 million euros. With regard to the geographic distribution of sales, performance was maintained in North America, with volumes standing at the prior-year levels despite weaker demand. In the main EU countries, sales to the pharmaceutical and cosmetics industry slightly fell compared to 2004, a year which had seen a strong decrease in sales from 2003. Lower sales in China and the Far East, where demand was slowed by the weakening of the US dollar, to which the main local currencies remain pegged, were offset by strong growth in orders from Latin America and some countries of the Middle East.

OPERATING PROFIT

Gross industrial income was 58.9 million euros, compared with 65.1 million euros at 30 June 2004, declining as percentage of revenues by 2 percentage points (from 39.7 to 37.6). The decrease is mainly due to aggressive pricing in the pharmaceutical sector, especially in Europe and in the emerging countries whose currencies are pegged to the US dollar. The period was also adversely affected by losses of production due to the relocation of IMA Kilian to its new facilities. It is expected that the losses will be recouped in the second half of the year together with the non-recurring expenses incurred by IMA Kilian to downsize personnel. The staff reduction was made possible thanks to the productivity gains achieved at the new plant.

R&D costs are essentially unchanged from the previous year, net of the capitalisation of costs for new pharmaceutical products (1.2 million euros) and coffee products (0.9 million euros in the first half of 2004), despite the rise in unit labour costs.

Commercial and selling costs rose by 1.8 million euros, mainly due to the consolidation of the Nova Group, which incurred costs amounting to 1.5 million euros. This item includes commissions paid to agents, down 0.7 million euros from the prior year due to lower sales volume. In the period, promotional and exhibition costs were particularly high, due to our simultaneous participation in the Interphex trade fair in New York and Interpack in Düsseldorf.

General and administrative costs were unchanged on the same period of 2004, despite the presence of the Nova Group, which accounted for 1.1 million euros, and the relocation costs of IMA Kilian of 0.8 million euros, including the expenses subsequent to re-organisation.

RESULT BEFORE TAX

Net financial expense came to 3.2 million euros (net expense of 2.3 million euros at 30 June 2004). The decrease is mainly due to exchange rate differences and the consolidation of the Nova Group. Therefore, the result before tax was a loss of 1.9 million euros, compared with a pre-tax profit of 3.6 million euros in the first half of 2004.

ANALYSIS OF PERFORMANCE BY SEGMENT

The comments on the consolidated income statement also provide information on performance by segment.

millions of euros	Tea H1		Packaging H1		Process H1		Other H1	
	2005	2004	2005	2004	2005	2004	2005	2004
Revenues	34.3	36.8	92.2	86.6	30.0	40.4	–	–
Operating profit	11.3	13.3	(2.6)	(2.5)	(7.4)	(1.5)	–	–
Net capital employed	12.7	26.6	95.7	82.0	75.8	80.7	(0.1)	(0.8)
R&D costs	2.0	1.5	5.1	5.3	2.2	2.4	–	–
Average personnel (*)	240	231	1,487	1,323	491	490	399	394
Order book	46.9	35.3	101.9	89.9	46.2	40.7	–	–

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

Despite an improvement in the industrial margin, the decline in the ratio of operating profit to revenues in the tea sector was mainly due to higher R&D costs and commercial/administrative costs. The packaging sector was adversely affected by price tensions. The process sector was also affected by price pressures, but in this case the decline was mainly due to the steep fall in revenues despite a modest rise in fixed costs related to the relocation of IMA Kilian.

Net capital employed includes goodwill of 49.6 million euros, of which 21.1 million euros relates to the packaging sector and 28.5 million euros relates to the process sector. The increase of some 13.7 million euros in the packaging sector from 30 June 2004 was mainly due to the acquisition of the Nova Group (about 12.2 million euros). The amount of net capital employed shown in the "Other" column essentially relates to investments which cannot be allocated and to tax-related items.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

The following table provides an overview of the balance sheet and financial situation of the Group at 30 June 2005:

millions of euros	30-Jun-2005	31-Dec-2004
Trade receivables	78.2	88.1
Inventories	134.3	109.7
Trade payables	(112.6)	(100.4)
Other, net	(17.3)	(14.0)
Working capital	82.6	83.4
Property, plant and equipment	71.9	73.0
Intangible assets	59.1	57.3
Investments in associated companies	1.0	0.5
Fixed assets	132.0	130.8
Provision for severance indemnities and other provisions	(30.5)	(30.7)
Net capital employed	184.1	183.5
FINANCED BY:		
Net debt	101.8	74.0
Minority interests	2.5	2.3
Group equity	79.8	107.2
Total sources of financing	184.1	183.5

At end-period, net capital employed was 184.1 million euros, virtually unchanged from that at 31 December 2004 (183.5 million euros) and down 4.4 million euros as compared with that at 30 June 2004, in spite of the inclusion of the Nova Group in the scope of consolidation (some 12.2 million euros). More specifically, the reduction in trade receivables reflects, on one hand, lower revenues for the last quarter, and on the other hand it confirms the effectiveness of the actions that the Group continues to implement, including the initiatives to raise awareness of the issue across the entire sales network. The substantial increase in inventories is due to large volumes of deliveries scheduled for the second half of the year. This growth is moderately offset by an increase in trade payables (suppliers and customers) resulting from advances being handled more carefully. The change in property, plant and equipment and intangible assets reflects the different developments in capital expenditure for the period and amortisation and depreciation

charges. The variation is also affected by changes in end-period exchange rates, especially the euro-dollar exchange rate.

Net debt is broken down below:

millions of euros	30-Jun-2005	31-Dec-2004	30-Jun-2004	01-Jan-2004
Net debt	101.8*	74.0	91.3	73.7
Of which:				
• Cash and current financial assets	(29.5)	(47.7)	(19.4)	(49.4)
• Non-current financial assets	(3.6)	(3.3)	(3.8)	(3.7)
• Current financial liabilities	84.5	71.3	59.9	75.8
• Non-current financial liabilities	50.4	53.7	54.6	51.0

(*) The net debt reflects the outlay of 10.6 million euros to buy treasury shares held at 30 June 2005, as mentioned below.

With reference to 31 December 2004, the change in net debt is mainly attributable, as in previous years, to the substantial inventories needed to cope with planned deliveries, as well as the limited amount of self-financing generated during the period.

The performance of net debt in the first half of 2005, net of the effect of buying treasury shares, is substantially the same as in the first half of 2004, confirming the effectiveness of the current policies designed to limit working capital.

As compared with 30 June 2004 the rest of cash generated in the twelve-month period was 12.5 million euros net of the effect of the acquisition of the Nova Group and the purchase of treasury shares. We expect net debt to improve during the next six months thanks to normal business flows, as has generally happened in previous years.

CAPITAL EXPENDITURE

Group capital expenditure in property, plant and equipment was 2.3 million euros (about 4 million euros in the same period of 2004) and mainly relates to the costs incurred to extend and upgrade existing buildings and plants, and to purchase machinery and equipment for the production process of Group companies as well as electronic equipment. Group capital expenditure in intangible assets was some 2 million euros, essentially the same as in the corresponding period of 2004. Of this, 1.2 million euros (0.9 million euros a year earlier) relates to the capitalisation of entirely new products, whose economic effects will start to appear in the coming years.

OTHER INFORMATION

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FIRST SIX MONTHS

After 30 June, a number of resolutions were passed and agreements made that are of strategic importance for the Group's future.

On 29 July IMA S.p.A. agreed to acquire 50% of a newly formed Spanish company. The agreement will take effect after completion of the formalities required for the transfer of Telstar's activities and those requested by the antitrust authorities. The new company will hold the freeze-drying operations transferred to it by the Spanish Group Telstar.

The company will be named IMA-Telstar and will control 55% of the Chinese company Telstar Huadong, which has its registered offices in Shanghai and also operates in the freeze-drying sector. IMA S.p.A. will take its stake through the cash subscription of a capital increase at IMA-Telstar in the same amount as the value of the assets contributed by the Telstar Group, an estimated 11 million euros. As a result of IMA's capital contribution, the newly-formed company will have a positive net financial position in the same amount as the capital increase. The new company will therefore have the financial resources necessary to support the company's development plans. In 2004 the freeze-drying operations of the Telstar Group posted revenues of some 16 million euros and a gross operating margin (EBITDA) of 17.5%. IMA had long been assessing various options for entering the freeze-drying sector since the freeze-drying process is becoming increasingly widespread, especially in the production of biotech-derived pharmaceuticals. Commercially, this activity has synergies with filling equipment in sterile environments, a sector where the IMA Group has a significant market share and in which it has invested heavily. We also feel that Telstar is the ideal partner, thanks to its industrial and commercial dynamism. Moreover, IMA can help strengthen the range of loading/unloading systems for freeze-dryers thanks to its exclusive know-how acquired over the years.

On 22 July, the Board of Directors of IMA S.p.A. approved an increase of \$2,000,000 in the share capital of the Chinese company Zibo IMA Pharmatech Co. Ltd., which manufactures pharmaceutical process equipment. IMA S.p.A. will contribute \$1,640,000, and the Chinese shareholder Xinhua Medical Co. Ltd. \$360,000, in proportion to the shares held in the company (IMA S.p.A. 82%, Xinhua Medical Co. Ltd. 18%). The IMA Group's industrial presence in China dates back more than 10 years. It has expanded successfully thanks to the constructive collaboration with the Chinese shareholders and strong local management. Of course, the rapid growth of China in the last decade has been a key factor. With the capital increase, our intention is to double existing production capacity and further expand our range of products to be offered in the rapidly growing and very price sensitive domestic market, especially following the substantial weakening of the US dollar, to which the yuan remains pegged. We expect rapid growth in turnover and sufficient cash flow to sustain expected growth.

Finally, in July 2005 a consortium was formed between I.M.A. S.p.A. (25%), Infoarea S.r.l. (25%) and a third company (50%) to provide IT services to the consortium's members. The agreement will expire on 31 December 2007 unless the consortium members vote unanimously to extend it or terminate it early.

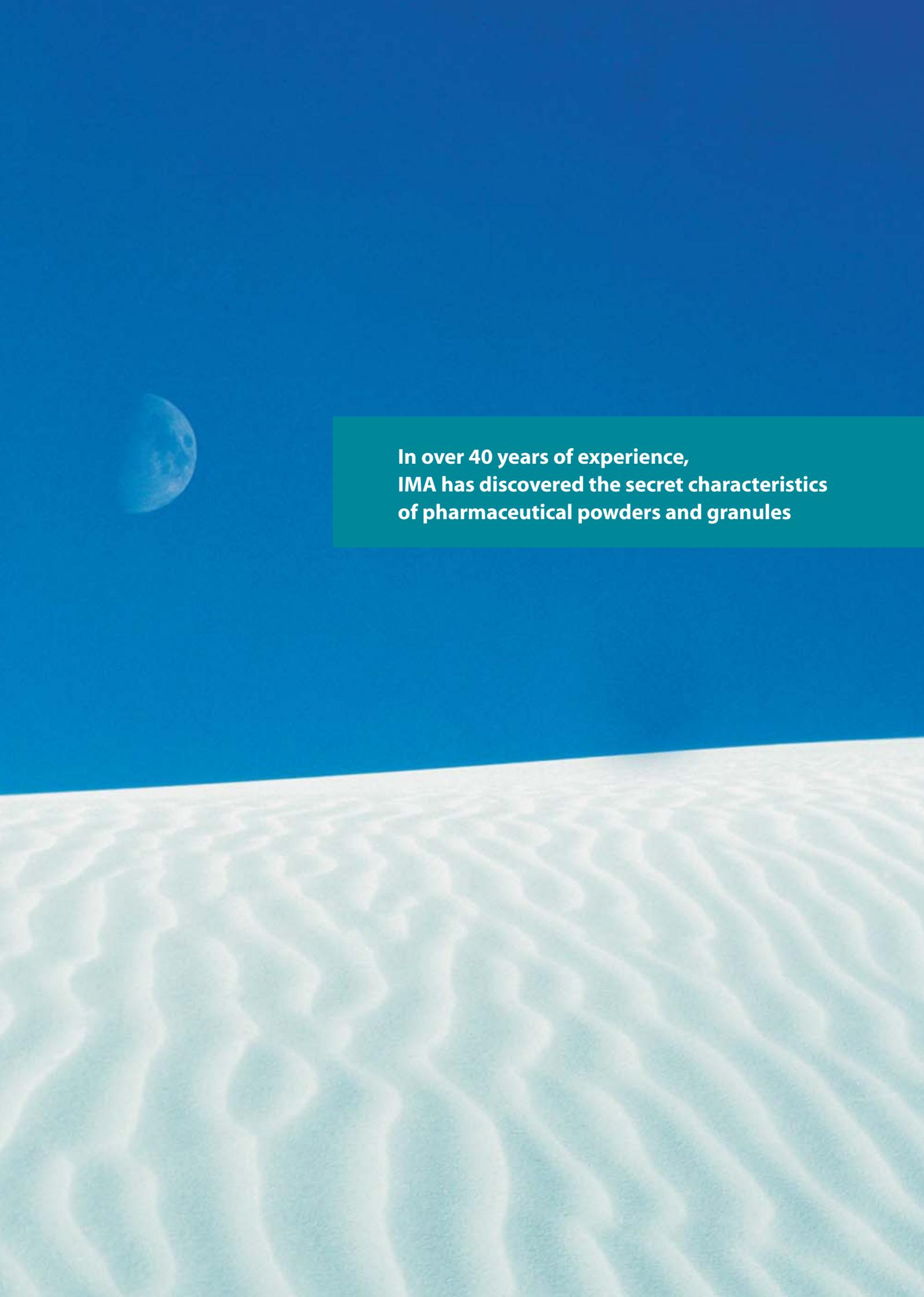
OUTLOOK FOR THE REST OF THE YEAR

In the pharmaceutical sector, the recovery announced in the prior half-year report on the basis of the much stronger performance of orders than the prior year, did not materialise. In fact, after a weak second half of 2004, there still are no signals of a change of course in the short term.

In the introductory section we mentioned some of the factors that may have had an impact on the slow-down in the growth rate of the sales of pharmaceuticals. Some of these factors will dissipate in the near future. More specifically, the implementation of changes in the US government's Medicare programme should ensure a strong expansion of sales, while many of the new pharmaceuticals in final phase development (especially for biotechs) should get approval by the relevant government authorities after repeated delays. At the same time, the pharmaceutical industry is still expanding at a rapid rate, albeit more slowly

than in the past. This should absorb the excess production capacity that had caused a slow-down in new investment in production equipment. The conditions are set for a recovery in demand, meaning that the present situation is not structural despite the considerable uncertainty at the moment. Under these conditions, IMA reluctantly decided to pursue a volume protection policy, even if this meant price concessions and, accordingly, narrower margins. Year-end revenues from the pharmaceutical and cosmetics sector, both packaging and process, with the exclusion of the Nova Group, are projected to rise slightly on 2004; revenues from the tea and coffee sector are forecast to grow by 10%. In addition, revenues from the Nova Group and from IMA-Telstar (for the share held by the IMA Group), a company that will be included in the scope of consolidation in the second half of the year, will bring total revenues to about 400 million euros.

The increase in operating profit that we had forecast with the elimination of the non-recurring charges, which had adversely affected the performance of the second half of the year 2004, is no longer expected owing to narrower margins caused by price pressures. Accordingly, while we confirm our projection of an improvement in year-end operating profit as compared with the prior year, this will mainly be due to the extension of the scope of consolidation.



**In over 40 years of experience,
IMA has discovered the secret characteristics
of pharmaceutical powders and granules**

CONSOLIDATED FINANCIAL STATEMENTS
AT 30 JUNE 2005
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

I . M . A .

INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2005 AND 31 DECEMBER 2004 (MILLIONS OF EUROS)

ASSETS	Note	30 June 2005	31 December 2004
NON-CURRENT ASSETS			
<i>Property, plant and equipment</i>	1	71,9	73,0
<i>Intangible assets</i>	2	59,1	57,3
<i>Investments in associates</i>	3	1,0	0,5
<i>Financial assets</i>	4	3,6	3,3
<i>Receivables from others</i>	5	0,8	0,8
<i>Deferred tax assets</i>	6	2,6	2,5
TOTAL NON-CURRENT ASSETS		139,0	137,4
CURRENT ASSETS			
<i>Inventories</i>	7	134,3	109,7
<i>Trade and other receivables</i>	8	91,2	98,4
<i>Income tax receivables</i>		7,1	5,3
<i>Financial assets</i>	9	0,6	0,7
<i>Derivative financial instruments</i>	10	–	1,6
<i>Cash and cash equivalents</i>	11	28,9	47,0
TOTAL CURRENT ASSETS		262,1	262,7
TOTAL ASSETS		401,1	400,1
EQUITY AND LIABILITIES			
EQUITY			
<i>Share capital</i>	12	18,8	18,8
<i>Share premium reserve</i>		16,4	16,4
<i>Treasury shares</i>	13	(10,7)	–
<i>Other reserves</i>		30,5	28,5
<i>Translation reserve</i>		0,5	(1,2)
<i>Fair value reserve</i>	14	(2,2)	1,1
<i>Retained earnings</i>		27,6	26,8
<i>Net profit (loss) for the period</i>		(1,1)	16,8
Total capital and reserves pertaining to the Group		79,8	107,2
<i>Reserves pertaining to minority interests</i>		2,4	2,0
<i>Profit pertaining to minority interests</i>		0,1	0,3
Total minority interests		2,5	2,3
EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS		82,3	109,5
NON-CURRENT LIABILITIES			
<i>Borrowings</i>	15	50,4	53,7
<i>Severance and pension obligations</i>	16	23,9	24,2
<i>Provisions for risks and charges</i>	17	1,0	0,9
<i>Deferred tax liabilities</i>	18	2,3	3,2
TOTAL NON-CURRENT LIABILITIES		77,6	82,0
CURRENT LIABILITIES			
<i>Borrowings</i>	15	84,5	71,3
<i>Trade and other payables</i>	19	148,0	130,8
<i>Income tax liabilities</i>		0,9	1,3
<i>Provisions for risks and charges</i>	17	4,8	5,1
<i>Derivative financial instruments</i>	20	3,0	0,1
TOTAL CURRENT LIABILITIES		241,2	208,6
TOTAL LIABILITIES		318,8	290,6
TOTAL EQUITY AND LIABILITIES		401,1	400,1

CONSOLIDATED INCOME STATEMENT

FOR THE FIRST HALF OF 2005 COMPARED WITH THE FIRST HALF OF 2004 (MILLIONS OF EUROS)

INCOME STATEMENT	Note	H1 2005	H1 2004
REVENUES	21	156,5	163,8
OPERATING COSTS			
<i>Other revenues</i>		1,9	2,2
<i>Change in work in progress, semifinished and finished goods</i>		20,4	11,6
<i>Change in inventory of raw, ancillary and consumable materials and goods for resale</i>		2,3	(0,5)
<i>Cost of raw, ancillary and consumable materials</i>		(71,6)	(65,0)
<i>Services, rentals and leases</i>		(38,6)	(37,4)
<i>Personnel costs</i>	22	(63,2)	(58,6)
<i>Depreciation and amortization expense</i>		(5,2)	(5,4)
<i>Provisions for risks and charges</i>		–	0,2
<i>Other operating costs</i>		(1,2)	(1,6)
TOTAL OPERATING COSTS		(155,2)	(154,5)
OPERATING PROFIT		1,3	9,3
FINANCIAL INCOME AND EXPENSE			
<i>Financial income</i>	23	5,6	4,4
<i>Financial expense</i>	24	(8,8)	(6,7)
TOTAL FINANCIAL INCOME AND EXPENSE		(3,2)	(2,3)
PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES		–	0,1
PROFIT (LOSS) BEFORE TAX		(1,9)	7,1
INCOME TAXES FOR THE PERIOD	25	0,9	(3,5)
PROFIT (LOSS) FOR THE PERIOD		(1,0)	3,6
ATTRIBUTABLE TO:			
PARENT COMPANY SHAREHOLDERS		(1,1)	3,5
MINORITY INTERESTS		0,1	0,1
		(1,0)	3,6
EARNINGS PER SHARE (in euros)		-0,03	0,10

CHANGES IN CONSOLIDATED EQUITY

FOR THE PERIOD ENDING 30 JUNE 2005 AND 30 JUNE 2004 - BASIS: FINANCIAL STATEMENTS AT 1 JANUARY 2004 AND 31 DECEMBER 2004 - (MILLIONS OF EUROS)

	Share capital	Share premium reserve	Treasury shares	Other reserves	Transl. reserve	Fair value reserve	Retained earnings	Net profit (loss) of Group	Total Group equity	Minority interests	Total equity
Balances at 01.01.2004	18,8	16,4	–	22,1	–	1,5	28,6	19,0	106,4	2,2	108,6
Effect of merger of Libra S.r.l. and IT S.r.l. into IMA S.p.A.	–	–	–	(0,4)	–	–	0,4	–	–	–	–
Allocation of result for 2004:											
- dividends	–	–	–	–	–	–	–	(14,4)	(14,4)	(0,2)	(14,6)
- reserves	–	–	–	6,8	–	–	(2,2)	(4,6)	–	–	–
Valuation of financial instruments in equity	–	–	–	–	–	(1,2)	–	–	(1,2)	–	(1,2)
Exchange rate differences on translation of financial statements in foreign currency	–	–	–	–	0,4	–	–	–	0,4	0,1	0,5
Net profit (loss) for the period	–	–	–	–	–	–	–	3,5	3,5	0,1	3,6
Balances at 30.06.2004	18,8	16,4	–	28,5	0,4	0,3	26,8	3,5	94,7	2,2	96,9
Valuation of financial instruments in equity	–	–	–	–	–	0,8	–	–	0,8	–	0,8
Exchange rate differences on translation of financial statements in foreign currency	–	–	–	–	(1,6)	–	–	–	(1,6)	(0,2)	(1,8)
Net profit (loss) for the period	–	–	–	–	–	–	–	13,3	13,3	0,3	13,6
Balances at 31.12.2004	18,8	16,4	–	28,5	(1,2)	1,1	26,8	16,8	107,2	2,3	109,5
Effect of merger of Comitec S.r.l. into IMA S.p.A.	–	–	–	(0,2)	–	–	0,2	–	–	–	–
Allocation of result for 2005:											
- dividends	–	–	–	–	–	–	–	(14,0)	(14,0)	(0,2)	(14,2)
- reserves	–	–	–	2,2	–	–	0,6	(2,8)	–	–	–
Purchase and sale of own shares	–	–	(10,9)	–	–	–	–	–	(10,9)	–	(10,9)
Gain on transactions in own shares	–	–	0,2	–	–	–	–	–	0,2	–	0,2
Valuation of financial instruments in equity	–	–	–	–	–	(3,3)	–	–	(3,3)	–	(3,3)
Exchange rate differences on translation of financial statements in foreign currency	–	–	–	–	1,7	–	–	–	1,7	0,3	2,0
Net profit (loss) for the period	–	–	–	–	–	–	–	(1,1)	(1,1)	0,1	(1,0)
Balances at 30.06.2005	18,8	16,4	(10,7)	30,5	0,5	(2,2)	27,6	(1,1)	79,8	2,5	82,3

CONSOLIDATED STATEMENT OF CASH FLOWS

AT 30 JUNE 2005 AND 30 JUNE 2004 (MILLIONS OF EUROS)

	30 June 2005	30 June 2004
OPERATIONS		
<i>Net profit (loss) for the period</i>	(1,1)	3,5
<i>Adjustments for:</i>		
- <i>Depreciation and amortisation</i>	4,9	5,2
- <i>Capital (gains) losses on disposal of non-current assets</i>	(0,2)	(0,3)
- <i>Changes in provisions for risks and charges and staff severance obligations</i>	(0,5)	0,8
- <i>Unrealised losses (gains) on exchange rate differences</i>	0,8	-
- <i>Income taxes</i>	(0,9)	3,5
- <i>Minority interests</i>	0,2	-
- <i>Share of income on investments in associates</i>	-	(0,1)
Operating profit (loss) before changes in working capital	3,2	12,6
<i>(Increase) decrease in trade and other receivables</i>	7,2	(2,9)
<i>(Increase) decrease in inventories</i>	(24,6)	(11,8)
<i>Increase (decrease) in trade and other payables</i>	15,9	5,3
<i>Income taxes paid</i>	(1,0)	(1,5)
CASH FLOW GENERATED (ABSORBED) BY OPERATIONS (A)	0,7	1,7
INVESTMENT ACTIVITY		
<i>Investments in intangible assets</i>	(1,9)	(1,9)
<i>Investments in property, plant and equipment</i>	(2,3)	(4,0)
<i>Exchange rate differences on property, plant and equipment and intangible assets</i>	(0,6)	(0,1)
<i>Repayment of finance lease debts</i>	(0,5)	(0,7)
<i>Investments in associates</i>	(0,3)	-
<i>Consideration received for sale of non-current assets</i>	0,1	0,5
<i>Net change in financial assets and other non-current receivables</i>	(0,3)	0,2
<i>Payment / collection of interest</i>	(1,7)	(1,2)
CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITY (B)	(7,5)	(7,2)
FINANCE ACTIVITY		
<i>Granting of loans</i>	5,9	18,6
<i>Repayment of borrowings</i>	(15,2)	(10,5)
<i>Increase (decrease) in other payables to banks</i>	20,9	(18,5)
<i>Dividends paid</i>	(14,0)	(14,4)
<i>Purchase of own shares</i>	(10,6)	-
<i>Translation of financial statements in foreign currency</i>	1,7	0,4
CASH FLOW GENERATED (ABSORBED) BY FINANCE ACTIVITY (C)	(11,3)	(24,4)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)	(18,1)	(29,9)
CASH AND CASH EQUIVALENTS AT START OF PERIOD (E)	47,0	49,0
CASH AND CASH EQUIVALENTS AT END OF PERIOD (F=D+E)	28,9	19,1

The new IMA technology in tablet counting machines, means even the shape of the product is checked



EXPLANATORY NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS
AT 30 JUNE 2005
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

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

A) OVERVIEW

The IMA Group designs, manufactures and sells machinery mainly to the pharmaceutical, cosmetics and tea industries.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A., with registered offices in Ozzano dell'Emilia (Bologna) at Via Emilia 428/442, and is listed in the electronic stock exchange of Borsa Italiana S.p.A. in the "S.T.A.R." segment.

As of 30 June 2005, I.M.A. S.p.A. was 51% owned by FINVACCHI S.p.A, in turn a subsidiary of Lopam Fin S.p.A.. During the period under examination, no significant transactions were carried out between I.M.A. S.p.A. and its parent companies.

I.M.A. S.p.A.'s relations with the manufacturing companies in the Group are mainly of a commercial nature, and consist in the buying and selling of the machinery needed to supply complete production lines. With those Group companies that carry out commercial activities in specific geographical areas, I.M.A. S.p.A. acts as an intermediary for the sale, distribution and delivery of after-sales assistance for products made by IMA manufacturing divisions.

The same commercial intermediation arrangements exist with other I.M.A. S.p.A. subsidiaries that carry out industrial activities. The financial companies of the Group hold equity investments in a number of foreign-based companies with which they have financial relations.

In brief, the Parent Company, I.M.A. S.p.A., manufactures packaging and filling machines used in the tea and pharmaceutical industries as well as end-of-line equipment for the pharmaceutical and cosmetics industries. The entire product range is sold and serviced by commercial companies that cover specific geographical areas, and by an extensive network of agents covering other areas.

The Report on Operations for the first half of 2005 was approved by the Board of Directors on 28 September 2005.

In the market segment in which the IMA Group operates, the first half of the year is generally not representative of the year as a whole, as activity tends to intensify in the second half. This seasonality, which also affects rival companies operating in the same segment, manifests itself in the distribution pattern of new orders and revenues, of which around 65% of the annual total are concentrated in the second six months of the year, and almost 45% in the final quarter. A historical analysis of the data of the Group, including financial years in which it acquired companies operating in the same area, confirms the seasonal nature of the segment.

All the figures in the half-year report at 30 June 2005 are in millions of euros.

B) GENERAL PREPARATION POLICIES

The half-year financial statements were prepared in conformity with the international accounting standards issued by the International Accounting Standards Board (IASB) now in force and the interpretations issued to date by the International Financial Reporting Interpretations Committee (SIC/IFRIC).

Work to refine and interpret the IFRS is currently under way at official accounting bodies, as is the process of endorsement by the European Commission. Accordingly, at the date of writing, we cannot rule out the possibility that the principles and interpretations adopted might change in the coming months.

The half-year report was prepared in accordance with Article 81 of Consob Regulation no. 11971/1999 (regulation implementing Legislative Decree 58 of 24 February 1998 relating to the rules for issuers). As envisaged by Consob Resolution 14990 of 14 April 2005, and in consideration of Regulation (EC) 1606/2002, the report contains the information that IAS 34 requires for interim financial reports.

The consolidated figures used for comparative purposes were adjusted to comply with IAS/IFRS.

The consolidated financial statements for the period were prepared using the same accounting standards and policies as those adopted in the preparation of the IFRS reconciliations.

The reconciliation at 30 June 2004 required by paragraph 45 of “IFRS 1: First-Time Adoption of International Financial Reporting Standards” is provided, together with explanatory comments, in the notes to the consolidated accounts.

The reconciliations required by paragraphs 39 and 40 of “IFRS 1: First-Time Adoption of International Financial Reporting Standards” are also shown, together with explanatory comments, in the notes to the consolidated accounts.

PricewaterhouseCoopers S.p.A. was engaged to conduct a full audit of the IAS/IFRS reconciliations at 1 January 2004 and 31 December 2004. The auditors’ report will be made available within the time limits and in the manner envisaged by applicable law.

For the purposes of preparing the present report, the Parent Company and the Group’s Italian and foreign subsidiaries have drawn up balance sheets, income statements and cash flow statements that comply with international accounting standards.

The Parent Company, using the options envisaged by Legislative Decree 38 of 28 February 2005, will adopt the International Accounting Standards as from 1 January 2006 for its statutory accounts. The financial statements of the Parent Company annexed to this report have therefore been prepared in accordance with Italian GAAP.

C) ACCOUNTING POLICIES

The most significant accounting policies are as follows:

PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are recognised at purchase or construction cost, including directly attributable ancillary expenses and excluding 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

The book value of property, plant and equipment is reviewed at the end of each financial year, if not more frequently.

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

The cost of ordinary maintenance is recognised in full in the income statement. Incremental maintenance costs are attributed to the assets to which they refer and depreciated over their residual useful life or until such time as they require extraordinary maintenance, whichever occurs first.

Financial charges directly attributable to the purchase, construction or production of property, plant and equipment are recognized in the income statement as they are incurred, as prescribed by IAS 23.

The carrying value of the assets is checked periodically for impairment losses in the manner described in the section on impairment of assets.

LEASES

Finance leases are accounted for in accordance with IAS 17, which envisages that:

- the cost of the leased assets is recognized under property, plant and equipment and depreciated on a straight-line basis over the assets' estimated useful life. A corresponding financial liability is recognised, consisting of the amount payable to the lessor, which is equal to the value of the leased asset;
- Lease payments are separated into interest and principal components, which are treated as the reimbursement of the liability with the lessor.

Contracts in which the lessor retains substantially all the risks and rewards 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.

INTANGIBLE ASSETS

Bought-in or internally produced intangible assets are recognised where it is likely that their use will generate economic benefits in the future and where their cost can be reliably determined. These assets are recognised at their purchase or production cost.

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
- Software, licences and similar rights 5 years
- Trademarks 10 years

Assets with unlimited useful life are not amortized but are tested for possible impairment of value on an annual basis, or more frequently if evidence suggests an impairment has occurred.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalisation as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are generally amortized over a period of 10 years in relation to their future economic utility. Amortization begins from the moment the products become available for economic use. The estimate of useful life is reviewed and adjusted to reflect changes in the projected future utility.

Goodwill is the positive difference between the cost of a business combination and the proportional claim to the net fair value of the assets, liabilities and potential liabilities identified individually and recognized as separate items. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortized. It is allocated to the related cash-generating units (CGU) and, pursuant to IAS 36 (Impairment of Assets), undergoes impairment testing annually, or more frequently if events or changed circumstances indicate a probable impairment of value. After the first valuation, Goodwill is recognized at acquisition price net of accumulated impairments.

IMPAIRMENT OF ASSETS

A tangible or intangible asset is impaired if its carrying value is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that tangible and intangible assets cannot be carried at a value greater than their recoverable value, which is the higher of their net selling price and their value in use.

The value in use equals the present value of estimated future cash flows expected to be generated from the continuing use of an asset or from a CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market value referred to the cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying value exceeds the recoverable value, the asset or CGU is written down to the recoverable value. The impairment is recognised in the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of goodwill or other intangible assets with an indefinite period of use, the impairment test must be carried out at least once a year.

If the conditions that led to an impairment cease to obtain, the restoration of the value of the asset should not exceed the depreciated historical cost would have been if the impairment had not occurred. These reversals are recognized in the income statement. International accounting standards prohibit the reversal of impairments to goodwill.

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

If the outcome of a construction contract can be estimated reliably, revenues and costs should be recognized in relation to the stage of completion of contract activity.

If the outcome cannot be estimated reliably, revenues should be recognized only to the extent that contract costs incurred are likely to be recovered. Contract costs should be expensed in the period in which they are incurred.

An expected loss on a construction contract should be recognized as an expense as soon as such loss is probable.

Revenues and costs relating to contract work are recognized in proportion to the stage of completion of the contract activity using the percentage-of-completion method, applying the “cost-to-cost” method, which sets costs incurred up to the reporting date and total estimated costs required to complete the contract.

Contract work in progress is presented on the Group’s balance sheet as follows:

- the amount due from customers for contract work is shown as an asset in trade receivables if the costs incurred plus recognized margins (less recognised losses) exceed advances received.
- the amount due to customers for contract work is shown as a liability in advances if the advances received exceed the costs incurred plus recognized margins (less recognised losses).

TRADE AND OTHER RECEIVABLES

Receivables falling due within a period considered to be normal commercial practice or which earn interest at market rates are not discounted. Instead, they are stated at original nominal value, net of any writedowns, which are deducted directly from the value of the receivables to bring them in line with the estimated recoverable value.

Receivables falling due beyond the period considered normal commercial practice are recognized at amortised cost using the effective interest rate method, net of writedowns.

CASH AND CASH EQUIVALENTS

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

TREASURY SHARES

In accordance with IAS 32, the cost of the repurchase of own shares (‘treasury shares’) is deducted from equity. No gain or loss is recognized in income on the purchase, sale, issue, or cancellation of treasury shares. Any consideration paid or received, including expenses directly attributable to the transactions, net of any related tax benefits, is recognized directly in equity.

PROVISIONS FOR RISKS AND CHARGES

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

If a liability is considered potential only, no provision is recognised, although 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. The present value of the obligation is calculated by independent actuaries using the projected unit credit method.

This calculation defines the benefit that an employee will receive when the employment relationship ends using demographic assumptions (such as the mortality rate and the personnel turnover rate) and financial projections (such as the discount rate and estimated future pay increases). The amount thus determined constitutes a reasonable estimate of the benefits that each employee has already accrued for services rendered to date.

Actuarial gains and losses arising in relation to changes in the actuarial assumptions are recognised as income or expense.

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.

FINANCIAL RISK MANAGEMENT

Financial risk factors

The current business activities of the Group, which also operates in markets outside the euro area, expose it to exchange rate risk. The risk is particularly high in the dollar area but also exists to a lesser extent in relation to the Japanese yen.

To operate its business, the Group raises funds on the market through borrowing, usually by taking out floating-rate loans, with the result that it is also exposed to fluctuations in interest rates.

Risk management is the responsibility of the treasury departments of individual companies, in line with the Group's Risk Management Policy approved by the Restricted Management Committee of the Parent Company.

a) Exchange rate risk

Exchange rate risk refers to the risk of adverse movements in exchange rates for the Group in the period from when the target exchange rate is agreed; that is, between the moment at which a Group entity commits itself to receive or pay in a foreign currency at a future date and the time when this commitment becomes an order and, finally, an invoiced item.

Operations to cover this risk are treated by the company using hedge accounting, since they are carried out for highly probable future transactions.

Changes in exchange rates that occur between the date of invoicing and the date of the receipt of funds are managed separately, without recourse to hedge accounting.

The exchange rate risk policy of the Group aims to cover between 50% and 90% of future transactions expressed in foreign currencies, depending on whether they consist of projected cash flows from sales in foreign currencies, or cash flows from the portfolio of received orders.

b) Interest rate risk

Interest rate risk is the risk of an uncontrolled rise in expenses arising from an increase in floating-rate interest payments on the Group's medium-term borrowings.

The objective of interest rate risk management is to contain and stabilize outflows in respect of the payment of interest on such loans.

Hedges are instituted for loans whenever it is thought advisable. The duration of the hedge may not exceed the maturity of the loan itself.

Financial hedging instruments and their accounting treatment

The Group mainly uses derivatives to hedge exchange rate and interest rate risk. Pursuant to the procedure approved by the Restricted Management Committee, the Group does not hold any speculative financial instruments.

Nevertheless, where financial instruments fail to satisfy the conditions for hedge accounting as set out by IAS 39, changes in their fair value are recognized in the income statement as financial expense/income.

Financial instruments are therefore treated under hedge accounting rules when:

- at the inception of the operation, the instrument is formally designated as a hedge and the hedging relationship is documented;
- the hedge is expected to be highly effective;
- the effectiveness can be reliably measured and the hedge itself remains highly effective for the duration of the designated periods.

The Group therefore uses the cash flow hedge method for those cases in which it is formally documented that the exposure to variability in cash flows is attributable to a risk associated with a recognized asset or liability or a highly probable forecast transaction (the underlying) that could affect profit or loss.

As specified below, in the present interim financial report, the Group has applied the amendment to IAS 39 under the heading of Cash Flow Hedge Accounting of Forecast Intragroup Transactions, approved by the IASB in April 2005. The bodies responsible (ARC and EFRAG) are still in the process of endorsing the change in IAS 39.

Hedging instruments are valued at their fair value at the designated date.

The fair value of derivatives on exchange rates is calculated with reference to their intrinsic and time value. The intrinsic component is recognised in the fair value reserve in equity, while the time component is taken directly to the income statement under financial expense/income. When the hedged underlying becomes manifest, the fair value reserve is removed and attributed to the carrying value of the underlying itself.

The fair value of interest rate derivatives is determined by the market value at the designated date. The fair value is recognized in the relevant reserve in equity and reversed to income as soon as the underlying financial expense/income manifests itself.

TAXES

As prescribed by IAS 34, the interim result must be stated net of income tax, based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The tax provision for the interim period are adjusted in the subsequent interim period of the same financial year if the estimated annual tax rate changes.

Current and deferred taxes are directly debited or credited to equity if they refer to items directly debited or credited to equity in the same or a different financial year.

REVENUE RECOGNITION

Revenues are recognized to the extent that the economic benefits likely to be obtained and the amount concerned can be determined with reasonable accuracy. Revenues relating to the sale of products is recognized at the moment title passes, which generally coincides with shipping. The only exception is long-term contract work in progress, which, as explained above, is calculated on a percentage-of-completion basis.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The balance sheets, income statements and cash flow statements of Group companies are prepared using the currency of the primary economic environment in which the companies operate (functional currency).

The consolidated financial statements are presented in euros, the Parent Company's functional and presentation currency.

Transactions and balances

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

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognised at cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items recognised at fair value are translated using the exchange rate prevailing at the time the fair value is determined.

Exchange rate gains and losses realized on the collection of receivables or the settlement of payables denominated in foreign currencies are taken to the income statement.

Group companies

The translation into euros of the financial statements of foreign companies brought within the scope of consolidation is carried out by applying the current exchange rate at the closing date to balance sheet assets and liabilities, and the average exchange rates for the period to items in the income statement.

Exchange differences deriving from the translation of initial net equity at the rates current at the end of the period and from the translation of income and expenses from the income statement at the average exchange rates in the period are recognized as a separate component of equity called the translation adjustment reserve.

Goodwill arising from the acquisition of a foreign operation is recognized as an asset of the foreign operation and translated at the spot exchange rate at the closing date of the financial statements, with differences being taken to the translation reserve.

SEGMENT INFORMATION

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group's primary reporting is divided by business segment, as follows:

- Machines for the packaging of tea and herbal teas in filter bags and coffee in pods, and related services;
- Pharmaceutical packaging sector: machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for cartoning and end-of-line equipment;
- Pharmaceutical process sector: machines for the production of tablets and capsules, machines for coating and fluid bed granulators, and related services.

The Group's secondary reporting is divided by geographical segment.

DIVIDENDS

Dividends distributed to shareholders of the Parent Company are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved.

EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares in circulation in the period.

MAIN IFRS 1 EXEMPTIONS

For the purposes of preparing the present interim financial statements and the comparative figures contained herein, the accounting policies set out in the preceding sections were applied retrospectively, with the exception of a number of exemptions to retrospective application permitted by IFRS 1 that the IMA Group elected to use:

- **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 envisaged under IAS 21, with translation differences being recognised 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.

The other optional exemptions envisaged by IFRS 1 are not applicable to the IMA Group.

IFRS and IFRIC interpretations not yet adopted

In the last few months the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have published new standards and interpretations. Although to date these standards and interpretations have not been endorsed by the European Union, the Group has nevertheless considered their potential impact on its balance sheet and income statement:

IFRS / IFRIC Interpretation	Effects for IMA Group
IAS 39 Amendment Fair Value Option	None
IAS 39 Amendment Cash Flow Hedge Accounting of Forecast Intragroup Transactions	The Group applied the amendment in this interim report
IFRS 6 Exploration for and Evaluation of Mineral Assets	None
IFRIC 2 Members’ Shares in Co-operative Entities and Similar Instruments	None
IFRIC 3 Emission Rights	None
IFRIC 4 Determining whether an Arrangement contains a Lease	The Group does not expect any change in the treatment of existing contracts
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds	None



**IMA blister machines offer
absolute accuracy and endurance**



D) CONSOLIDATION PRINCIPLES

IAS 27 defines control of an enterprise as the power to govern its financial and operating policies so as to obtain benefits from its activities, accompanied by an equity interest, held directly or indirectly, that gives the controlling entity (the Parent Company) more than half the voting rights. Control also exists where one company can influence another without holding a majority of voting rights (de facto control).

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;
- any difference between the total cost of acquisition and the Group's share of the fair values of the net identifiable assets and potential liabilities of the consolidated company is recognised as goodwill under intangible assets;
- significant transactions between consolidated companies are eliminated as are the receivables and payables and any unrealized profits resulting from intercompany transactions;
- minority interests 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.

E) SCOPE OF CONSOLIDATION

The half-year report at 30 June 2005 contains the financial and operating information of I.M.A. - Industria Macchine Automatiche S.p.A. (Parent Company) and all the companies over which it exercises direct or indirect control with the exception of IMA Kilian Verwaltungs GmbH.

In the first six months of 2005, the following changes in the scope of consolidation of the Group took place:

- the merger of Comitec S.r.l. into I.M.A. S.p.A., with effect as of 1 January 2005;
- on 23 May 2005, the Parent Company acquired 30% of LA.CO. S.r.l., a company based in Ozzano dell'Emilia operating in mechanical manufacturing, turning and milling, calibration and repair of machine tools. The purpose of the investment is to enable the Group to take a stake in suppliers that are important for its own manufacturing operations.

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

COMPANIES CONSOLIDATED
ON A LINE-BY-LINE BASIS

	Registered office		Share capital fully paid-up	Direct investment	Indirect investment
Industrial companies:					
• I.M.A. Industria Macchine Automatiche S.p.A	Ozzano E. (Bologna)	EUR	18,772,000	Parent Company	
• CO.MA.DI.S. S.p.A.	Senago (Milan)	EUR	1,540,000	100%	–
• IMA Kilian GmbH & Co. KG	Cologne (Germany)	EUR	3,600,000	–	100% (1)
• Precision Gears Pvt. Ltd.	Mumbai (India)	RS	(*) 17,852,100	51%	–
• 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%	–
• Nova Packaging Systems Inc.	Leominster (USA)	USD	8,050,000	–	90.68% (2)
• Swiftpack Automation Ltd.	Alcester (GB)	LST	1,403,895	–	90.68% (3)
Commercial companies:					
• 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 (Austria)	EUR	280,000	100%	–
• IMA Germany GmbH	Cologne (Germany)	EUR	90,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (France)	EUR	45,735	100%	–
• IMA Far East Co. Ltd.	Hong Kong	USD	6,672,969	–	100% (4)
• 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%	–
Other companies:					
• Info Area S.r.l.	Ozzano E. (Bologna)	EUR	98,800	100%	–
Financial companies:					
• Luxteco International S.A.	Luxembourg	EUR	3,600,000	99.99%	–
• Holteco B.V.	Amsterdam (NL)	EUR	920,000	100%	–
• Packaging Systems Holdings LLC	Wilmington (USA)	USD	(**) 8,050,000	90.68%	–

(*) The nominal share capital of Precision Gears Pvt Ltd. and IMA Pacific Co. Ltd. amounts to RS 20,000,000 and THB 100,000,000 respectively.

(**) The percentage holding refers to the equity acquired in September 2004; as regards the acquisition of the Nova Group, an option exists that essentially constitutes a form of deferred payment for the remaining 9.32% of Packaging Systems Holdings LLC.

**COMPANIES VALUED
USING THE EQUITY METHOD**

	Registered office	Share capital fully paid-up	Direct investmen	Indirect investment
B.C. S.r.l.	Imola (Bologna)	EUR 36,400	30%	–
LA.CO. S.r.l.	Ozzano E. (Bologna)	EUR 30,000	30%	–

Associates are companies in which the Group has a significant influence but not operational control. The consolidated financial statements at 30 June 2005 include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which the significant influence emerged to the date it ceases. Equity investments in associates are initially recorded at purchase cost. Any excess in the purchase cost with respect to the Group's proportional share of the net value of the assets of the investee is included in the value of the equity investment.

**INVESTMENTS
VALUED AT COST**

	Registered office	Share capital fully paid-up	Direct investmen	Indirect investment
IMA Kilian Verwaltungs GmbH	Cologne (D)	EUR 25,000	–	100% (1)

Notes (details of indirect investments):

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

IMA Kilian Verwaltungs GmbH's activities mainly regard its functions and responsibilities as a general 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.

**ACTIVITIES OF GROUP
COMPANIES**

The activities of the Group's companies are as follows:

INDUSTRIAL COMPANIES

- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceutical, cosmetics, chemical and food industries.
- IMA Kilian GmbH & Co. KG manufactures tablet press machines for the pharmaceutical and chemical industries.
- Precision Gears Pvt. Ltd. manufactures blister and cartoning machines, mainly for emerging markets.
- Zibo IMA Xinhua Machinery Manufacturing Co. Ltd. and Zibo IMA Xinhua Pharmatech Co. Ltd. assemble machinery for the pharmaceutical industry.
- Tianjin IMA Machinery Co. Ltd. provides technical assistance for the Southeast Asia area.
- Swiftpack Automation Ltd. and Nova Packaging Systems Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry.

- B.C. S.r.l., which is 30% controlled by I.M.A. S.p.A., manufactures machine parts for Group and external companies.
- LA.CO. S.r.l., which is 30% controlled by I.M.A. S.p.A., carries out mechanical construction work and machine tool repairs.

COMMERCIAL COMPANIES

The commercial companies operate in specific geographical areas where they provide technical assistance and marketing services for the products manufactured by Group companies as well as, to a limited extent, products made by non-Group companies.

OTHER COMPANIES

- INFO AREA S.r.l. specializes in the delivery of IT services and the leasing of IT equipment both to Group companies and to third parties, also by means of a consortium agreement drawn up between it, I.M.A. S.p.A. and a non-Group company.
- IMA Kilian Verwaltungs GmbH, an entirely owned subsidiary of IMA Germany GmbH, is a general partner company of IMA Kilian GmbH & Co. KG.

F) COMMENTS ON THE MAIN ITEMS OF THE BALANCE SHEET - ASSETS

All changes in assets (outlined below) have been calculated with respect to balances at 31 December 2004.

NON-CURRENT ASSETS

1. Property, plant and equipment

Property, plant and equipment shows a net decrease of 1.1 million euros. Movements in the item break down as follows (millions of euros):

	Land	Buildings and leasehold improvements	Plant and machinery	Indust. and comm. equipment	Other assets	Assets under construction and advances	Total
Balances at 1.1.05	14.4	34.6	16.6	1.9	4.2	1.3	73.0
Increases for period	–	0.7	0.4	0.3	0.5	0.4	2.3
Sales and disposals	–	–	–	–	–	–	–
Depreciation	–	(0.8)	(1.7)	(0.4)	(0.8)	–	(3.7)
Reclassifications	–	0.2	0.3	0.1	0.1	(0.7)	–
Translation differences	–	0.2	0.1	–	–	–	0.3
Balances at 30.6.05	14.4	34.9	15.7	1.9	4.0	1.0	71.9

“Land” includes 10.7 million euros in respect of property in Ozzano dell’Emilia (Bologna) and Bentivoglio (Bologna) owned by the Parent Company; 3.2 million euros refers to land in Calenzano (Florence) under a finance lease.

Buildings and leasehold improvements mainly regard buildings located in Ozzano dell’Emilia, Bentivoglio, Calenzano, and buildings in France, the United Kingdom and India, which are owned by the subsidiaries IMA France E.u.r.l., IMA UK Ltd. and PG Bombay Pvt Ltd., respectively.

In addition, please note that some assets under land and buildings have been recognised at fair value at the transition date. This value has been used as the deemed cost. For further information, please see the notes to the IFRS 1 reconciliation.

“Other assets” comprise (in millions of euros):

	30.06.2005
Electronic office equipment	1.7
Office furniture and fittings	1.4
Vehicles	0.6
Other	0.3
Total	4.0

Assets under construction and advances mainly regard urban development works on the land in Via Tolara, Ozzano dell’Emilia, incurred by the Parent Company, and charges for the refurbishment and extension of the building in Bentivoglio.

Increases for the period refer mainly to charges for the expansion and modification of existing buildings and plant, the purchase of machinery and equipment for Group manufacturing operations and the purchase of electronic machinery.

Reclassifications mainly regards the capitalization and start of depreciation by PG Bombay Pvt Ltd of the new plant in Mumbai (India), and the upgrade of plant and machinery at IMA Kilian GmbH & Co. KG.

2. INTANGIBLE ASSETS

Movements in intangible assets for the period break down as follows (millions of euros):

	Development costs	Industrial patents	Software, licences, trademarks and similar	Goodwill	Assets under develop. and advances	Total
Balances at 1.1.05	1.5	0.7	4.2	48.5	2.4	57.3
Increases for period	–	0.3	0.2	–	1.4	1.9
Amortisation	(0.1)	(0.2)	(0.8)	–	–	(1.1)
Value decrease/increase	–	–	(0.1)	0.8	–	0.7
Reclassifications	–	0.3	–	–	(0.3)	–
Translation differences	–	–	–	0.3	–	0.3
Balances at 30.6.05	1.4	1.1	3.5	49.6	3.5	59.1

The 1.4 million euros in development costs (1.5 million euros at 31 December 2004) include costs incurred in previous years by the Parent Company on projects that were eligible under IAS 38 for capitalisation as assets. Specifically, capitalised projects refer to the filling machines Sterifill F200 and F2000 and the Impressa 130, which were considered new products since they were not available previously and are targeted at new market segments.

Software, licences, trademarks and similar rights, which amount to 3.5 million euros (4.2 million euros at 31 December 2004), include applications, management and technical software. The decrease of 0.1 million euros listed under “Value decrease/increase” regards the realisation of the portfolio recognised as part of the Nova Group acquisition.

Goodwill comprises the following (millions of euros):

	30.06.2005	31.12.2004
Acquisition of G.S. S.r.l. Coating System division	7.4	7.4
Acquisition of ICO OLEODINAMICI S.p.A. division	3.1	3.1
Acquisition of CO.MA.DI.S. S.p.A.	3.8	3.8
B.F.B. S.p.A	1.8	1.8
IMA Kilian Gmbh & Co. KG	18.0	18.0
Nova Group	15.5	14.4
Total	49.6	48.5

In September 2004 the Company bought 90.68% of Packaging Systems Holdings LLC at the same time signing a put & call option for the residual 9.32% to be exercised by the end of May 2009. The 0.8 million euros under “value decrease/increase” represents the change in the value of goodwill in the Nova Group acquisition due to the estimate of the strike price of the put & call option.

The translation difference of 0.3 million euros refers to the translation of Nova Group goodwill at the end-period exchange rate.

A review of the value of goodwill did not find evidence of any impairment within the framework of the current outlook. Developments in the second half of the year, which are key to the year’s results and order acquisition for the following year, will provide a more complete picture of prospects for the various CGUs.

Of the 3.5 million euros (2.4 million euros at 31 December 2004) in assets under development and advances, 3.4 million regard to the capitalisation of development costs incurred by the Parent Company in 2003 and 2004, and the first half of 2005. These mainly comprise internal planning and production and materials, and regard entirely new products for the pharmaceutical and tea packaging sectors, eligible for recognition as intangible assets. Development mainly concerned the CA1, machine for the packaging of coffee in pods and the C300, an error-control tablet counting machine.

3. EQUITY INVESTMENTS IN ASSOCIATES

This item breaks down as follows (millions of euros):

	% holding	30.06.2005	31.12.2004
B.C. S.r.l.	30%	0.5	0.5
LA.CO. S.r.l.	30%	0.5	–
Total		1.0	0.5

The change here reflects an increase of 0.5 million euros following the acquisition of 30% of LA.CO. S.r.l. during the second quarter of 2005, as noted previously.

The book value of the investment in LA.CO. S.r.l. includes 0.1 million euros in goodwill.

The following table summarises key financial data at 31 December 2004 of associated companies:

	Assets	Liabilities	Revenues	Net profit
B.C. S.r.l.	2.7	1.0	2.8	0.1
LA.CO. S.r.l.	1.8	1.4	2.2	–

4. FINANCIAL ASSETS

This item, which amounts to 3.6 million euros, includes investments in securities totalling 3.3 million euros (3.2 million euros at 31 December 2004), which comprise: government securities, bond funds and other bonds pledged as collateral for loans received and classified as available for sale. Bonds associated with non-current lending have been classified as non-current assets.

This section also includes financial receivables (0.2 million euros) and investments in other companies (0.1 million euros).

5. OTHER RECEIVABLES

This item includes different security deposits and receivables in respect of advance payment of tax on severance indemnities.

6. DEFERRED TAX ASSETS

At 30 June 2005, deferred tax assets amounted to 2.6 million euros (2.5 million euros at 31 December 2004). They mainly regard temporary differences in respect of provisions and the elimination of unrealised intra-group profits on sales of finished goods and intangible assets.

CURRENT ASSETS

7. Inventories

This item breaks down as follows (millions of euros):

	Gross value	Writedowns	Net value	Net value at 31.12.2004
Raw, ancillary and consumable materials	20.1	(4.6)	15.5	13.2
Work in progress and semifinished goods	127.6	(12.8)	114.8	92.9
Finished goods	6.2	(2.2)	4.0	3.6
Total	153.9	(19.6)	134.3	109.7

The increase in inventories compared with 31 December 2004 is, for the most part, tied to a concentration of deliveries in the second half of the year, typical of the industry in which the Group works.

Please note that, during the period, the Parent Company and IMA Kilian GmbH & Co. KG made provisions of 1.6 million and 0.2 million euros respectively for writedowns of work in progress and semifinished goods.

8. TRADE AND OTHER RECEIVABLES

This item breaks down as follows (millions of euros):

	30.06.2005	31.12.2004
Trade receivables	78.2	88.1
Advances to suppliers	6.3	4.3
Tax receivables	2.2	2.9
Deferrals	3.0	1.7
Other receivables	1.5	1.4
Total	91.2	98.4

TRADE RECEIVABLES

Trade receivables include customer receivables of 59.9 million euros (75.3 million euros at 31 December 2004) and amounts due on contract work in progress of 18.3 million euros (12.8 million euros at 31 December 2004).

Customer receivables show a 15.4 million euro decrease following collections during the period and the Group's prudent management of receivables. Trade receivables with customers falling due after one year (equal to 0.4 million euros) regard orders large enough to justify deferred payment terms. Deferred payment extensions granted to customers from high risk countries are guaranteed by appropriate financial instruments that ensure collection. There are no trade receivables falling due beyond 5 years.

Trade receivables from customers are carried net of accumulated provisions amounting to 2.2 million euros (2.1 million euros at 31 December 2004).

The period saw the non-recourse assignment of receivables with an overall nominal value of around 2.5 million euros. Assigned receivables that had not yet fallen due at 30 June 2005 amounted to around 4.5 million euros, of which 0.8 million euros are assigned to factoring companies and 3.7 million to other financial institutions. Assigned receivables were derecognised. No losses are expected on these assignments.

Amounts due in respect of contract work in progress, determined on a percentage of completion basis, are shown below (net of advances):

	30.06.2005	31.12.2004
Contract work in progress (costs incurred plus recognised margins)	27.7	21.8
Advances received	(9.4)	(9.0)
Due from customers	18.3	12.8

The geographical breakdown of trade receivables is as follows: European Union (30.3 million euros); Italy (12.3 million euros); North America (14.7 million euros); Asia (8.2 million euros); and other countries (12.7 million euros).

TAX RECEIVABLES

Tax receivables mainly consist of VAT receivables.

OTHER RECEIVABLES

Other receivables essentially include receivables from social security institutions and advances to employees.

9. FINANCIAL ASSETS

Financial assets consist of bonds available for sale amounting to 0.5 million euros (0.6 million euros at 31 December 2004) and financial receivables equal to 0.1 million euros (0.1 million euros at 31 December 2004).

10. DERIVATIVES

Please see "Derivatives" under liabilities (note 20) for information on this section.

At 31 December 2004, this item amounted to 1.6 million euros, which represented the fair value of hedges for the exchange rate risk on \$37.2 million and Yen 120.0 million.

**11. CASH AND CASH
EQUIVALENTS**

This item is composed as follows (millions of euros):

	30.06.2005	31.12.2004
Bank current accounts	28.4	45.5
Demand deposits	0.3	1.4
Cheques and cash	0.2	0.1
Total	28.9	47.0

Cash and cash equivalents decreased by 18.1 million euros compared with 31 December 2004 mainly as a result of the acquisition of treasury shares during the period and dividend payments

**G) COMMENTS ON THE MAIN ITEMS OF THE BALANCE SHEET – EQUITY AND
LIABILITIES**

All changes in liabilities and equity have been calculated with respect to balances at 31 December 2004.

CONSOLIDATED EQUITY

The composition of and changes in individual equity items are given in the table on changes in consolidated equity.

12. SHARE CAPITAL

The share capital reported in the consolidated financial statements at 30 June 2005 refers to share capital issued (fully subscribed and paid up) by the Parent Company, I.M.A. S.p.A., made up of 36,100,000 ordinary shares with a par value of 0.52 euros each.

13. TREASURY SHARES

In 2005, the Parent Company carried out the following operations involving its equity instruments:

- acquisition of 1,349,121 own shares for 13.3 million euros (in January and February 2005);
- sale of 250,000 own shares for 2.7 million euros in May and June 2005; these sales generated a capital gain of 0.2 million euros, net of tax effects.

These transactions were recognised directly in equity in accordance with IAS 32 and 39.

The table below shows the number of shares in circulation:

thousands of shares	01.01.2004	30.06.2004	31.12.2004	30.06.2005
Number of shares	36,100	36,100	36,100	36,100
Own shares acquired	–	–	–	(1,349)
Own shares sold	–	–	–	250
Shares in circulation	36,100	36,100	36,100	35,001

In May 2005, a total dividend of 14.0 million euros was paid, equal to 0.40 euros (gross) per ordinary share in circulation (14.4 million euros, equal to 0.40 euros per ordinary share in May 2004).

14. FAIR VALUE RESERVE

Changes in the fair value reserve are as follows (millions of euros):

Balance at 01.01.2004	1.5
<i>Cash flow hedges / hedging instruments</i>	
Valuation at fair value	0.4
Fair value - tax effect	(0.1)
Realisation recognised in income	(2.2)
Realisation recognised in income – tax effect	0.7
Balance at 30.06.2004	0.3
<i>Cash flow hedges / hedging instruments</i>	
Valuation at fair value	1.3
Fair value - tax effect	(0.4)
Realisation recognised in income	(0.2)
Realisation recognised in income – tax effect	0.1
Balance at 31.12.2004	1.1
<i>Available for sale</i>	
Valuation at fair value	0.1
<i>Cash flow hedges / hedging instruments</i>	
Valuation at fair value	(3.7)
Fair value - tax effect	1.1
Realisation recognised in income	(1.2)
Realisation recognised in income – tax effect	0.4
Balance at 30.06.2005	(2.2)

NON-CURRENT AND CURRENT LIABILITIES

15. Borrowings

PAYABLES TO BANKS

Payables to banks break down as follows (millions of euros):

	Balance at 30.06.2005 maturity in years				Total at 31.12.2004
	Within 1	From 1 to 5	Over 5	Total	
Non-current:					
• Applied research and technological innovation loans	–	16.4	4.1	20.5	17.5
• Other	–	23.8	–	23.8	29.7
	–	40.2	4.1	44.3	47.2
Current:					
• Current accounts	7.3	–	–	7.3	8.8
• Advances on export transactions	46.0	–	–	46.0	30.3
• Advances on export transactions to be carried out	4.9	–	–	4.9	0.3
• Applied research and technological innovation loans	3.1	–	–	3.1	3.6
• Other	22.2	–	–	22.2	27.2
	83.5	–	–	83.5	70.2
Total	83.5	40.2	4.1	127.8	117.4

The increase in the exposure to banks was due mainly to increased inventories in the period.

Applied research and technological innovation loans

Over the period, maturing instalments were paid regularly in the overall amount of 1.9 million euros. In addition, the Parent Company received new lending of 4.2 million euros with CARISBO SANPAOLO IMI. The total regarded three loans for research projects, with partial or total use of funds from the European Investment Bank. Two of the loans will be repaid in 16 quarterly instalments from September 2006 to June 2010 (for two loans), while the other will be repaid in 17 quarterly instalments beginning in June 2006 through June 2010.

Other

The main changes in this item regard ordinary repayments amounting to 13.3 million euros and a new loan to IMA Kilian GmbH & Co. KG for 1.7 million euros.

PAYABLES TO OTHER LENDERS

This item is composed of the following (millions of euros):

	30.06.2005	31.12.2004
Non-current:		
• Payables to leasing companies	6.1	6.5
	6.1	6.5
Current:		
• Payables to leasing companies	0.9	0.9
• Other	0.1	0.2
	1.0	1.1
Total	7.1	7.6

At 30 June 2005, this item included 6.9 million euros in respect of a lease held by Libra P.T. S.r.l. (merged into I.M.A. S.p.A. with effect from 1 January 2004) for land and an industrial building on the property, which became available in August 2003. The non-current portion regards payables due after 5 years totalling 2.0 million euros.

16. SEVERANCE AND PENSION PROVISIONS

This item includes post-employment benefits valued on the basis of an actuarial assessment of the obligation. It mainly comprises severance indemnity provisions by the Group's Italian companies. It also includes the provision for personnel charges recognised by IMA Kilian GmbH & Co. KG to meet the company's future obligations under German employment law. It too has been valued on the basis of an actuarial assessment.

The principal economic and financial assumptions used by the actuary are as follows:

	30.06.2005	31.12.2004
• Annual discount rate	4.5%	4.5%
• Annual inflation rate	2.0%	2.0%
• Annual rate of increase in total compensation	3.5%	3.5%
• Annual rate of increase in severance indemnity	3.0%	3.0%

Movements in the provisions in the period were as follows (millions of euros):

Balance at 31.12.2004	24.2
Costs in respect of employment services during the period	1.2
Financial charges	0.5
Net actuarial losses (gains) recognised during the period	(0.3)
Severance payments made during period	(1.7)
Balance at 30.06.2005	23.9

17. PROVISIONS FOR RISKS AND CHARGES

These provisions break down as follows (millions of euros):

	Balance at 31.12.2004	Allocations	Uses	Exchange rate differences	Balance at 30.06.2005
Non-current:					
• Agency termination indemnities	0.9	–	–	0.1	1.0
	0.9	–	–	0.1	1.0
Current					
• Product guarantee provision	4.2	0.4	(0.3)	–	4.3
• Other	0.9	0.4	(0.8)	–	0.5
	5.1	0.8	(1.1)	–	4.8
Total	6.0	0.8	(1.1)	0.1	5.8

The product guarantee provision is established on the basis of estimated expenses for interventions under guarantee after 30 June 2005 for machines sold previous to that date.

Other risk provisions have been established by the Parent Company to cover liabilities that could derive from its ordinary operations.

18. DEFERRED TAX LIABILITIES

At 30 June 2005, deferred tax liabilities amounted to 2.3 million euros (3.2 million at 31 December 2004). They regard temporary differences arising from the integration of economic and technical depreciation with accelerated depreciation for tax purposes only.

19. TRADE AND OTHER PAYABLES

The item breaks down as follows (millions of euros):

	30.06.2005	31.12.2004
Trade payables	80.9	74.1
Advances from customers	38.0	30.6
Social security payables	2.5	4.2
Tax payables	1.8	2.7
Employee payables	15.3	9.9
Payables in respect of acquisitions	7.7	6.5
Other	1.8	2.8
Total	148.0	130.8

TRADE PAYABLES

Trade payables to suppliers came to 75.4 million euros (67.9 million euros at 31 December 2004), an increase of 7.5 million euros. This is due mainly to procurement, which was reflected in an inventory increase in preparation of deliveries to be fulfilled in the second half of the year.

The item includes 4.5 million euros in agent payables (5.7 million euros at 31 December 2004).

It also comprises trade payables to associates amounting to 1.0 million euros (0.5 million euros at 31 December 2004).

National suppliers account for a large majority of total trade payables, at almost 80%.

ADVANCES FROM CUSTOMERS

The increase in advances from customers for uncompleted contracts with respect to 31 December 2004 is due mainly to the large volume of orders to be completed in the second half of the year.

The geographical breakdown of trade payables is as follows: the European Union (11.5 million euros); North America (17.2 million euros); Asia (2.3 million euros); Italy (0.9 million euros); and other countries (6.1 million euros).

TAX PAYABLES

Tax payables refer mostly to withholding taxes for employees.

EMPLOYEE PAYABLES

The increase in this item compared with 31 December 2004 is due principally to accrued holiday entitlement used by personnel in July and August.

PAYABLES IN RESPECT OF ACQUISITIONS

This item includes the residual debt from the acquisition of 90.68% of Packaging Systems Holdings LLC for \$3.3 million (equal to about 2.7 million euros); a further \$3 million is due in May 2006, and the rest in May 2009. As part of the acquisition, the Parent Company entered into put & call options for the remaining shares. Both can be exercised by May 2009 at a price indexed to the Nova Group's gross operating margin between 1 January 2005 and 31 December 2008. The estimated payable to acquire the remaining shares is 4.8 million euros (4.1 million euros at 31 December 2004).

The item also include 0.2 million euros in residual debt in respect of the acquisition of 30% of LA.CO. S.r.l. in May 2005.

20. DERIVATIVES

At 30 June 2005, financial derivatives amounted to 3.0 million euros. Exchange rate hedges increased from \$37.2 million and Yen 120.0 million at 31 December 2004 to \$46.1 million and Yen 140.0 million at 30 June 2005. In the meantime, their fair value swung from a positive 1.6 million euros at 31 December 2004 to a negative 3.0 million euros at 30 June 2005.

CASH FLOW HEDGES

Cash flow hedges include forward foreign exchange sales and options to hedge exchange rate risk. In the period, an interest rate swap (IRS) entered into by the Parent Company in 1999 with a leading bank expired. The contract was eligible for hedge accounting and was used to hedge part of borrowings.

FAIR VALUE HEDGES

An IRS with a leading bank entered into by the Parent Company in 1999 also expired in the period.

H) COMMENTS ON THE MAIN ITEMS OF THE INCOME STATEMENT

All changes have been calculated with respect to values for the first of 2004.

21. REVENUES

IMA Group revenues in the first half of 2005 are break down by geographical and business segment as follows (millions of euros):

REVENUES BY GEOGRAPHICAL SEGMENT

	H1 2005	H1 2004	Change
European Union (excluding Italy)	64.0	70.7	(6.7)
Other European countries	12.1	15.7	(3.6)
North America	32.2	33.9	(1.7)
Asia	18.0	18.1	(0.1)
Other countries	14.9	11.5	3.4
Total foreign markets	141.2	149.9	(8.7)
Italy	15.3	13.9	1.4
Total	156.5	163.8	(7.3)

REVENUES BY BUSINESS SEGMENT

	H1 2005	H1 2004	Change
Machines and formats	97.7	110.4	(12.7)
Contract work	19.0	16.5	2.5
Spare parts	24.4	22.4	2.0
Technical assistance	9.2	9.0	0.2
Other services	6.2	5.5	0.7
Total	156.5	163.8	(7.3)

CONTRACT WORK IN PROGRESS

Revenues from contract work in progress (recognised in line with the percentage of completion) amounted to 19.0 million euros (16.5 million euros for the same period the previous year), of which 12.6 million euros have been billed.

22. PERSONNEL COSTS

Personnel costs break down as follows (millions of euros):

	H1 2005	H1 2004	Change
Wages and salaries	44.8	41.4	3.4
Social security contributions	11.9	11.9	–
Remuneration of directors	0.6	0.7	(0.1)
Pensions - defined-benefit plans	1.8	2.1	(0.3)
Pensions – defined-contribution plans	0.5	0.3	0.2
Other personnel costs	3.6	2.2	1.4
Total	63.2	58.6	4.6

It should be noted that the figure for the first half of 2005 includes 4.1 million euros in personnel costs for the Nova Group, included in the scope of consolidation since the fourth quarter of 2004.

In the first half of 2005, the IMA Group employed an average of 2,617 people as follows:

	H1 2005	H1 2004	2004
Management	66	61	63
Office workers	1,749	1,630	1,656
Production workers	802	747	761
Total	2,617	2,438	2,480

Furthermore, in the first half of 2005, 43 persons acted as directors at one or more Group companies.

23. FINANCIAL INCOME

The item breaks down as follows (millions of euros):

	H1 2005	H1 2004	Change
Interest income from banks	0.5	0.6	(0.1)
Interest income on receivables from customers and other financial income	0.1	0.2	(0.1)
Income on derivatives	1.0	0.8	0.2
Exchange rate gains	4.0	2.8	1.2
Total	5.6	4.4	1.2

24. FINANCIAL EXPENSE

The item breaks down as follows (millions of euros):

	H1 2005	H1 2004	Change
Interest expense on bank payables	2.3	1.8	0.5
Interest expense on discounting	0.1	0.1	–
Interest expense on finance leases	0.1	0.1	–
Expense on derivatives	1.1	1.0	0.1
Other financial expense	0.2	0.4	(0.2)
Exchange rate losses	5.0	3.3	1.7
Total	8.8	6.7	2.1

The increase in interest expense on bank payables reflects both the higher cost of money (particularly on the US dollar exposure) in the first half of 2005 and increased debt compared with the same period in the previous year.

At 30 June 2005, exchange rate gains and losses included, respectively, an unrealised gain of 2.3 million euros and an unrealised loss of 3.1 million euros.

25. INCOME TAX FOR THE PERIOD

Income tax for the period is calculated on the best estimate of the expected weighted average tax rate for the entire year, as envisaged by IAS 34.

In June 2005, the Revenue Agency (Emilia Romagna Office) began a general audit at I.M.A. S.p.A. involving the 2003 tax year for direct taxes, VAT, other duties and IRAP.

Furthermore, in the first half of 2005, the German tax authorities began an audit of IMA Kilian GmbH & Co. KG and IMA Germany GmbH for the tax years 2000-2002.

At the date of preparation of this report for the first half of 2005, both audits were still under way; they are not expected to give rise to significant liabilities.

I) SEGMENT INFORMATION

ANALYSIS OF BUSINESS SEGMENTS

The following table gives a breakdown of revenues by business segment, with comparative figures for the corresponding period of 2004 (millions of euros):

	H1 2005	H1 2004	Change
Tea, herbal tea and coffee packaging	34.3	36.8	(2.5)
Pharmaceuticals packaging and other	92.2	86.6	5.6
Pharmaceuticals processing	30.0	40.4	(10.4)
Total revenues	156.5	163.8	(7.3)

In the first half of 2005 Group revenues totalled 156.5 million euros, compared with 163.8 million in the year-earlier period. The Nova Group, which entered the scope of consolidation in October 2004, contributed 9.1 million euros in revenues in the first half of this year.

The revenues of the Nova Group are generated in the pharmaceutical packaging sector. The drop in revenues for the period, despite the fact that the order book at the start of the year was in line with that at the outset of 2004, mainly involved the processing machinery segment, reflecting both the loss of production at the IMA Kilian GmbH & Co. KG subsidiary during the transfer to its new facilities in Cologne and the increased complexity of a number of machines with highly customised features, which are scheduled to be delivered in the second half of the year.

The following table shows operating profit by segment (millions of euros):

	H1 2005	H1 2004	Change
Tea, herbal tea and coffee packaging	11.3	13.3	(2.0)
Pharmaceuticals packaging and other	(2.6)	(2.5)	(0.1)
Pharmaceuticals processing	(7.4)	(1.5)	(5.9)
Total operating profit	1.3	9.3	(8.0)

The changes on the year-earlier period show a reduction in the ratio of operating profit to revenues in the tea packaging segment, mainly due to increased spending on research and development, sales and administration, while pharmaceutical packaging machinery experienced price strains. In the processing machinery segment, the decline is largely attributable to the substantial fall in revenues and an increase – albeit small – in fixed costs related to the non-recurring costs of the transfer of IMA Kilian GmbH & Co. KG.

J) OTHER INFORMATION

GUARANTEES GRANTED

At 30 June 2005, the Group had granted sureties to customers in the amount of 9.4 million euros for the proper operation of machinery, bid bonds and advances not yet received, and insurance policies for VAT credits already collected in the amount of 0.2 million euros, sureties in favour of the municipalities of Bentivoglio (BO) and Ozzano dell'Emilia (BO) totalling 0.7 million euros to secure performance of contracts, sureties totalling 1.4 million euros to guarantee the proper exercise of the options to acquire the remainder of the Nova Group and sureties to others amounting to 1.1 million euros to secure leases, sundry utilities and customs duties.

Sureties granted against advances received amounted to about 17.6 million euros (17.3 million at 31 December 2004).

COMMITMENTS

At 30 June 2005 commitments to purchase property, plant and equipment came to 0.2 million euros, mainly in respect of plant and machinery.

The Group also has commitments in respect of minimum lease payments for non-cancellable operating leases totalling 2.0 million euros.

RELATED-PARTY TRANSACTIONS

As described earlier, intra-group transactions are related to the organizational structure of the Group itself. Such transactions are carried out as part of ordinary operations on an arm's length basis.

In addition to intra-group transactions, the Group also conducts operations with other related parties, mainly persons responsible for the administration and management of the company or entities controlled by such persons.

Such transactions are approved on a case-by-case basis by the Board of Directors (the only body vested with the non-delegable power to approve such operations), which explains its decision and the benefits to the Company.

These transactions are mainly real estate operations (leased premises used by the Company or the Group) or commercial and/or supplementary production agreements. None is of special economic or strategic interest to the Company or the Group, and they are conducted on an arm's length basis.

In any event, the following notes describe and explain the reasons for the main commercial or manufacturing relationships with related parties with the characteristics described above.

Naturapack S.r.l.- a related party - is active in the refurbishment and repair of used tea

packaging machinery. I.M.A. S.p.A. sells – or arranges for its customers to sell - used tea packaging machinery to Naturapack S.r.l., which refurbishes the equipment and, as part of an exclusive agency agreement with I.M.A. S.p.A. and the Group, sells it to the market.

Vima S.r.l. designs and manufactures machinery for powder handling. Its product line is integrated with that of I.M.A. S.p.A.'s Solid Dose Division, making it possible to offer customers complete lines of machinery for the production of pharmaceuticals in tablets.

Advantech S.r.l. produces tablet control and depowdering optional units. These purchases replaced those previously made by IMA S.p.A. and IMA Kilian GmbH & Co. KG from foreign suppliers.

Purchases from Vima S.r.l. and Advantech S.r.l. are at market prices, as shown by comparing these companies' prices with competitors' prices for similar goods.

Viaggi Nuova Era S.r.l., a travel agency owned by Lopam Fin S.p.A., provides services to Group companies at market prices.

The following table details the main transactions carried out by I.M.A. S.p.A. and other Group companies with related parties, primarily the directors of the Parent Company, at 30 June 2005 (millions of euros):

	Receivables	Payables
Advantech S.r.l.	0.1	0.5
Datasensor S.p.A.	–	0.1
Ferretti S.p.A.	0.3	–
Naturapack S.r.l.	0.9	–
Poggi Luca	–	0.1
Viaggi Nuova Era S.r.l.	–	1.5
Vima S.r.l.	0.8	1.4

	Revenues	Purchase costs	Cost of services	Other costs
Advantech S.r.l.	–	0.6	–	–
Datasensor S.p.A.	–	0.1	–	–
Ferretti S.p.A.	0.3	–	–	–
Fondazione Ramazzini	–	–	–	0.1
Italbe S.r.l.	–	–	–	0.1
Lopam S.r.l.	–	–	–	0.2
Naturapack S.r.l.	0.4	0.2	–	–
Poggi Luca	–	–	0.1	–
Sporting Club Gira S.r.l.	–	–	0.1	–
Viaggi Nuova Era S.r.l.	–	–	1.7	–
Vima S.r.l.	–	1.5	0.3	–

Other related-party costs mainly relate to rental expense.

Operations with associated companies are summarised below (millions of euros):

	Payables	Costs
B.C. S.r.l.	0.4	1.3
LA.CO. S.r.l.	0.6	0.7

Receivables and payables vis-à-vis related parties included in the consolidated balance sheet are of commercial origin.

The above positions are primarily held by the Parent Company.

**SIGNIFICANT EVENTS
SUBSEQUENT TO THE
END OF THE FIRST
SIX MONTHS**

After 30 June, a number of resolutions were passed and agreements made that are of strategic importance for the Group's future:

- in July 2005 a consortium was formed between I.M.A. S.p.A. (25%), Infoarea S.r.l. (25%) and a third company (50%) to provide IT services to the consortium's members. The agreement will expire on 31 December 2007 unless the consortium members vote unanimously to extend it or terminate it early;
- on 22 July, the Board of Directors of IMA S.p.A. approved an increase of \$2 million in the share capital of the Chinese company Zibo IMA Pharmatech Co. Ltd., which manufactures pharmaceutical process equipment. IMA S.p.A. will contribute \$1.6 million, and the Chinese shareholder Xinhua Medical Co. Ltd. \$0.4 million, in proportion to the shares held in the company (IMA S.p.A. 82%, Xinhua Medical Co. Ltd. 18%). The IMA Group's industrial presence in China dates back more than 10 years. It has expanded successfully thanks to the constructive collaboration with the Chinese shareholders and strong local management. Of course, the rapid growth of China in the last decade has been a key factor. With the capital increase, our intention is to double existing production capacity and further expand our range of products to be offered in the rapidly growing and very price sensitive domestic market, especially following the substantial weakening of the US dollar, to which the Yuan remains pegged. We expect rapid growth in turnover and sufficient cash flow to sustain expected growth;
- on 29 July IMA S.p.A. agreed to acquire 50% of a newly formed Spanish company. The agreement will take effect after completion of the formalities required for the transfer of Telstar's activities and those requested by the antitrust authorities. The new company will hold the freeze-drying operations transferred to it by the Spanish Group Telstar. The company will be named IMA-Telstar and will control 55% of the Chinese company Telstar Huadong, which has its registered offices in Shanghai and also operates in the freeze-drying sector. IMA S.p.A. will take its stake through the cash subscription of a capital increase at IMA-Telstar in the same amount as the value of the assets contributed by the Telstar Group, an estimated 11 million euros. As a result of IMA's capital contribution, the newly-formed company will have a positive net financial position in the same amount as the capital increase. The new company will therefore have the financial resources necessary to support the company's development plans. In 2004 the freeze-drying operations of the Telstar Group posted revenues of some 16 million euros and a gross operating margin (EBITDA) of 17.5%. IMA had long been assessing various options for entering the freeze-drying sector since the freeze-drying process is becoming increasingly widespread, especially in the production of biotech-derived pharmaceuticals. Commercially, this activity has synergies with filling equipment in sterile environments, a sector where the IMA Group has a significant market share and in which it has invested heavily. We also feel that Telstar is the ideal partner, thanks to its industrial and commercial dynamism. Moreover, IMA can help strengthen the range of loading/unloading systems for freeze-dryers thanks to its exclusive know-how acquired over the years.

K) IFRS RECONCILIATIONS AT 30 JUNE 2004

The following section contains the IFRS reconciliations at 30 June 2004 together with the related explanatory notes.

For more information on accounting policies, please refer to the section “Accounting policies”.

RECONCILIATION OF THE BALANCE SHEET AT 30 JUNE 2004

Notes	ASSETS	Italian GAAP	IFRS transition effects	IFRS
	NON-CURRENT ASSETS			
1.	<i>Property, plant and equipment</i>	59,1	13,0	72,1
2.	<i>Intangible assets</i>	41,1	1,2	42,3
	<i>Investments in associates</i>	0,5	–	0,5
	<i>Financial assets</i>	3,8	–	3,8
	<i>Receivables from others</i>	0,9	–	0,9
3.	<i>Deferred tax assets</i>	6,7	(6,7)	–
	TOTAL NON-CURRENT ASSETS	112,1	7,5	119,6
	CURRENT ASSETS			
4.	<i>Inventories</i>	140,2	(22,1)	118,1
	<i>Trade and other receivables</i>			
5.	- Trade receivables	71,2	18,2	89,4
6.	- Advances, tax credits and other receivables	13,8	(1,5)	12,3
	<i>Total trade and other receivables</i>	85,0	16,7	101,7
	<i>Income tax receivables</i>	1,3	–	1,3
	<i>Financial assets</i>	0,3	–	0,3
	<i>Derivative financial instruments</i>	–	–	–
7.	<i>Cash and cash equivalents</i>	23,8	(4,7)	19,1
	TOTAL CURRENT ASSETS	250,6	(10,1)	240,5
	TOTAL ASSETS	362,7	(2,6)	360,1
	EQUITY AND LIABILITIES			
	EQUITY			
	<i>Share capital</i>	18,8	–	18,8
	<i>Share premium reserve</i>	16,4	–	16,4
8.	<i>Other reserves</i>	28,9	(0,4)	28,5
9.	<i>Translation reserve</i>	(1,1)	1,4	0,3
10.	<i>Fair value reserve</i>	–	0,3	0,3
11.	<i>Retained earnings</i>	18,8	8,0	26,8
12.	<i>Net profit (loss) for the period</i>	1,8	1,7	3,5
	Total equity of the Group	83,6	11,0	94,6
	<i>Minority interests</i>	2,3	(0,1)	2,2
	EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS	85,9	10,9	96,8
	NON-CURRENT LIABILITIES			
13.	<i>Borrowings</i>	55,3	(0,7)	54,6
14.	<i>Severance and pension obligations</i>	22,0	1,0	23,0
15.	<i>Provisions for risks and charges</i>	1,9	(0,4)	1,5
16.	<i>Deferred tax liabilities</i>	–	0,4	0,4
	TOTAL NON-CURRENT LIABILITIES	79,2	0,3	79,5
	CURRENT LIABILITIES			
	<i>Borrowings</i>	59,9	–	59,9
	<i>Trade and other payables</i>			
17.	- Trade payables	77,0	0,3	77,3
18.	- Advances received	31,5	(12,0)	19,5
19.	- Tax and other payables	24,5	(4,2)	20,3
	<i>Total trade and other payables</i>	133,0	(15,9)	117,1
20.	<i>Income tax liabilities</i>	0,4	1,8	2,2
	<i>Provisions for risks and charges</i>	4,3	–	4,3
21.	<i>Derivative financial instruments</i>	–	0,3	0,3
	TOTAL CURRENT LIABILITIES	197,6	(13,8)	183,8
	TOTAL LIABILITIES	276,8	(13,5)	263,3
	TOTAL EQUITY AND LIABILITIES	362,7	(2,6)	360,1

NOTES TO THE RECONCILIATION OF THE BALANCE SHEET AT 30 JUNE 2004

The figures in the Italian GAAP column have been reclassified to comply with the provisions of IAS 1 on the presentation of financial statements.

The following notes describe adjustments of more than 0.1 million euros to balance sheet items:

1. The impact on property, plant and equipment is mainly attributable to the recognition at fair value at the transition date of certain assets carried under land and buildings, as permitted by IFRS 1. The impact of this valuation came to 12.8 million euros, from which we must subtract about 0.2 million euros in additional depreciation in the first half of 2004. To this has to be added 0.4 million euros from 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 recognised in previous years in the income statement, as permitted under Italian GAAP	1.6
ii. elimination of start-up and expansion costs	(0.7)
iii. elimination of amortisation of goodwill and goodwill arising on consolidation recognised in the first six months of 2004	2.1
iv. reclassification to property, plant and equipment of costs incurred on assets not owned by the company	(0.4)
v. elimination of costs included in other intangible assets (see Note A below)	(1.4)
Total impact	1.2

(Note A)

The adjustments to other intangible assets regard 1.0 million euros in respect of advisory fees relating to R&D loans and 0.4 million euros for other deferred charges that do not meet IFRS requirements for capitalisation.

3. Deferred tax assets were deducted against deferred tax liabilities.	
4. The effect on inventories is due to:	
i. higher value of inventories due to their valuation at weighted average cost compared with LIFO	0.4
ii. construction contracts valued in accordance with the completed contract method under Italian GAAP and under the percentage of completion method according to IFRS	(14.6)
iii. reclassification to trade receivables of construction contracts in progress previously recognised on a percentage of completion basis	(7.9)
Total impact	(22.1)

5. The impact on trade receivables is due to:	
i. the amounts due from customers for construction contracts valued on an accrued revenue basis that were previously recognised on a completed contract basis (see note 4 ii.)	20.3
ii. reclassification of contract work in progress (see note 4 iii.)	7.9
iii. advances from customers for construction contracts mentioned in points i. and ii. above	(10.8)
iv. trade receivables in respect of construction contracts for which the amount of advances received exceeded accrued and recognised revenues	(1.2)
v. reclassification of deferred income on machinery installation	(2.7)
vi. different method of accounting for the assignment of receivables to factoring companies (note 7)	4.7
	18.2
Total impact	18.2
6. The impact mainly regards accrued income and prepayments, which have been reclassified to trade receivables, other receivables and cash at banks depending on their nature.	
7. The amount refers to the different method of accounting for the assignment of receivables to factoring companies, since IFRS establish more restrictive criteria for the recognition of definitive assignments of receivables than Italian GAAP.	
8. The amount refers to the revaluations carried out in accordance with the law to assets carried under land and buildings valued at fair value at the transition date, as permitted by IFRS 1.	
9. The adjustment regards the value of the translation reserve at 31 December 2003 as determined under previous GAAP. It is deemed equal to zero at the transition date, as permitted by IFRS 1.	
10. The fair value reserve refers to the intrinsic fair value of forward foreign exchange sales and options (0.8 million euros) and IRS contracts (-0.3 million euros); the amount of the hedging reserve comes to 0.3 million euros (0.5 million net of the tax effect of 0.2 million).	
11. 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 employee benefits	(0.8)
Provisions for risks and charges	0.3
Intangible assets	(0.5)
Other reserves	(1.0)
Tax effect	(5.2)
	8.0
Adjustment to retained earnings	8.0

12. The changes in net profit for the period are detailed in the reconciliation of the income statement for the first half of 2004 shown below.
13. The amount refers to the different value of borrowings valued at amortised cost using the effective interest rate method; as mentioned in note 2, the advisory fees relating to R&D loans have been eliminated from intangible assets, where they had been recognised under Italian GAAP, and included in the calculation of amortised cost.
14. The amount refers to the adjustment of the value of post-retirement benefit obligations, represented mainly by the employee severance 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 provisions for losses on IRS contracts | (0.3) |
| ii. Reclassification of provision for personnel charges of the German company | (0.7) |
| iii. Provision for guarantees on contract work (see note A below) | 0.6 |
| Total impact | (0.4) |
- (Note A)
- The amount regards the provision for increase charges in respect of guarantees on contract work measured on a completed contract basis under previous GAAP, compared with the percentage of completion method under IAS 11.
16. The impact on deferred tax liabilities consists of:
- | | |
|--|-------|
| i. Tax effects of adjustments for conversion to IFRS at 30 June 2004 | 7.1 |
| ii. Reclassification of deferred tax assets (see note 3) | (6.7) |
| Total impact | 0.4 |
17. The amount refers to the costs and related commissions payable booked according to the percentage of completion of the contract; as previously mentioned, part of the contract work in progress was previously valued on a completed contract basis under Italian GAAP.
18. Of the total, 10.8 million euros regard the reduction through reclassification of receivables (see note 5) for advances received from customers on contracts for which the revenues recognised on a percentage of completion basis exceeded the advances, while 1.2 million regard the reduction through reclassification of advances from customers for contracts on which advances exceed accrued and recognised revenues.
19. The adjustment regards accrued expenses and deferred income, which were reclassified in the amount of 2.7 million euros in trade receivables, as reported in note 5, 1.2 million in payables to banks and 0.3 million in other items depending on their nature.
20. The amount regards the recognition of liabilities for current taxes on net profit for the period that, as permitted under previous regulations, had been presented gross of tax.
21. The amount regards the recognition at fair value of two interest rate swaps, only one of which qualifies for hedge accounting under IAS 39.

RECONCILIATION OF THE INCOME STATEMENT FOR THE FIRST HALF OF 2004

Notes	INCOME STATEMENT	Italian GAAP	Adjustments	IFRS
1.	REVENUES	150,5	13,3	163,8
	OPERATING COSTS			
	<i>Other revenues</i>	(2,3)	0,1	(2,2)
2.	<i>Change in work in progress, semifinished and finished goods</i>	(21,4)	9,8	(11,6)
3.	<i>Change in inventory of raw, ancillary and consumable materials and goods for resale</i>	0,1	0,4	0,5
	<i>Cost of raw, ancillary and consumable materials</i>	65,0		65,0
4.	<i>Services, rentals and leases</i>	40,1	(2,7)	37,4
5.	<i>Personnel costs</i>	55,8	2,8	58,6
6.	<i>Depreciation and amortization expense</i>	7,7	(2,3)	5,4
	<i>Provisions for risks and charges</i>	(0,2)	–	(0,2)
	<i>Other operating costs</i>	1,6	–	1,6
	TOTAL OPERATING COSTS	146,4	8,1	154,5
	OPERATING PROFIT	4,1	5,2	9,3
7.	FINANCIAL INCOME AND EXPENSE	(2,2)	(0,1)	(2,3)
	PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES	0,1	–	0,1
	PROFIT (LOSS) BEFORE TAX	2,0	5,1	7,1
8.	INCOME TAXES FOR THE PERIOD	–	(3,5)	(3,5)
	PROFIT (LOSS) AFTER TAXES	2,0	1,6	3,6
	PROFIT (LOSS) PERTAINING TO MINORITY INTERESTS	(0,2)	0,1	(0,1)
	RESULT FOR THE PERIOD	1,8	1,7	3,5

NOTES TO THE RECONCILIATION OF THE INCOME STATEMENT FOR THE FIRST HALF OF 2004

The figures in the Italian GAAP column have been reclassified to comply with the provisions of IAS 1 on the presentation of financial statements.

The following notes describe adjustments of more than 0.1 million euros to income statement items:

1. Revenues are 13.3 million euros higher because of the different method of valuing contract work in progress (previously under the completed contract method, now under the percentage of completion method in accordance with IAS 11).
2. The impact on change in work in progress, semifinished and finished goods is due to the new recognition treatment of part of contract work in progress, as described in point 1.
3. The impact is attributable to the different method of valuing inventories (previously at LIFO, now at weighted average cost).
4. Of the total change in services, rentals and leases, 2.9 million euros are attributable 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 must be included in labour costs. Another 0.2 million euros of additional costs regard accrued commissions on contracts recognised on a percentage of completion basis, rather than the previous completed contract basis.
5. The changes in personnel costs are as follows:

Reclassification from services (see note 4)	2.9
Reduced charges for defined-benefit plans	(0.1)
Total impact	2.8
6. This effect mainly regards lower costs in respect of amortization of goodwill and goodwill arising on consolidation, since IFRS do not envisage the systematic amortization of goodwill, but only a periodic impairment test.
7. The net impact on financial income and expense is mainly attributable to the fair value measurement of forward foreign exchange contracts and options.
8. The amount regards the tax effects of the adjustments explained in notes 1 to 7 and the recognition of current taxes on the result for the period that, as permitted under previous regulations, had been presented gross of tax.

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FINANCIAL STATEMENTS OF THE PARENT COMPANY
AT 30 JUNE 2005
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

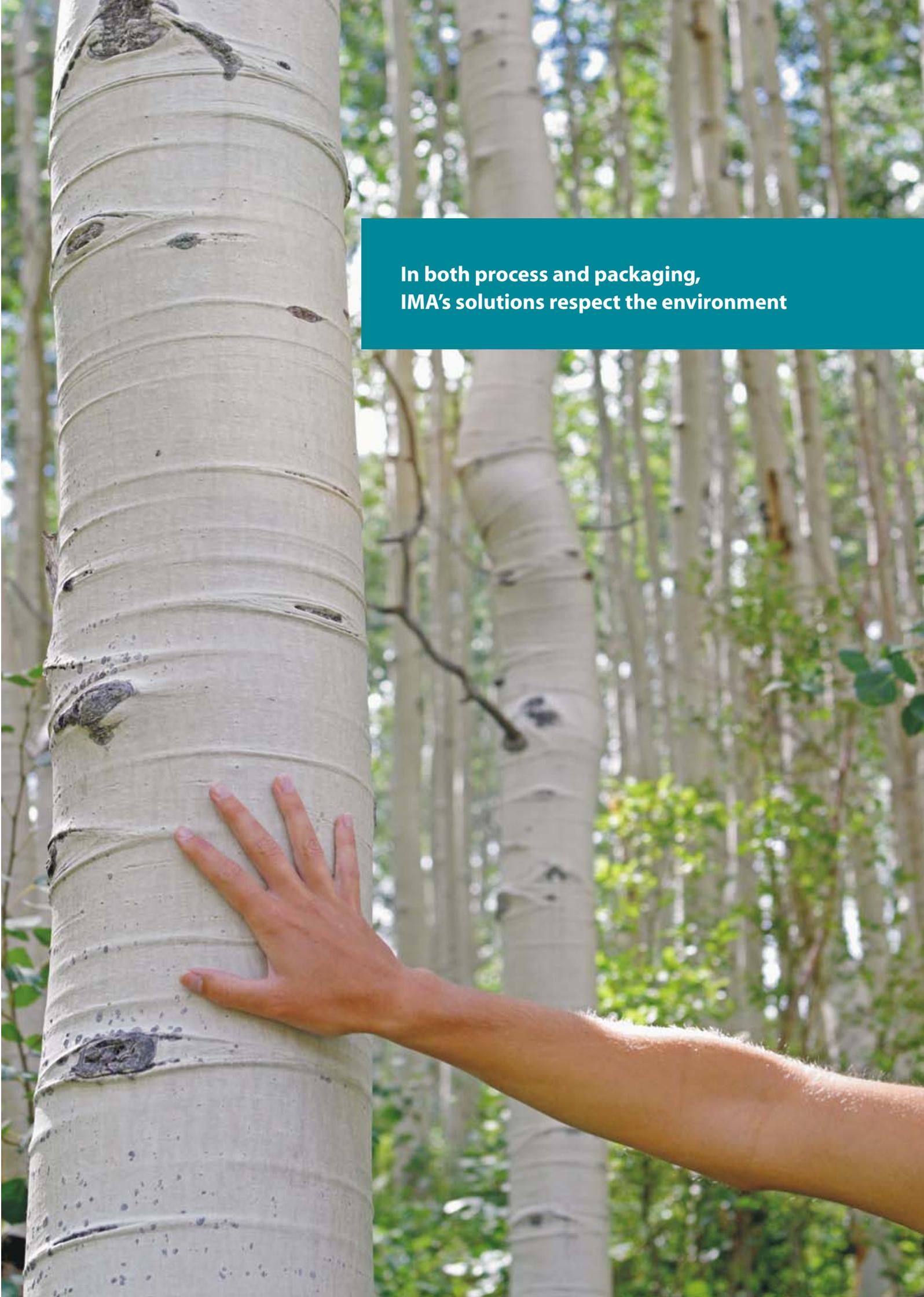
I . M . A .

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 .

NOTES TO THE STATUTORY FINANCIAL STATEMENTS OF THE PARENT COMPANY

The financial statements of IMA S.p.A., the Parent Company, have been prepared in conformity with the accounting standards issued by the Accounting Standards Committee of the Italian accounting profession and the Italian Accounting Board (*Organismo Italiano di Contabilità*).

The Parent Company, using the options envisaged by Legislative Decree 38 of 28 February 2005, will adopt the International Accounting Standards as from 1 January 2006 for its statutory accounts.

A close-up photograph of a person's hand touching the trunk of a tree with white bark, likely a birch, in a forest. The background shows many other similar trees, creating a sense of a dense forest. The lighting is bright and natural, suggesting a sunny day. A teal-colored text box is overlaid on the right side of the image.

**In both process and packaging,
IMA's solutions respect the environment**

BALANCE SHEET

AT 30 JUNE 2005 AND 31 DECEMBER 2004 (MILLIONS OF EUROS)

ASSETS	30 June 2005	31 December 2004
A. SUBSCRIBED CAPITAL		
UNPAID	–	–
B. FIXED ASSETS		
<i>I. Intangible assets</i>		
Incorporation and expansion expenses	–	0,1
Research and development costs	–	–
Industrial patent and intellectual property rights	1,1	0,7
Concessions, licenses, trademarks and similar rights	3,0	3,5
Goodwill	8,3	9,2
Assets under development and payments on account	3,7	2,5
Other intangible assets	1,2	1,3
<i>Total intangible assets</i>	17,3	17,3
<i>II. Tangible assets</i>		
Land and buildings	26,6	26,6
Plant and machinery	11,7	12,8
Industrial and commercial equipment	1,3	1,4
Other tangible assets	1,6	1,9
Assets under construction and payments on account	1,0	0,7
<i>Total tangible assets</i>	42,2	43,4
<i>III. Financial assets</i>		
Investments in		
- subsidiaries	48,1	48,9
- associated companies	0,7	0,2
- other companies	–	–
Receivables from others	0,5	0,7
Other securities	3,2	3,2
<i>Total financial assets</i>	52,5	53,0
TOTAL FIXED ASSETS (B)	112,0	113,7
C. CURRENT ASSETS		
<i>I. Inventories</i>		
Raw materials, supplies and consumable stores	8,2	6,7
Work in progress and semi-finished goods	89,0	76,9
Contract work in progress	27,7	14,0
Advances	4,9	2,7
<i>Total inventories</i>	129,8	100,3
<i>II. Receivables and collectibility</i>		
Receivables due after one year		
- From customers	–	0,2
- From subsidiaries	–	–
- Deferred tax assets	4,8	2,5
Total receivables due after one year	4,8	2,7
Receivables due within one year		
- From customers	37,2	44,4
- From subsidiaries	33,8	30,4
- From associated companies	–	–
- From parent companies	–	–
- From tax authorities	5,9	6,3
- Deferred tax assets	1,9	1,6
- From others	1,1	1,0
Total receivables due within one year	79,9	83,7
<i>Total receivables</i>	84,7	86,4
<i>III. Current financial assets</i>		
Treasury stock	10,8	–
Other securities	0,5	0,6
Current financial receivables	–	–
<i>Total current financial assets</i>	11,3	0,6
<i>IV. Cash and cash equivalents</i>		
Bank and post office deposits	14,5	36,4
Cheques, cash and valuables on hand	0,1	–
<i>Total cash and cash equivalents</i>	14,6	36,4
TOTAL CURRENT ASSETS (C)	240,4	223,7
D. ACCRUED INCOME AND PREPAID EXPENSES	3,7	3,3
TOTAL ASSETS	356,1	340,7

BALANCE SHEET

AT 30 JUNE 2005 AND 31 DECEMBER 2004 (MILLIONS OF EUROS)

EQUITY AND LIABILITIES	30 June 2005	31 December 2004
A. SHAREHOLDERS' EQUITY		
<i>I. Share capital</i>	18,8	18,8
<i>II. Share premium reserve</i>	16,4	16,4
<i>III. Revaluation reserves</i>	0,4	0,4
<i>IV. Legal reserve</i>	4,3	4,3
<i>V. Reserve for treasury stock in portfolio</i>	10,8	–
<i>VI. Reserves provided for in bylaws</i>	–	–
<i>VII. Other reserves:</i>		
- extraordinary reserve	2,8	11,7
- reserve for goodwill on merger	10,3	10,3
- translation adjustment reserve	0,2	–
Total other reserves	13,3	22,0
<i>VIII. Retained earnings/losses carried forward</i>	6,4	6,4
<i>IX. Net income</i>	–	16,1
<i>Pre-tax income for the period</i>	5,2	–
SHAREHOLDERS' EQUITY (A)	75,6	84,4
B. PROVISIONS FOR RISKS AND CHARGES		
Taxes, including deferred	3,7	–
Other	5,0	5,3
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	8,7	5,3
C. PROVISION FOR EMPLOYEE SEVERANCE INDEMNITIES	21,3	21,1
D. PAYABLES AND COLLECTIBILITY		
Payables due after one year		
- Banks	41,5	45,2
- Suppliers	–	–
- Subsidiaries	1,2	1,1
- Others	2,7	2,4
Total payables due after one year	45,4	48,7
Payables due within one year		
- Banks	63,7	46,0
- Other lenders	–	–
- Advances	30,3	29,5
- Suppliers	65,9	60,6
- Subsidiaries	24,2	26,5
- Associated companies	1,0	0,5
- Parent companies	–	–
- Tax payables	1,4	2,1
- Social security institutions	1,7	3,2
- Others	12,7	8,2
Total payables due within one year	200,9	176,6
TOTAL PAYABLES (D)	246,3	225,3
E. ACCRUED EXPENSES AND DEFERRED INCOME	4,2	4,6
TOTAL LIABILITIES	356,1	340,7
MEMORANDUM ACCOUNTS		
Guarantees given	72,1	79,0
Contingencies	3,0	12,4
Commitments	68,4	52,9
TOTAL	143,5	144,3

INCOME STATEMENT

FOR FIRST HALF OF 2005, WITH COMPARATIVE FIGURES FOR THE FIRST HALF OF 2004 (MILLIONS OF EUROS)

	H1 2005	H1 2004
A. VALUE OF PRODUCTION		
<i>Revenues from sales and services</i>	117,5	122,5
<i>Change in inventories of work in progress, semi-finished and finished goods</i>	16,9	17,3
<i>Change in contract work in progress</i>	5,6	1,2
<i>Capitalization of internal construction works</i>	1,3	1,1
<i>Other revenues and income</i>		
-operating grants	–	0,1
-revenues and other income	3,4	2,6
<i>Total other revenues and income</i>	3,4	2,7
TOTAL VALUE OF PRODUCTION (A)	144,7	144,8
B. PRODUCTION COSTS		
<i>Raw materials, supplies and consumable stores</i>	57,4	54,9
<i>Services</i>	36,0	37,9
<i>Rent, leasing and similar costs</i>	1,9	1,8
<i>Personnel costs</i>		
-wages and salaries	28,7	28,1
-social contributions	9,1	9,1
-employee severance indemnities	2,0	2,0
-other costs	0,6	0,2
<i>Total personnel costs</i>	40,4	39,4
<i>Amortization, depreciation and write-downs</i>		
-amortization of intangible fixed assets	2,1	2,3
-depreciation of tangible fixed assets	2,7	2,7
-write-downs of receivables included in current assets	0,1	–
<i>Total, amortization, depreciation and write-downs</i>	4,9	5,0
<i>Change in raw materials, supplies, consumable stores and merchandise</i>	(1,3)	(0,1)
<i>Provision for risks and other provisions</i>	0,7	0,2
<i>Sundry operating expenses</i>	0,8	1,1
TOTAL PRODUCTION COSTS (B)	140,8	140,2
OPERATING PROFIT (LOSS) (A-B)	3,9	4,6
C. FINANCIAL INCOME AND EXPENSE		
<i>Income from investments</i>		
-dividends and other income from other companies	1,4	1,2
<i>Total income from investments</i>	1,4	1,2
<i>Other financial income</i>		
-from securities classified under fixed assets other than investments		
capital gains	0,2	–
-income other than the above:		
interest from subsidiaries	0,3	0,2
interest from others	0,9	1,0
<i>Total other financial income</i>	1,4	1,2
<i>Interest expense and other financial charges</i>		
-other interest and expenses	2,4	2,2
<i>Total interest expense and other financial charges</i>	2,4	2,2
<i>Exchange gains (losses)</i>	(0,9)	(0,3)
TOTAL FINANCIAL INCOME AND EXPENSES (C)	(0,5)	(0,1)
D. VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
<i>Write-downs</i>	–	0,2
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS (D)	–	(0,2)
E. EXTRAORDINARY INCOME AND EXPENSES		
<i>Extraordinary income</i>		
-other extraordinary income	2,9	6,4
<i>Total extraordinary income</i>	2,9	6,4
<i>Extraordinary expenses</i>		
-effect of elimination of tax distortions	1,1	2,3
<i>Total extraordinary expenses</i>	1,1	2,3
TOTAL EXTRAORDINARY ITEMS (E)	1,8	4,1
RESULT BEFORE TAXES	5,2	8,4
<i>Income taxes for the year</i>		
-current taxes	–	–
-deferred taxes	–	–
<i>Total taxes</i>	–	–
NET PROFIT FOR THE YEAR	5,2	8,4

REPORT OF THE INDEPENDENT AUDITORS
ON THE LIMITED AUDIT
OF THE HALF-YEAR REPORT
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

I . M . A .

INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
AND SUBSIDIARIES



PricewaterhouseCoopers SpA

**INDEPENDENT AUDITORS' REPORT ON THE LIMITED REVIEW OF IMA –
INDUSTRIA MACCHINE AUTOMATICHE SPA INTERIM FINANCIAL
REPORTING AT 30 JUNE 2005 PREPARED IN ACCORDANCE WITH ARTICLE
81 OF CONSOB REGULATION APPROVED BY RESOLUTION N° 11971 OF 14
MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS**

To the Shareholders of
IMA – Industria Macchine Automatiche SpA

- 1 We have performed a limited review of the consolidated interim financial statements and accompanying notes included in the Interim Financial Reporting of IMA – Industria Macchine Automatiche SpA for the six-months period ended 30 June 2005. This Interim Financial Reporting is the responsibility of IMA – Industria Macchine Automatiche SpA's Directors. Our responsibility is to issue our report based on our limited review. We have also ensured that the "Directors' report" is consistent with other information included 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 resolution n° 10867 of 31 July 1997. 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 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 and 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 consolidated financial statements, we do not express a professional audit opinion on the Interim Financial Reporting.

Regarding the comparative data of the consolidated financial statements of the prior year presented in the Interim Financial Reporting, reference should be made to our report dated 29 September 2005.

The comparative data of the interim financial reporting of the prior year that have been restated in accordance with the International Financial Reporting Standards (IFRS) and the related IFRS reconciliation schedules derive from

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 0817644441 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Manzoni 16 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561



the half-year figures prepared in accordance with the provisions of law and the accounting standards previously in force. Such figures had been subject to limited review by us and reference should be made to our report dated 9 August 2004.

- 3 Based on our review, no significant changes or adjustments came to our attention that should be made to the consolidated interim financial statements and accompanying notes, 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 of CONSOB Regulation approved by Resolution n° 11971 of 14 May 1999 and subsequent amendments and additions.
- 4 As matters of emphasis, we bring your attention to the following:
 - as described in paragraph “Financial Statements of the Parent Company as at 30 June 2005”, IMA – Industria Macchine Automatiche SpA will prepare its separate financial statements as at 31 December 2005 in accordance with Italian law and with accounting standards generally accepted in Italy and, following the specific exemption granted by the Legislative Decree 38 of 28 February 2005, will adopt IFRS for its separate financial statements starting from 1 January 2006. Therefore interim financial statements of the Parent Company as at 30 June 2005 have been prepared in accordance with the accounting standards generally accepted in Italy.
 - As described in paragraph “General Preparation Policies”, the notes to the Interim Financial Reporting as at 30 June 2005 have been prepared in a condensed form, following the specific provision granted by IAS 34, therefore they do not include all information required for a consolidated financial statements prepared in accordance with IFRS. The same paragraph emphasizes that accounting principles and criteria described and used for the preparation of Interim Financial Reporting as at 30 June 2005 might differ from IFRS in force as at 31 December 2005, due to the future directions of the European Commission in respect of the endorsement of the international accounting standards or the issue of new principles, interpretations or implementation guidances by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee (IFRIC). Data included in the Interim Financial Reporting might be therefore subject to certain changes, should any of the international accounting standards or interpretations be revised or amended before the publication of the first complete set of IFRS consolidated financial statements.



- As disclosed in the paragraph “Main IFRS 1 Exemptions”, IMA Group early adopted the amendment of IAS 39 “Cash flow Hedge Accounting of Forecast Intragroup Transaction”, which, at the date of the Interim Financial Reporting, has not yet been endorsed by the European Commission

Bologna, 29 September 2005

PricewaterhouseCoopers SpA

Signed by
Roberto Megna
(Partner)

**IFRS 1 RECONCILIATIONS:
FIRST-TIME ADOPTION OF INTERNATIONAL
FINANCIAL REPORTING STANDARDS
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)**

I . M . A .

**INDUSTRIA MACCHINE AUTOMATICHE
AND SUBSIDIARIES**

INTRODUCTION

In application of Regulation (EC) 1606/2002 the consolidated financial statements of the IMA Group at 31 December 2005 will be the first consolidated financial statements prepared in conformity with the international accounting standards endorsed by the European Commission (individually IAS/IFRS or collectively IFRS).

In accordance with Article 81 of Consob Regulation no. 11971, as amended by Consob Resolution no. 14990 of 14 April 2005, the Group has elected to prepare its half-year report at 30 June 2005 in conformity with IFRS and, given that the latter differ from the rules governing the preparation of the consolidated financial statements for the previous year (Italian statutory provisions, as interpreted and supplemented by the accounting standards developed by the National Councils of the Italian accounting profession), as envisaged in Article 81 the Group has calculated the effects of the transition to IFRS and prepared the reconciliations envisaged by paragraphs 39 and 40 of IFRS 1 “First-time Adoption of International Financial Reporting Standards”, endorsed by the European Commission, together with notes explaining the accounting policies used and the items presented in the reconciliations.

The figures in the balance sheet and income statement at 31 December 2004, recalculated in conformity with the endorsed IFRS at the date of this half-year report, will be used for comparative purposes in the Group’s consolidated financial statements at 31 December 2005. The adjustment and interpretation activity of official accounting bodies and the endorsement process of the European Commission are still under way for a number of issues. Accordingly, it cannot currently be ruled out that some figures may change in the coming months.

The disclosure provided below, prepared as part of the conversion to the IFRS and in conformity with Article 81 of Regulation no. 11971, does not include all the statements, comparative information and full explanatory notes that would be required to provide a complete view of the assets and liabilities, income statement and financial situation of the IMA Group at 31 December 2004 in conformity with IFRS.

The following sections provide:

- a description of the IFRS-based accounting policies that the Group is likely to adopt to prepare its consolidated accounts at 31 December 2005 and used to prepare the reconciliations below;
- the reconciliation of consolidated equity in accordance with Italian GAAP and that under IFRS at 1 January 2004 (the transition date) and 31 December 2004 (comparative figures for the financial statements at 31 December 2005), with a description of the effects of the transition on the individual items of the balance sheet;
- the reconciliation of the consolidated income statement prepared in accordance with Italian GAAP and that prepared under IFRS for (comparative figures for the financial statements at 31 December 2005), with a description of the effects of the transition on the individual items of the income statement;
- a description of significant adjustments to the statement of cash flows at 31 December 2004 as a result of the application of IFRS;
- an analysis of the potential impact on the consolidated balance sheet and income statement of IFRS and IFRIC interpretations that have not yet been endorsed.

ACCOUNTING POLICIES

The most significant accounting policies are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at purchase or construction cost, including directly attributable ancillary expenses and excluding 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

The book value of property, plant and equipment is reviewed at the end of each financial year, if not more frequently.

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

The cost of ordinary maintenance is recognised in full in the income statement. Incremental maintenance costs are attributed to the assets to which they refer and depreciated over their residual useful life or until such time as they require extraordinary maintenance, whichever occurs first.

Financial charges directly attributable to the purchase, construction or production of property, plant and equipment are recognized in the income statement as they are incurred, as prescribed by IAS 23.

The carrying value of the assets is checked periodically for impairment losses in the manner described in the section on impairment of assets.

LEASES

Finance leases are accounted for in accordance with IAS 17, which envisages that:

- the cost of the leased assets is recognized under property, plant and equipment and depreciated on a straight-line basis over the assets' estimated useful life. A corresponding financial liability is recognised, consisting of the amount payable to the lessor, which is equal to the value of the leased asset;
- Lease payments are separated into interest and principal components, which are treated as the reimbursement of the liability with the lessor.

Contracts in which the lessor retains substantially all the risks and rewards 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.

INTANGIBLE ASSETS

Bought-in or internally produced intangible assets are recognised where it is likely that their use will generate economic benefits in the future and where their cost can be reliably determined. These assets are recognised at their purchase or production cost.

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
- Software, licences and similar rights 5 years
- Trademarks 10 years

Assets with unlimited useful life are not amortized but are tested for possible impairment of value on an annual basis, or more frequently if evidence suggests an impairment has occurred.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalisation as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are generally amortized over a period of 10 years in relation to their future economic utility. Amortization begins from the moment the products become available for economic use. The estimate of useful life is reviewed and adjusted to reflect changes in the projected future utility.

Goodwill is the positive difference between the cost of a business combination and the proportional claim to the net fair value of the assets, liabilities and potential liabilities identified individually and recognized as separate items. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortized. It is allocated to the related cash-generating units (CGU) and, pursuant to IAS 36 (Impairment of Assets), undergoes impairment testing annually, or more frequently if events or changed circumstances indicate a probable impairment of value. After the first valuation, Goodwill is recognized at acquisition price net of accumulated impairments.

IMPAIRMENT OF ASSETS

A tangible or intangible asset is impaired if its carrying value is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that tangible and intangible assets cannot be carried at a value greater than their recoverable value, which is the higher of their net selling price and their value in use.

The value in use equals the present value of estimated future cash flows expected to be generated from the continuing use of an asset or from a CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market value referred to the cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying value exceeds the recoverable value, the asset or CGU is written down to the recoverable value. The impairment is recognised in the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of goodwill or other intangible assets with an indefinite period of use, the impairment test must be carried out at least once a year.

If the conditions that led to an impairment cease to obtain, the restoration of the value of the asset should not exceed the depreciated historical cost would have been if the impairment

had not occurred. These reversals are recognized in the income statement. International accounting standards prohibit the reversal of impairments to goodwill.

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

If the outcome of a construction contract can be estimated reliably, revenues and costs should be recognized in relation to the stage of completion of contract activity.

If the outcome cannot be estimated reliably, revenues should be recognized only to the extent that contract costs incurred are likely to be recovered. Contract costs should be expensed in the period in which they are incurred.

An expected loss on a construction contract should be recognized as an expense as soon as such loss is probable.

Revenues and costs relating to contract work are recognized in proportion to the stage of completion of the contract activity using the percentage-of-completion method, applying the "cost-to-cost" method, which sets costs incurred up to the reporting date and total estimated costs required to complete the contract.

Contract work in progress is presented on the Group's balance sheet as follows:

- the amount due from customers for contract work is shown as an asset in trade receivables if the costs incurred plus recognized margins (less recognised losses) exceed advances received.
- the amount due to customers for contract work is shown as a liability in advances if the advances received exceed the costs incurred plus recognized margins (less recognised losses).

TRADE AND OTHER RECEIVABLES

Receivables falling due within a period considered to be normal commercial practice or which earn interest at market rates are not discounted. Instead, they are stated at original nominal value, net of any writedowns, which are deducted directly from the value of the receivables to bring them in line with the estimated recoverable value.

Receivables falling due beyond the period considered normal commercial practice are recognized at amortised cost using the effective interest rate method, net of writedowns.

**CASH AND CASH
EQUIVALENTS**

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

TREASURY SHARES

In accordance with IAS 32, the cost of the repurchase of own shares ('treasury shares') is deducted from equity. No gain or loss is recognized in income on the purchase, sale, issue, or cancellation of treasury shares. Any consideration paid or received, including expenses directly attributable to the transactions, net of any related tax benefits, is recognized directly in equity.

**PROVISIONS FOR RISKS
AND CHARGES**

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

If a liability is considered potential only, no provision is recognised, although 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. The present value of the obligation is calculated by independent actuaries using the projected unit credit method. This calculation defines the benefit that an employee will receive when the employment relationship ends using demographic assumptions (such as the mortality rate and the personnel turnover rate) and financial projections (such as the discount rate and estimated future pay increases). The amount thus determined constitutes a reasonable estimate of the benefits that each employee has already accrued for services rendered to date.

Actuarial gains and losses arising in relation to changes in the actuarial assumptions are recognised as income or expense.

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.

**FINANCIAL RISK
MANAGEMENT***Financial risk factors*

The current business activities of the Group, which also operates in markets outside the euro area, expose it to exchange rate risk. The risk is particularly high in the dollar area but also exists to a lesser extent in relation to the Japanese yen.

To operate its business, the Group raises funds on the market through borrowing, usually by taking out floating-rate loans, with the result that it is also exposed to fluctuations in interest rates.

Risk management is the responsibility of the treasury departments of individual companies, in line with the Group's Risk Management Policy approved by the Restricted Management Committee of the Parent Company.

c) Exchange rate risk

Exchange rate risk refers to the risk of adverse movements in exchange rates for the Group in the period from when the target exchange rate is agreed; that is, between the moment at which a Group entity commits itself to receive or pay in a foreign currency at a future date and the time when this commitment becomes an order and, finally, an invoiced item.

Operations to cover this risk are treated by the company using hedge accounting, since they are carried out for highly probable future transactions.

Changes in exchange rates that occur between the date of invoicing and the date of the receipt of funds are managed separately, without recourse to hedge accounting.

The exchange rate risk policy of the Group aims to cover between 50% and 90% of future transactions expressed in foreign currencies, depending on whether they consist of projected cash flows from sales in foreign currencies, or cash flows from the portfolio of received orders.

d) Interest rate risk

Interest rate risk is the risk of an uncontrolled rise in expenses arising from an increase in floating-rate interest payments on the Group's medium-term borrowings.

The objective of interest rate risk management is to contain and stabilize outflows in respect of the payment of interest on such loans.

Hedges are instituted for loans whenever it is thought advisable. The duration of the hedge may not exceed the maturity of the loan itself.

Financial hedging instruments and their accounting treatment

The Group mainly uses derivatives to hedge exchange rate and interest rate risk. Pursuant to the procedure approved by the Restricted Management Committee, the Group does not hold any speculative financial instruments.

Nevertheless, where financial instruments fail to satisfy the conditions for hedge accounting as set out by IAS 39, changes in their fair value are recognized in the income statement as financial expense/income.

Financial instruments are therefore treated under hedge accounting rules when:

- at the inception of the operation, the instrument is formally designated as a hedge and the hedging relationship is documented;
- the hedge is expected to be highly effective;
- the effectiveness can be reliably measured and the hedge itself remains highly effective for the duration of the designated periods.

The Group therefore uses the cash flow hedge method for those cases in which it is formally documented that the exposure to variability in cash flows is attributable to a risk associated with a recognized asset or liability or a highly probable forecast transaction (the underlying) that could affect profit or loss.

As specified below, in the present interim financial report, the Group has applied the amendment to IAS 39 under the heading of Cash Flow Hedge Accounting of Forecast Intragroup Transactions, approved by the IASB in April 2005. The bodies responsible (ARC and EFRAG) are still in the process of endorsing the change in IAS 39.

Hedging instruments are valued at their fair value at the designated date.

The fair value of derivatives on exchange rates is calculated with reference to their intrinsic and time value. The intrinsic component is recognised in the fair value reserve in equity, while the time component is taken directly to the income statement under financial expense/income. When the hedged underlying becomes manifest, the fair value reserve is removed and attributed to the carrying value of the underlying itself.

The fair value of interest rate derivatives is determined by the market value at the designated date. The fair value is recognized in the relevant reserve in equity and reversed to income as soon as the underlying financial expense/income manifests itself.

TAXES

Income taxes shown in the income statement include current and deferred taxes. Income taxes are generally recognised in profit or loss except when they regard items recognised directly in equity. In this case, the income taxes are also recognised in equity.

Current taxes represent the expected tax liability calculated using the tax rate in effect at the reporting date to taxable income and adjustments to taxes for previous years.

Deferred tax liabilities are calculated by applying the so-called liability method to differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognised for tax purposes. Deferred taxes are calculated in relation to the expected reversal of these timing differences using the tax rate in effect at the reporting date.

Deferred tax assets are recognised only when it is probable that taxable income in future years will be sufficient to reverse them.

REVENUE RECOGNITION

Revenues are recognized to the extent that the economic benefits likely to be obtained and the amount concerned can be determined with reasonable accuracy. Revenues relating to the sale of products is recognized at the moment title passes, which generally coincides with shipping. The only exception is long-term contract work in progress, which, as explained above, is calculated on a percentage-of-completion basis.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The balance sheets, income statements and cash flow statements of Group companies are prepared using the currency of the primary economic environment in which the companies operate (functional currency).

The consolidated financial statements are presented in euros, the Parent Company's functional and presentation currency.

Transactions and balances

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

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognised at cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items recognised at fair value are translated using the exchange rate prevailing at the time the fair value is determined.

Exchange rate gains and losses realized on the collection of receivables or the settlement of payables denominated in foreign currencies are taken to the income statement.

Group companies

The translation into euros of the financial statements of foreign companies brought within the scope of consolidation is carried out by applying the current exchange rate at the closing date to balance sheet assets and liabilities, and the average exchange rates for the period to items in the income statement.

Exchange differences deriving from the translation of initial net equity at the rates current at the end of the period and from the translation of income and expenses from the income statement at the average exchange rates in the period are recognized as a separate component of equity called the translation adjustment reserve.

Goodwill arising from the acquisition of a foreign operation is recognized as an asset of the foreign operation and translated at the spot exchange rate at the closing date of the financial statements, with differences being taken to the translation reserve.

DIVIDENDS

Dividends distributed to shareholders of the Parent Company are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved.

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 with retrospective application of the policies described above. IFRS 1: First-Time Adoption of International Financial Reporting Standards provides for a series of voluntary and obligatory exemptions to retrospective application to facilitate the

transition 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 envisaged under IAS 21, with translation differences being recognised 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.

The other optional exemptions envisaged by IFRS 1 are not applicable to the IMA Group.

The accounting standards used in the preparation of the opening balance sheet at 1 January 2004 were uniformly applied to the balance sheet and income statement for 2004, including those regarding the recognition and measurement of financial assets and liabilities (IAS 32 and IAS 39).

The effects of adopting IFRS were recognised in equity in a “retained earnings” reserve, with the exception of the application of fair value accounting to financial assets, which were taken to the “fair value reserve”.

SIGNIFICANT EVENTS SUBSEQUENT TO 31 DECEMBER 2004

No significant events occurred subsequent to 31 December 2004 that would require an adjustment to the figures and information provided at that date.

As required by IFRS 1, in preparing the required balance sheets and income statements, the estimates and assumptions underlying the measurement of assets and liabilities recognised at 31 December 2004 in conformity with Italian GAAP have not been changed.

No material errors were found in making the transition to IFRS.

IFRS AND IFRIC INTERPRETATIONS NOT YET ENDORSED

In the last few months the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have published new standards and interpretations. Although to date these standards and interpretations have not been endorsed by the European Union, the Group has nevertheless considered their potential impact on its balance sheet and income statement:

IFRS / IFRIC Interpretation	Effects for IMA Group
IAS 39 Amendment Fair Value Option	None
IAS 39 Amendment Cash Flow Hedge Accounting of Forecast Intragroup Transactions	The Group applied the amendment in this interim report
IFRS 6 Exploration for and Evaluation of Mineral Assets	None
IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments	None
IFRIC 3 Emission Rights	None
IFRIC 4 Determining whether an Arrangement contains a Lease	The Group does not expect any change in the treatment of existing contracts
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds	None

AUDITING OF THE RECONCILIATIONS

The IMA Group engaged PricewaterhouseCoopers SpA to conduct a full audit of the IAS/IFRS reconciliations at 1 January 2004 and 31 December 2004. The auditors' report will be made available within the time limits and in the manner envisaged by applicable law.

RECONCILIATION OF THE BALANCE SHEET AT 1 JANUARY 2004

Notes	ASSETS	Italian GAAP	IFRS transition effects	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>Investments 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	10,7	87,4
6.	- Advances, tax credits and other receivables	12,6	(1,3)	11,3
	<i>Total trade and other receivables</i>	89,3	9,4	98,7
	<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	(5,6)	257,4
	TOTAL ASSETS	376,5	0,7	377,2
	EQUITY AND LIABILITIES			
	EQUITY			
	<i>Share capital</i>	18,8	–	18,8
	<i>Share premium reserve</i>	16,4	–	16,4
9.	<i>Other reserves</i>	22,5	(0,4)	22,1
10.	<i>Translation reserve</i>	(1,4)	1,4	–
11.	<i>Fair value 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
	<i>Minority interests</i>	2,2	–	2,2
	EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS	98,1	10,5	108,6
	NON-CURRENT LIABILITIES			
13.	<i>Borrowings</i>	51,6	(0,6)	51,0
14.	<i>Severance and pension 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	(3,9)	19,2
	<i>Total trade and other payables</i>	121,8	(9,9)	111,9
	<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	(9,4)	194,3
	TOTAL LIABILITIES	278,4	(9,8)	268,6
	TOTAL EQUITY AND LIABILITIES	376,5	0,7	377,2

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

The figures in the Italian GAAP column have been reclassified to comply with the provisions of IAS 1 on the presentation of financial statements.

The following notes describe adjustments of more than 0.1 million euros to balance sheet items:

1. The impact on property, plant and equipment is mainly attributable to the recognition at fair value at the transition date of certain assets carried under land and buildings, as permitted by IFRS 1. The impact of this valuation came to 12.8 million euros. To this has to be added 0.4 million euros from the reclassification of costs incurred on assets not owned by the company, as mentioned in note 2.

The following table details the effect of the fair value recognition of certain assets at the transition date:

	Book value	Fair value	Difference
• Land	4.6	10.9	6.3
• Building	21.5	28.0	6.5
Total	26.1	38.9	12.8

2. The changes in intangible assets are as follows:

i. capitalisation of development costs recognised in previous years in the income statement, as permitted under Italian GAAP	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 (Note A)	(1.0)

The adjustments to other intangible assets regard 0.9 million euros in respect of advisory fees relating to R&D loans (see note 13) and 0.5 million euros for other deferred charges that do not meet IFRS requirements for capitalisation.

3. The amount reflects the tax effects of the transition to IFRS; specifically, 0.7 million euros regards the fair value reserve (see note 11) and 5.2 million regards retained earnings (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 in accordance with the completed contract method under Italian GAAP and under the percentage of completion method according to IFRS (5.2)
 - iii. reclassification to trade receivables of construction contracts in progress previously recognised on a percentage of completion basis (6.6)
- | | |
|--------------|--------|
| Total impact | (11.1) |
|--------------|--------|

5. The impact on trade receivables is due to:	
i. the amounts due from customers for construction contracts valued on an accrued revenue basis that were previously recognised on a completed contract basis (see note 4 ii.)	7.1
ii. reclassification of contract work in progress (see note 4 iii.)	6.6
iii. advances from customers for construction contracts mentioned in points i. and ii. above, which under previous GAAP had been recognised under payables in respect of advances	(5.4)
iv. trade receivables in respect of construction contracts for which the amount of advances received exceeded accrued and recognised revenues	(0.7)
v. reclassification of deferred income on machinery installation	(2.7)
vi. different method of accounting for the assignment of receivables to factoring companies (note 8)	5.8
Total impact	10.7
6. The impact mainly regards accrued income and prepayments, which have been reclassified to trade receivables, other receivables and cash at banks based on their nature.	
7. The amount regards the fair value at the transition date of derivatives designated as hedges of the exchange rate risk on sales.	
8. The amount refers to the different method of accounting for the assignment of receivables to factoring companies, since IFRS establish more restrictive criteria for the recognition of definitive assignments of receivables than Italian GAAP.	
9. The amount refers to the elimination of revaluations carried out in accordance with the law to assets carried under land and buildings valued at fair value at the transition date, as permitted by IFRS 1 (see note 1).	
10. The adjustment regards the value of the translation reserve at 31 December 2003 as determined under previous GAAP. It is deemed equal to zero at the transition date, as permitted by IFRS 1.	
11. The fair value reserve regards the intrinsic fair value of forward foreign exchange sales and options (2.0 million euros), export financing (0.6 million) and IRS contracts (-0.4 million) for a total of 2.2 million euros; the amount of the hedging reserve comes to 1.5 million euros (2.2 million net of the tax effect of 0.7 million).	
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 employee benefits	(0.8)
Provisions for risks and charges	0.3
Intangible assets	(0.5)
Other reserves	(1.0)
Tax effect	(5.2)
Adjustment to retained earnings	8.0

13. The amount refers to the different value of borrowings valued at amortised cost using the effective interest rate method; as mentioned in note 2, the advisory fees relating to R&D loans have been eliminated from intangible assets, where they had been recognised under Italian GAAP, and included in the calculation of amortised cost.
14. The amount refers to the adjustment of the value of post-retirement benefit obligations, represented mainly by the employee severance 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 provisions for losses on IRS contracts | (0.3) |
| ii. Reclassification of provision for personnel charges of the German company (see note 14) | (0.5) |
| Total impact | (0.8) |
16. Of the total, 5.4 million euros regard the reduction through reclassification of receivables (see note 5) for advances received from customers on contracts for which the revenues recognised on a percentage of completion basis exceeded the advances, while 0.7 million euros regard the reduction through reclassification of advances from customers for contracts on which advances exceed accrued and recognised revenues.
17. The adjustment regards accrued expenses and deferred income, which were reclassified in the amount of 2.7 million euros in trade receivables, as reported in note 5, and 1.2 million euros in payables to banks.
18. The amount regards the recognition at fair value of two interest rate swaps, only one of which qualifies for hedge accounting under IAS 39.

RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2004

Notes	ASSETS	Italian GAAP	IFRS transition effects	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>Investments 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	(4,0)	2,5
	TOTAL NON-CURRENT ASSETS	121,0	16,4	137,4
	CURRENT ASSETS			
4.	<i>Inventories</i>	128,7	(19,0)	109,7
	<i>Trade and other receivables</i>			
5.	- Trade receivables	75,3	12,7	88,0
6.	- Advances, tax credits and other receivables	12,2	(1,8)	10,4
	<i>Total trade and other receivables</i>	<u>87,5</u>	<u>10,9</u>	<u>98,4</u>
	<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	(9,8)	262,7
	TOTAL ASSETS	393,5	6,6	400,1
	EQUITY AND LIABILITIES			
	EQUITY			
	<i>Share capital</i>	18,8	–	18,8
	<i>Share premium reserve</i>	16,4	–	16,4
9.	<i>Other reserves</i>	28,9	(0,4)	28,5
10.	<i>Translation reserve</i>	(2,6)	1,4	(1,2)
11.	<i>Fair value 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	<u>93,6</u>	<u>13,6</u>	<u>107,2</u>
14.	<i>Minority interests</i>	2,9	(0,6)	2,3
	EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS	96,5	13,0	109,5
	NON-CURRENT LIABILITIES			
15.	<i>Borrowings</i>	54,4	(0,7)	53,7
16.	<i>Severance and pension 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>	–	3,2	3,2
	TOTAL NON-CURRENT LIABILITIES	78,7	3,3	82,0
	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	(9,5)	30,7
21.	- Tax and other payables	26,3	(0,4)	25,9
	<i>Total trade and other payables</i>	<u>140,5</u>	<u>(9,7)</u>	<u>130,8</u>
	<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	(9,7)	208,6
	TOTAL LIABILITIES	297,0	(6,4)	290,6
	TOTAL EQUITY AND LIABILITIES	393,5	6,6	400,1

NOTES TO THE RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2004

The figures in the Italian GAAP column have been reclassified to comply with the provisions of IAS 1 on the presentation of financial statements.

The following notes describe adjustments of more than 0.1 million euros to balance sheet items:

1. The impact on property, plant and equipment is mainly attributable to the recognition at fair value at the transition date of certain assets carried under land and buildings, as permitted by IFRS 1. The impact of this valuation came to 12.8 million euros at the transition date, from which it is necessary to subtract additional depreciation of about 0.2 million euros for 2004. To this has to be added 0.9 million euros from 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 recognised in previous years in the income statement, as permitted under Italian GAAP	1.5
ii. elimination of start-up and expansion costs	(0.6)
iii. elimination of amortisation of goodwill and goodwill arising on consolidation recognised in 2004	4.9
iv. reclassification to property, plant and equipment of costs incurred on assets not owned by the company	(0.9)
v. recalculation of goodwill in respect of Nova acquisition in accordance with IFRS 3 (see Note A below)	3.3
vi. elimination of costs included in other intangible assets (see Note B below)	(1.3)
	6.9
Total impact	6.9
(Note A)	

In September 2004 the Company bought 90.68% of Packaging Systems Holdings at the same time entering into a put&call option for the residual 9.32% to be exercised by the end of May 2009 at a price composed of a minimum fixed component and a variable component linked to certain balance sheet and performance parameters. 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 account of the estimated price of the option.

(Note B)

The adjustments to other intangible assets regard 0.9 million euros in respect of advisory fees relating to R&D loans and 0.4 million euros for other deferred charges that do not meet IFRS requirements for capitalisation.

3. The amount regards the tax effects associated with the IFRS transition adjustments at 31 December 2004.
4. The effect on inventories is due to:
 - i. higher value of inventories due to their valuation at

weighted average cost compared with LIFO	0.4
ii. construction contracts valued in accordance with the completed contract method under Italian GAAP and under the percentage of completion method according to IFRS	(5.1)
iii. reclassification to trade receivables of construction contracts in progress previously recognised on a percentage of completion basis	(14.3)
	(19.0)
Total impact	(19.0)
5. The impact on trade receivables is due to:	
i. the amounts due from customers for construction contracts valued on an accrued revenue basis (see note 4 ii.)	8.0
ii. reclassification of contract work in progress (see note 4 iii.)	14.3
iii. advances from customers for construction contracts mentioned in points i. and ii. above.	(9.0)
iv. trade receivables in respect of construction contracts for which the amount of advances received exceeded accrued and recognised revenues	(0.5)
v. reclassification of deferred income on machinery installation	(3.4)
vi. different method of accounting for the assignment of receivables to factoring companies (note 8)	3.3
	12.7
6. The impact mainly regards accrued income and prepayments, which have been reclassified to trade receivables, other receivables and cash at banks based on their nature.	
7. The amount regards the fair value of hedges of the exchange rate risk on sales represented by forward foreign exchange transactions and options.	
8. The amount refers to the different method of accounting for the assignment of receivables to factoring companies, since IFRS establish more restrictive criteria for the recognition of definitive assignments of receivables than Italian GAAP.	
9. The amount refers to the revaluations carried out in accordance with the law to assets carried under land and buildings valued at fair value at the transition date, as permitted by IFRS 1.	
10. The adjustment regards cumulative translation differences, which are deemed equal to zero at the transition date, as permitted by IFRS 1.	
11. The fair value reserve refers to the intrinsic fair value of forward foreign exchange sales and options (1.6 million euros); the amount of the fair value reserve comes to 1.1 million euros (1.6 million net of the tax effect of 0.5 million).	
12. The changes in retained earnings are the same as those presented in the reconciliation of equity at the transition date.	
13. The changes in net profit for the period are the same as those presented in the reconciliation of the income statement for 2004.	
14. As indicated at point 2, Note A, under IFRS the acquisition of Packaging Systems	

Holdings effectively involved the purchase of 100% of that company; accordingly, the minority interest was eliminated for IFRS purposes.

15. The amount refers to the different value of borrowings valued at amortised cost using the effective interest rate method; as mentioned in note 2, the advisory fees relating to R&D loans have been eliminated from intangible assets, where they had been recognised under Italian GAAP, and included in the calculation of amortised cost.

16. The amount refers to the adjustment of the value of post-retirement benefit obligations, represented mainly by the employee severance 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)
	(0.8)
Total impact	(0.9)

18. The impact on deferred tax liabilities consists of the tax effects of the IFRS transition adjustments at 31 December 2004.

19. The amount refers to the costs and related commissions payable booked according to the percentage of completion of the contract; as mentioned in note 4, part of the contract work in progress was previously valued on a completed contract basis under Italian GAAP.

20. Of the total, 9.0 million euros regard the reduction through reclassification of receivables (see note 5) for advances received from customers on contracts for which the revenues recognised on a percentage of completion basis exceeded the advances, while 0.5 million regard the reduction through reclassification of advances from customers for contracts on which advances exceed accrued and recognised revenues.

21. Tax and other payables:

i. Reclassification of accrued liabilities and deferred income	(4.5)
ii. Payables for the acquisition of Packaging Systems Holdings (see point 2 note A)	4.1
	4.1
Total impact	(0.4)

RECONCILIATION OF THE 2004 INCOME STATEMENT

Notes	INCOME STATEMENT	Italian GAAP	IFRS transition effects	IFRS
1.	REVENUES	371,1	0,9	372,0
	OPERATING COSTS			
	<i>Other revenues</i>	(4,0)	0,1	(3,9)
	<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>	0,5	–	0,5
	<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 EXPENSE	(4,2)	–	(4,2)
	PROFIT (LOSS) FROM INVESTMENTS 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 INTERESTS	(0,4)	0,1	(0,3)
	RESULT FOR THE PERIOD	13,3	3,5	16,8

NOTES TO THE RECONCILIATION OF THE 2004 INCOME STATEMENT

The figures in the Italian GAAP column have been reclassified to comply with the provisions of IAS 1 on the presentation of financial statements.

The following notes describe adjustments of more than 0.1 million euros to income statement items:

1. Revenues are 0.9 million euros higher because of the different method of valuing contract work in progress (previously under the completed contract method, now under the percentage 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 in accordance with IAS/IFRS).
3. Of the total change in services, rentals and leases, 5.9 million euros are attributable 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 must be included in labour costs. Another 0.2 million euros of additional costs regard the capitalisation of start-up and expansion costs by one of the Group's Chinese companies, which cannot be capitalised under IAS/IFRS.
4. The changes in personnel costs are as follows:

Reclassification from services (see note 3)	5.9
Increased charges for defined-benefit pension plans	0.6
Total impact	<u>6.5</u>
5. This effect mainly regards lower costs in respect of amortization of goodwill and goodwill arising on consolidation, since IFRS do not envisage the systematic amortization of goodwill, but only a periodic impairment test.
6. The amount regards the tax effects of the adjustments explained in notes 1 to 5.

RECONCILIATION OF THE STATEMENT OF CASH FLOWS FOR 2004

	Italian GAAP	IFRS transition effects	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 assets	2,8	–	2,8
E. Change in equity items	(14,4)	(0,4)	(14,8)
F. Net effect of exchange rate variations	(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 assignment of receivables as mentioned in note 8 to the balance sheet reconciliations at the transition date and at 31 December 2004.

IAS/IFRS envisage more restrictive criteria for the recognition of definitive assignments of receivables than previous GAAP. The different treatment entailed a reclassification from cash and cash equivalents to trade receivables of 5.8 million euros at the transition date and 3.3 million euros at 31 December 2004.

REPORT OF THE INDEPENDENT AUDITORS ON
THE IFRS 1 RECONCILIATIONS
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

I . M . A .

INDUSTRIA MACCHINE AUTOMATICHE
AND SUBSIDIARIES



PricewaterhouseCoopers SpA

INDEPENDENT AUDITORS' REPORT ON THE IFRS RECONCILIATION SCHEDULES REPORTING THE EFFECTS OF THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

To the Board of Directors of
IMA – Industria Macchine Automatiche SpA

- 1 We have audited the accompanying IFRS Reconciliation Schedules comprising the consolidated balance sheets as at 1 January 2004 and as at 31 December 2004, the consolidated income statement for the year ended 31 December 2004 and the related notes (the "IFRS Reconciliation Schedules") included in the Annex to the Interim Financial Reporting as at 30 June 2005 of IMA – Industria Macchine Automatiche SpA denominated "IFRS 1 Reconciliations: First Time Adoption Of International Financial Reporting Standards".

The aforementioned IFRS Reconciliation Schedules derive from the consolidated financial statements of IMA – Industria Macchine Automatiche SpA as at and for the year ended 31 December 2004 prepared in accordance with the Italian legislation governing the preparation of financial statements. Such consolidated financial statements have been audited by us and reference should be made to our report dated 29 March 2005. The IFRS Reconciliation Schedules have been prepared for the purposes of the transition to the IFRS adopted by the European Commission. These IFRS Reconciliation Schedules are the responsibility of IMA – Industria Macchine Automatiche SpA's Directors. Our responsibility is to express an opinion on these IFRS Reconciliation Schedules based on our audit.

- 2 We conducted our audit in accordance with the auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the IFRS Reconciliation Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
- 3 In our opinion, the IFRS Reconciliation Schedules, identified in paragraph 1 of this report, taken as a whole have been prepared in accordance with the accounting principles and criteria defined in Article 81 of CONSOB Regulation n° 11971/1999 approved by Resolution n° 14990 dated 14 April 2005.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 0817644441 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevicchio 37 Tel. 011556771 – **Trento** 38100 Via Manzoni 16 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561



4 We bring your attention to the following:

- as disclosed in the paragraph “Introduction”, the IFRS Reconciliation Schedules have been prepared only for the purpose of the preparation of the first complete set of consolidated financial statements in accordance with the IFRS as endorsed by the European Commission; as such, they do not include the comparative figures and notes which would be required in order to give a true and fair view of the financial position and results of operations of IMA Group in accordance with the IFRS.
- Furthermore, as reported in the same paragraph, the IFRS Reconciliation Schedules will be used for comparative purposes in the IMA Group’s consolidated financial statements as at 31 December 2005. In this regard, we emphasize that the figures included in the IFRS Reconciliation Schedules might be subject to certain changes, should any of the international accounting standards be revised or amended before the issue of the first complete set of IFRS consolidated financial statements.
- As disclosed in the paragraph “Application of IFRS 1”, IMA Group early adopted the amendment of IAS 39 “Cash flow Hedge Accounting of Forecast Intragroup Transaction”, which, at the date of the Interim Financial Reporting, has not been yet endorsed by the European Commission.

Bologna, 29 September 2005

PricewaterhouseCoopers SpA

Signed by
Roberto Megna
(Partner)

This report has been translated into the English language solely for the convenience of international readers

**The beauty and colours of our surroundings
are reflected in cosmetics**

