
QUARTERLY REPORT FOR
THE THIRD QUARTER OF 2005

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

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REPORT ON OPERATIONS

DIRECTORS AND OFFICERS

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

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

- the Company's strategic, business and financial plans and any decisions relating to the Group structure;
- any transaction likely to have a significant impact on the Company's results, assets and liabilities or financial situation and, in any case, any transaction that exceeds a value of 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, which the Board must in any case approve if they have a significant effect on operations, assets and liabilities or the financial position.

BOARD OF DIRECTORS

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

CHAIRMAN AND MANAGING DIRECTOR

Marco Vacchi

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

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

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

MANAGING DIRECTOR

Alberto Vacchi

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

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

DIRECTOR WITH POWERS

Andrea Malagoli

Delegated powers:

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

DIRECTORS

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

BOARD OF STATUTORY AUDITORS

(In office until 31 December 2006)

AUDITORS

Giorgio Comini - Chairman - Auditor

Amedeo Cazzola - Auditor

Piero Aicardi - Auditor

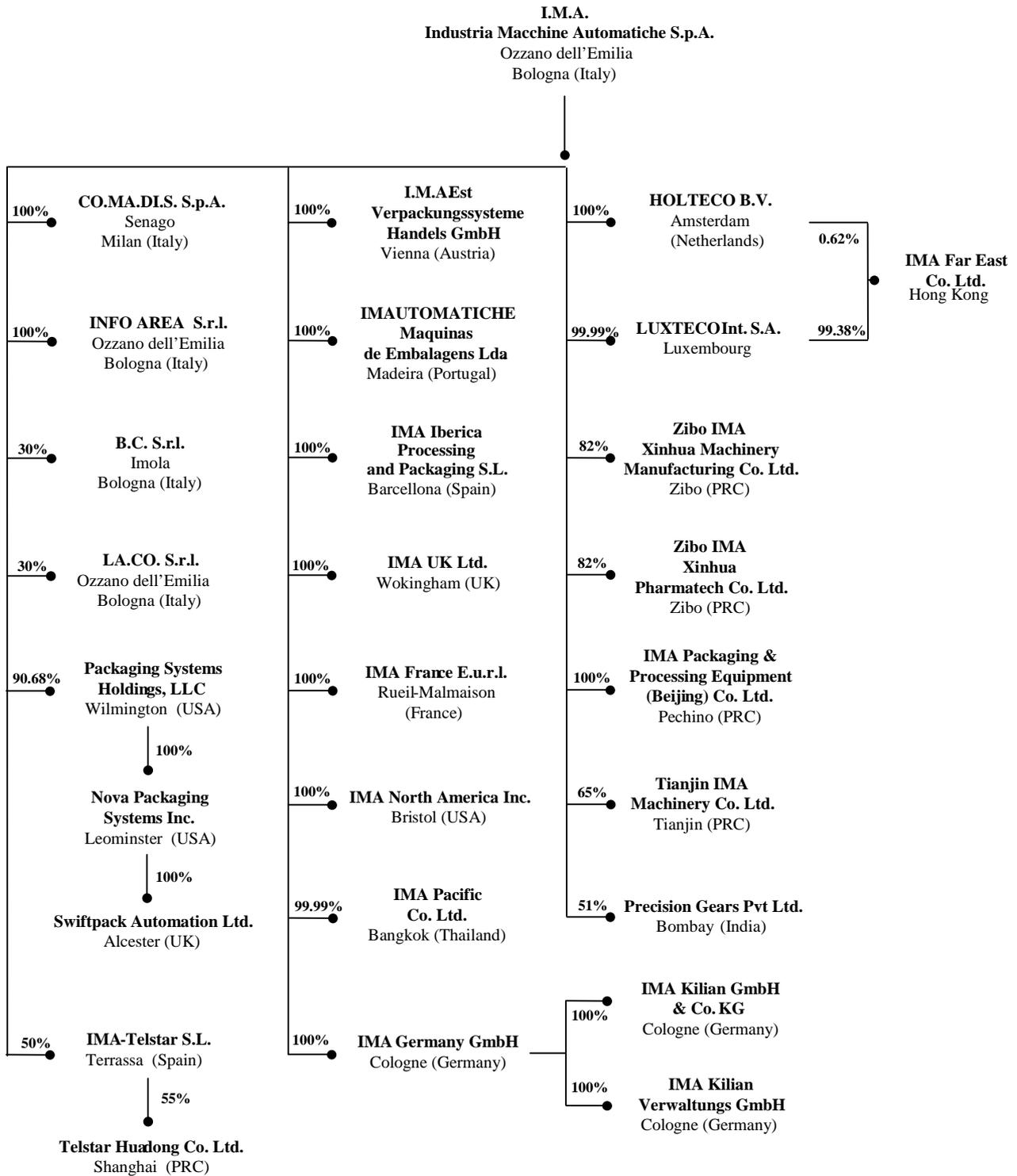
ALTERNATE AUDITORS

Vittorio Coraducci - Auditor

Chiara Gallina - Auditor

Antonella Grassigli - Auditor

GROUP STRUCTURE



GROUP COMPANIES BY BUSINESS ACTIVITY

MANUFACTURING
ACTIVITIES

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

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

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)

IMA-Telstar S.L.
Terrassa – Barcelona (Spain)

Telstar Huadong Co. Ltd.
Shanghai (PRC)

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

Following the introduction of EU Regulation no. 1606/2002, the IMA Group has adopted the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board.

The quarterly 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.

The consolidated figures reported for comparative purposes have been appropriately adjusted to IAS/IFRS.

The adjustments made are shown in the reconciliation schedules and explained in the notes.

The reconciliation between equity according to Italian GAAP and equity according to IFRS at 1 January 2004 (the transition date) and at 31 December 2004, as well as the reconciliation between the consolidated net result according to Italian GAAP and the result according to IFRS for 2004, as required by "IFRS 1: First-Time Adoption of International Financial Reporting Standards", together with explanatory notes, are provided in the report on operations for the first quarter of 2005 and in the report on operations for the first half of 2005.

GENERAL PERFORMANCE

The slowdown in the pharmaceutical industry's rate of growth that was a key feature of the first half of the year continued in the third quarter of 2005.

The most recent figures show a 5% increase in pharmaceutical sales world-wide in the twelve months to September 2005 compared with 6% last June.

In such a context, the industry's demand for plant and machinery has remained very lethargic, while our own sector's delay in moving towards a new equilibrium in terms of supply still does not permit a lowering of the pressure on prices which is indispensable if we are to bring industrial margins back to a level that our products traditionally enjoyed and which are justified by their highly specialised nature.

The scenario of the tea-packaging machine sector, on the other hand, is still extremely positive, with very interesting prospects and apparently no sign of a slowdown.

CONSOLIDATED INCOME STATEMENT

In the first nine months of 2005, the IMA Group turned in an operating profit of 6.1 million euros, compared with 16.8 million euros in the same period of 2004, and a Group result at breakeven, compared with a profit of 7.2 million euros at 30 September 2004.

The following is a summarized version of the consolidated income statement for the period under review, with comparative figures for the corresponding period in 2004:

million euros	1.1.2005-30.9.2005		1.1.2004-30.9.2004		Change %
	Amount	%	Amount	%	
Revenues	238.7		241.5		<i>(1.2)</i>
Cost of sales	(149.1)		(144.3)		
Industrial gross profit	89.6	<i>37.5</i>	97.2	<i>40.2</i>	<i>(7.8)</i>
R&D Costs	(13.3)		(12.8)		
Sales costs	(34.5)		(32.1)		
General and administrative costs	(35.7)		(35.5)		
Operating profit (E.B.I.T.)	6.1	<i>2.6</i>	16.8	<i>7.0</i>	<i>(63.7)</i>
Net financial income (expense)	(4.8)		(2.6)		
Profits (losses) from investments in associates	–		0.1		
Result before tax	1.3	<i>0.5</i>	14.3	<i>5.9</i>	<i>(90.9)</i>
Income taxes	(1.2)		(7.0)		
Profit (loss) for the period	0.1	–	7.3	<i>3.0</i>	<i>(98.6)</i>
Profit (loss) pertaining to minority interests	0.1		0.1		
Group profit (loss)	–	–	7.2	<i>3.0</i>	<i>(100.0)</i>
Gross operating margin (E.B.I.T.D.A.)	13.7	<i>5.7</i>	24.4	<i>10.1</i>	<i>(43.9)</i>
Order book	194.2		161.0		<i>20.6</i>

REVENUES AND ORDERS

In the first nine months of 2005 consolidated revenues amounted to 238.7 million euros, compared with 241.5 million euros in the same period of 2004. The Nova Group was included in the scope of consolidation in October 2004 and accounted for 13.7 million euros of revenues for the first nine months of 2005. The lower level of revenues at the end of September was still affected by the delays accumulated in the first half of the year, even if in the quarter from July to September this trend was reversed with higher revenues of 82.2 million euros compared with 77.7 million euros in the same quarter of 2004. We expect more than 40% of total sales for the year to be concentrated in the last quarter of the year. On the other hand, the order book at the end of September, 194.2 million euros, is showing a significantly higher balance than at the end of September 2004 (161.0 million euros) confirming the positive trend in new orders.

Given the heavy pressure on prices exerted by all of our competitors, IMA has always limited itself to a "defensive" reaction, as we believe it a top priority during this difficult period for the sector that we retain market share, thereby confirming our leadership position. The fact that customers continue to prefer IMA when terms and conditions are the same, reflected in the positive flow of orders, confirms the strong position of pre-eminence that the market recognises our Group; it is also the best guarantee that we will be able to take full advantage of the opportunities that will arise as soon as the sector finds a new equilibrium again, as it must.

OPERATING PROFIT

At the end of September the industrial gross profit came to 37.5% of sales, much the same as at the end of June, when it came to 37.6%, though significantly lower than the 40.2% at the end of September 2004. In fact, the margin recoveries that we expected to see in July-September did not come about, even though the forecast was justified by the fact that there were no longer any of the costs incurred during the early part of the year for IMA Kilian's transfer to its new plant in Cologne, combined with the initial impact of the higher price lists in US dollars applied at the end of 2004. As it happens, the improvements we were expecting did occur, but they were wiped out by the higher discounts that we were forced to concede. As a result,

the operating profit for the third quarter on its own amounted to 4.8 million euros compared with 7.5 million euros in the same period of 2004.

The increase in fixed R&D and general & marketing costs for a total of 3.1 million euros is exclusively due to the enlargement of the scope of consolidation following the inclusion of the Nova Group. Net of this effect, costs have remained at much the same level as in the same period of 2004, despite an upward trend in labour costs per head and the reorganisation costs incurred by IMA Kilian. Operating profit for the period January-September 2005 therefore came to 6.1 million euros compared with 16.8 million euros at 30 September 2004.

PROFIT BEFORE TAXES

Net financial expense amounted to 4.8 million euros compared with 2.6 million euros at 30 September 2004. The deterioration is mainly due to exchange rate differences and consolidation of the Nova Group. The result before tax therefore came to 1.3 million euros, compared with 14.3 million euros at 30 September 2004.

ANALYSIS OF PERFORMANCE BY SEGMENT

The performance of the various business segments have been commented on in our analysis of the consolidated income statement.

million euros	Tea 1.1.-30.9		Packaging 1.1.-30.9		Process 1.1.-30.9		Other 1.1.-30.9	
	2005	2004	2005	2004	2005	2004	2005	2004
Revenues	50.4	51.6	136.4	130.4	51.9	59.5	-	-
Operating profit	17.0	17.3	(3.0)	0.7	(7.9)	(1.2)	-	-
Net capital employed	22.0	27.1	106.4	95.8	82.8	81.0	6.8	0.2
R&D costs	3.1	2.1	7.1	7.4	3.1	3.3	-	-
Average personnel (*)	239	230	1,485	1,339	491	493	404	393
Order book	44.9	36.0	103.8	81.3	45.5	43.7	-	-

(*) 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.

The tea sector's performance is more or less in line with that of last year, both in terms of revenues and in terms of operating profit as a percentage of sales, despite higher R&D, marketing and administrative costs. At the same time, the high level of the order book, which already covers a substantial portion of next year's sales, allows us to foresee strong growth in 2005 revenues compared with 2004. The Group Nova, which last year was only consolidated for the last quarter, contributed 13.7 million euros to revenues of the packaging sector. It follows that the lower operating profit reflects, on the one hand, the pressure on selling prices that we mentioned earlier and, on the other, the increase in fixed costs caused by enlargement of the scope of consolidation. The level of the order book at the end of the period, to which the Group Nova has contributed 9.7 million euros, makes it possible to foresee higher year-end revenues, mainly thanks to the Nova Group. As for the process sector, on the one hand, it has suffered more as a result of the price tensions with our main competitors, while on the other, the result discounts the lower level of revenues for the period as well as the costs incurred by Kilian for its reorganisation and transfer to new premises. We foresee that by the end of year

revenues will come in at a level slightly below that of 2004; in other words, recovering in the last quarter at least part of the delays accumulated to date.

Net capital employed in the packaging sector includes the effects of the 50% acquisition of IMA-Telstar S.L. completed on 30 September 2005 and valued at cost, in the same way that the equivalent figure at 30 September 2004 includes the impact of acquiring the Nova Group, which was also valued at cost at that date.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

The following table summarizes the Group's balance sheet as at 30 September 2005:

million euros	30.09.2005	31.12.2004	30.09.2004
Trade receivables	87.4	88.1	84.9
Inventories	142.9	109.7	121.4
Trade payables	(102.7)	(100.4)	(85.2)
Other, net	(19.1)	(14.0)	(19.9)
Working capital	108.5	83.4	101.2
Property, plant and equipment	71.0	73.0	71.1
Intangible assets	59.4	57.3	42.3
Investments in non-consolidated subsidiaries and associates	12.2	0.5	13.4
Fixed assets	142.6	130.8	126.8
Provision for severance indemnities and other provisions	(33.1)	(30.7)	(23.9)
Net capital employed	218.0	183.5	204.1

FINANCED BY:

Net debt	128.9	74.0	103.8
Minority interests	2.8	2.3	2.2
Group equity	86.3	107.2	98.1
Total sources of finance	218.0	183.5	204.1

Net capital employed was 218.0 million euros at the end of September 2005, 34.5 million euros more than at the end of 2004 when it amounted to 183.5 million euros. This increase was mainly due to the sharp rise in inventories which is typical of this period of the year, being justified by the high volume of deliveries planned for the last quarter. The growth in fixed assets reflects, on the one hand, the different trend in capital investments and depreciation during the period and, more importantly, the booking to "Investments in non-consolidated subsidiaries and associates" of the interest purchased in IMA-Telstar S.L., in the same way that the equivalent figure at 30 September 2004 includes the effects of acquiring the Nova Group.

The following is a breakdown of net debt:

million euros	30.09.2005	31.12.2004	30.09.2004	01.01.2004
Net debt	128.9*	74.0	103.8	73.7
of which:				
• Cash and				
current financial assets	(24.3)	(47.7)	(18.5)	(49.4)
• Non-current financial assets	(3.7)	(3.3)	(3.7)	(3.7)
• Current financial liabilities	100.3	71.3	79.6	75.8
• Non-current financial liabilities	56.6	53.7	46.4	51.0

(*) The net debt reflects the outlay of 5.6 million euros to buy the treasury shares held at 30 September 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. Moreover, our investment in IMA-Telstar S.L. was completed during September 2005 with the payment of 10.5 million euros to this newly incorporated company. At this date, the Spanish affiliate had consolidated net financial assets of 11.6 million euros. To finance this acquisition, the Parent Company took out a short-term bridging loan, which was transformed into a long-term loan in October 2005.

Compared with the situation at 30 September 2004, the financial position now features not only the changes caused by the acquisition described previously and the presence of 5.9 million euros of treasury shares, but also a considerable difference in the amount of self-financing generated in the two periods and an increase in net working capital due above all to the billing delays that arose in the first nine months of 2005. We expect the Group's financial position to improve considerably during the next quarter thanks to normal business flows, as has generally happened in previous years.

CAPITAL EXPENDITURE

Group capital expenditure in property, plant and equipment was 3.2 million euros (4.6 million euros in the same period of 2004) and mainly relates to the costs incurred to extend and upgrade existing buildings and plants, as well as to purchase machinery and equipment for the production process of Group companies and electronic equipment. Group capital expenditure in intangible assets amounted to 2.9 million euros, essentially the same as in the corresponding period of 2004. Of this, 1.9 million euros (1.2 million euros in 2004) relates to the capitalisation of development costs for entirely new products which have the characteristics required by IAS 38 for recognition in the balance sheet.

OTHER INFORMATION

SIGNIFICANT EVENTS AFTER THE END OF THE THIRD QUARTER

In October and November 2005 IMA S.p.A. bought 374,399 treasury shares for 3.7 million euros. At the date of this report, the treasury shares held represent 2.8% of share capital.

OUTLOOK FOR THE REST OF THE YEAR

The results for the third quarter did not achieve the improvement in margins that we felt was justified. This means that we have to adjust our forecasts for the end of the year. On the one hand, there is the high level of the order book at the end of September and the advanced stage of completion of the plants due for delivery, which allow us to confirm our estimate of total revenues for the year of around 400 million euros; on the other, we doubt that it will be possible to achieve the improvement in operating profit that we anticipated in the half-year report.

Given that the tea sector has a limited proportion of total sales, its excellent results have only been able to partially offset the deterioration in the pharmaceuticals sector in the last two years when it has been hit by an extremely unfavourable cyclical

trend, while the recovery in the US dollar will help boost margins, but only from the beginning of next year.

CONSOLIDATED FINANCIAL STATEMENTS
AT 30 SEPTEMBER 2005

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

CONSOLIDATED BALANCE SHEET

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

ASSETS	Note	30 September 2005	31 December 2004
NON-CURRENT ASSETS			
<i>Property, plant and equipment</i>	1	71.0	73.0
<i>Intangible assets</i>	2	59.4	57.3
<i>Investments in non-consolidated subsidiaries and associates</i>	3	12.2	0.5
<i>Financial assets</i>	4	3.7	3.3
<i>Receivables from others</i>		0.8	0.8
<i>Deferred tax assets</i>	5	2.5	2.5
TOTAL NON-CURRENT ASSETS		149.6	137.4
CURRENT ASSETS			
<i>Inventories</i>	6	142.9	109.7
<i>Trade and other receivables</i>	7	100.6	98.4
<i>Income tax receivables</i>		8.7	5.3
<i>Financial assets</i>		0.6	0.7
<i>Derivatives</i>		–	1.6
<i>Cash and cash equivalents</i>	8	23.8	47.0
TOTAL CURRENT ASSETS		276.6	262.7
TOTAL ASSETS		426.2	400.1
EQUITY AND LIABILITIES			
EQUITY			
<i>Share capital</i>	9	18.8	18.8
<i>Share premium reserve</i>		16.4	16.4
<i>Treasury shares</i>	10	(5.9)	–
<i>Other reserves</i>		30.5	28.5
<i>Translation adjustment</i>		0.6	(1.2)
<i>Fair value reserve</i>	11	(1.7)	1.1
<i>Retained earnings</i>		27.6	26.8
<i>Net profit (loss) for the period</i>		–	16.8
Total capital and reserves of the Group		86.3	107.2
<i>Reserves pertaining to minority interests</i>		2.7	2.0
<i>Profit pertaining to minority interests</i>		0.1	0.3
Total minority interests		2.8	2.3
GROUP EQUITY AND MINORITY INTERESTS		89.1	109.5
NON-CURRENT LIABILITIES			
<i>Borrowings</i>	12	56.6	53.7
<i>Severance and pension obligations</i>		25.0	24.2
<i>Provisions for risks and charges</i>	13	1.1	0.9
<i>Deferred tax liabilities</i>	14	3.6	3.2
TOTAL NON-CURRENT LIABILITIES		86.3	82.0
CURRENT LIABILITIES			
<i>Borrowings</i>	12	100.3	71.3
<i>Trade and other payables</i>	15	140.2	130.8
<i>Income tax liabilities</i>		1.2	1.3
<i>Provisions for risks and charges</i>	13	6.6	5.1
<i>Derivatives</i>	16	2.5	0.1
TOTAL CURRENT LIABILITIES		250.8	208.6
TOTAL LIABILITIES		337.1	290.6
TOTAL EQUITY AND LIABILITIES		426.2	400.1

CONSOLIDATED INCOME STATEMENT

FOR THE THIRD QUARTER OF 2005 AND FOR THE NINE-MONTH PERIOD 01/01-30/09/2005 (MILLIONS OF EUROS)

INCOME STATEMENT	Note	Q3 2005	Q3 2004	from 01/01/2005 to 30/09/2005	from 01/01/2004 to 30/09/2004
REVENUES	17	82.2	77.7	238.7	241.5
OPERATING COSTS					
<i>Other revenues</i>		1.4	0.5	3.3	2.7
<i>Change in work in progress, semifinished and finished goods</i>		8.0	4.0	28.4	15.6
<i>Change in inventory of raw, ancillary and consumable materials and goods for resale</i>		0.6	(0.3)	2.9	(0.8)
<i>Cost of raw, ancillary and consumable materials and goods for resale</i>		(34.6)	(28.2)	(106.2)	(93.2)
<i>Services, rentals and leases</i>		(18.9)	(17.3)	(57.5)	(54.7)
<i>Personnel costs</i>	18	(29.8)	(25.5)	(93.0)	(84.1)
<i>Depreciation and amortization expense</i>		(2.6)	(2.4)	(7.8)	(7.8)
<i>Allowance for risks and charges</i>		(1.0)	(0.1)	(1.0)	0.1
<i>Other operating costs</i>		(0.5)	(0.9)	(1.7)	(2.5)
TOTAL OPERATING COSTS		(77.4)	(70.2)	(232.6)	(224.7)
OPERATING PROFIT		4.8	7.5	6.1	16.8
FINANCIAL INCOME AND EXPENSE					
<i>Financial income</i>	19	0.8	0.5	6.4	4.9
<i>Financial expense</i>	20	(2.4)	(0.8)	(11.2)	(7.5)
TOTAL FINANCIAL INCOME AND EXPENSE		(1.6)	(0.3)	(4.8)	(2.6)
PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES		-	-	-	0.1
PROFIT (LOSS) BEFORE TAX		3.2	7.2	1.3	14.3
INCOME TAXES FOR THE PERIOD	21	(2.1)	(3.5)	(1.2)	(7.0)
NET PROFIT (LOSS) FOR THE PERIOD		1.1	3.7	0.1	7.3
ATTRIBUTABLE TO:					
PARENT COMPANY SHAREHOLDERS		1.1	3.7	-	7.2
MINORITY INTERESTS		-	-	0.1	0.1
		1.1	3.7	0.1	7.3
EARNINGS PER SHARE (in euros)		0.03	0.10	0.00	0.20

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2005 AND 30 SEPTEMBER 2004 - BASIS: FINANCIAL STATEMENTS AT 1 JANUARY 2004 AND 1 JANUARY 2005 (MILLIONS OF EUROS)

Description	Share capital	Share premium reserve	Treasury shares reserve	Other reserves	Translation adjustment	Fair value reserve	Retained earnings	Group share of net profit	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. with 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 at equity	–	–	–	–	–	(1.1)	–	–	(1.1)	–	(1.1)
Exchange rate differences on translation of financial statements in foreign currency	–	–	–	–	–	–	–	–	–	0.1	0.1
Net profit (loss) for the period	–	–	–	–	–	–	–	7.2	7.2	0.1	7.3
Balances at 30.09.2004	18.8	16.4	–	28.5	–	0.4	26.8	7.2	98.1	2.2	100.3
Balances at 01.01.2005	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. with 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)	–	–	–
Increases in capital	–	–	–	–	–	–	–	–	–	0.3	0.3
Purchase and sale of treasury shares	–	–	(6.4)	–	–	–	–	–	(6.4)	–	(6.4)
Gains on trading in treasury shares	–	–	0.5	–	–	–	–	–	0.5	–	0.5
Valuation of financial instruments at equity	–	–	–	–	–	(2.8)	–	–	(2.8)	–	(2.8)
Exchange rate differences on translation of financial statements in foreign currency	–	–	–	–	1.8	–	–	–	1.8	0.3	2.1
Net profit (loss) for the period	–	–	–	–	–	–	–	–	–	0.1	0.1
Balances at 30.09.2005	18.8	16.4	(5.9)	30.5	0.6	(1.7)	27.6	0.0	86.3	2.8	89.1

STATEMENT OF CONSOLIDATED CASH FLOWS

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

	30 September 2005	30 September 2004
OPERATIONS		
<i>Net profit (loss) for the period</i>	–	7.2
<i>Adjustments for:</i>		
- <i>Depreciation and amortization</i>	7.6	7.6
- <i>Capital (gains) losses on disposal of non-current assets</i>	–	(0.3)
- <i>Changes in provisions for risks and charges and staff severance obligations</i>	1.7	1.3
- <i>Unrealised losses (gains) on exchange rate differences</i>	0.5	(0.2)
- <i>Income taxes</i>	1.2	7.0
- <i>Minority interests</i>	0.5	–
- <i>Share of income on investments in associates</i>	–	(0.1)
Operating profit (loss) before changes in working capital	11.5	22.5
<i>(Increase) decrease in trade and other receivables</i>	(2.2)	0.8
<i>(Increase) decrease in inventories</i>	(33.2)	(15.2)
<i>Increase (decrease) in trade and other payables</i>	8.0	(1.2)
<i>Income taxes paid</i>	(2.6)	(5.8)
CASH FLOW GENERATED (ABSORBED) BY OPERATIONS (A)	(18.5)	1.1
INVESTMENT ACTIVITY		
<i>Investments in intangible assets</i>	(2.9)	(2.6)
<i>Investments in property, plant and equipment</i>	(3.2)	(4.6)
<i>Exchange rate differences on property, plant and equipment and intangible assets</i>	(0.8)	–
<i>Repayment of finance lease debts</i>	(0.7)	(0.8)
<i>Investments in non-consolidated subsidiaries and associates</i>	(11.5)	(10.4)
<i>Proceeds of 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>	(2.9)	(2.0)
CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITY (B)	(22.2)	(19.7)
FINANCE ACTIVITY		
<i>New loans granted</i>	16.6	23.7
<i>Borrowings repaid</i>	(27.2)	(13.8)
<i>Increase (decrease) in other payables to banks</i>	45.9	(7.7)
<i>Dividends paid</i>	(14.0)	(14.4)
<i>Purchase of treasury shares</i>	(5.6)	–
<i>Translation of financial statements in foreign currency</i>	1.8	–
CASH FLOW GENERATED (ABSORBED) BY FINANCE ACTIVITY (C)	17.5	(12.2)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)	(23.2)	(30.8)
CASH AND CASH EQUIVALENTS AT START OF PERIOD (E)	47.0	49.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD (F=D+E)	23.8	18.2

EXPLANATORY NOTES

A) OVERVIEW

The Report on Operations for the third quarter of 2005 was approved by the Board of Directors on 14 November 2005.

The IMA Group designs, manufactures and sells machinery and plant mainly to the pharmaceuticals, cosmetics and tea-packaging industries.

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

In the market segment in which the IMA Group operates, interim results cannot be considered representative of the year as a whole, as activity tends to intensify in the last quarter of the year. 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 almost 45% of the annual total is concentrated in the last quarter of the year.

All of the figures in the quarterly report at 30 September 2005 are in millions of euros.

B) BASIS OF PREPARATION

The quarterly 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 quarterly report was prepared in accordance with Article 82 of Consob Regulation no. 11971/1999 (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 at 30 September 2004.

The reconciliation at 30 September 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 reconciliation between equity according to Italian GAAP and equity according to IFRS at 1 January 2004 (the transition date) and at 31 December 2004, as well as the reconciliation between the consolidated net result according to Italian GAAP and the result according to IFRS for 2004, as required by "IFRS 1: First-Time Adoption of International Financial Reporting Standards", together with explanatory notes, are provided in the report on operations for the first quarter of 2005 and in the report on operations for the first half of 2005.

PricewaterhouseCoopers SpA was appointed to carry out a full audit of the IAS/IFRS reconciliations at 1 January 2004 and 31 December 2004. Their report is attached to the Report on Operations for the first half of 2005.

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

C) ACCOUNTING POLICIES

PROPERTY, PLANT AND EQUIPMENT

The most significant accounting policies applied are as follows:

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 as it has an unlimited useful life.

Ordinary maintenance costs are expensed as incurred. 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 further extraordinary maintenance, whichever occurs first.

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

The book value of property, plant and equipment is reviewed periodically for impairment losses, in the manner described in the section on impairment of assets.

FINANCE LEASES

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

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

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

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 an unlimited useful life are not amortized but 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. 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 recognised 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 recognised 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 cash-generating unit (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 no longer apply, the written-back value of the asset should not exceed what the amortized historical cost would have been if the impairment had not taken place. Write-backs are booked through the income statement. International accounting standards prohibit write-backs 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 realisable 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 recognised in relation to the stage of completion of contract activity.

If the outcome cannot be estimated reliably, revenues should be recognised 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 recognised as an expense as soon as such loss is probable.

Revenues and costs relating to contract work are recognised in proportion to the stage of completion of the contract activity, applying the so-called "cost-to-cost" method, which involves establishing the proportion between the costs incurred to date and the estimated total costs of 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 recognised 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 recognised 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 shown at their original face 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 recognised at amortized cost using the effective interest rate method, net of writedowns.

CASH AND CASH EQUIVALENTS

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

TREASURY SHARES

In accordance with IAS 32, the cost of any treasury shares that have been repurchased has to be deducted from equity. No gain or loss is recognised to income on the purchase, sale, issue or cancellation of treasury shares. The consideration paid or received, including expenses directly attributable to the transaction, net of any related tax benefit, is recognised directly in equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current, legal or implicit liabilities deriving from past events, the amount of which can be reasonably estimated at the end of the period. If a liability is only considered potential, no risk provision is made, though adequate information is provided in the notes to the financial statements.

PERSONNEL BENEFITS

The provisions for severance indemnities and retirement benefits, which can be considered as post-retirement defined-benefit pension plans, are valued in accordance with IAS 19. 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 carry on its business, the Group finances itself by borrowing on the market, 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 from the time that the target exchange rate is agreed, i.e. when a Group entity commits itself to receive or pay in a foreign currency at a future date, and the time when this commitment becomes first an order and then an invoiced amount.

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 receiving the 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 budgeted sales in foreign currencies, or order book flows.

b) Interest rate risk

Interest rate risk is the risk of an uncontrolled increase in charges deriving from the payment of floating-rate interest on the Group's long-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 taken out for loans whenever it is thought advisable. The duration of a hedge cannot exceed the maturity of the loan.

Financial hedging instruments and their accounting treatment

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

In any case, where financial instruments fail to satisfy the conditions for hedge accounting laid down in IAS 39, changes in their fair value are recognised in the income statement as financial income or expense.

Financial instruments are therefore treated under hedge accounting rules when:

- the instrument is formally designated as a hedge when it is first taken out and the hedging relationship is documented;
- the hedge is expected to be highly effective;
- the effectiveness can be reliably measured and the hedge remains highly effective for the duration of the periods designated.

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 recognised asset or liability or a highly probable forecast transaction (the underlying element being hedged) that could affect profit or loss.

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.

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 value and their time value; the intrinsic element is recognised in the fair value reserve in equity, whereas the time element is booked directly to income as financial income or expense. When the underlying element being hedged becomes manifest, the fair value reserve is removed and attributed to the carrying value of the underlying.

The fair value of interest rate derivatives is determined by their market value at the designated date. The fair value is recognised 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 has to be shown net of income tax, based on the best estimate of the weighted average annual income tax rate expected for the full year. The amounts provided for tax in an interim period can be adjusted in a subsequent interim period of the same financial year if the estimated annual tax rate changes.

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

REVENUE RECOGNITION

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

TRANSLATION OF FOREIGN CURRENCY BALANCES

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, 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 valued at fair value are booked using the exchange rates ruling at the time that the fair value is determined.

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

Group companies

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

The exchange differences arising from the translation of opening equity using the spot rates at period end, and from the translation of the income statement using average rates for the period are recognized as a separate component of equity called the translation reserve.

Goodwill arising from the acquisition of a foreign operation is recognised 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;
- 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, and related services;
- 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 recognised 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 these 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 foreseen by IAS 21, starting to account for translation differences from that date onwards.
- **Derivatives:** 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.

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 unrealised profit 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 quarterly report at 30 September 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.

The following changes in the Group structure also took place during 2005:

- The merger of Comitec S.r.l. with IMA S.p.A., with effect from 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.
- On 22 July 2005 the Board of Directors of IMA S.p.A. approved a 2.0 million US dollar increase in capital for the Chinese company Zibo IMA Xinhua Pharmatech Co. Ltd., which operates in the production of pharmaceutical process machines. Of this increase, IMA S.p.A. paid 1.6 million US dollars while the Chinese partner Xinhua Medical Co. paid 0.4 million US dollars, each in proportion to their shareholdings in the company (IMA S.p.A. 82%, Xinhua Medical Co. Ltd. 18%).
- From July 2005 there is a consortium agreement between the Parent Company IMA S.p.A. (with 25%), Info Area S.r.l. (with 25%) and a third company (with 50%) for the provision of IT services to the members of the consortium. The contract is due to expire on 31 December 2007 unless it is extended or cancelled in advance by unanimous agreement of the members.
- On 30 September 2005, after completion of the formalities required for the transfer of Telstar's activities, which also involved the Antitrust Authority, we stipulated a purchase and sale agreement under which IMA S.p.A. bought 50% of the shares of a newly incorporated Spanish company to which the Telstar Group has transferred its operations in the field of lyophilization (freeze-drying) plants for the pharmaceutical industry. The company took on the name of IMA-Telstar S.L. and controls 55% of the Chinese company Telstar Huadong Co. Ltd., based in Shanghai, which operates in the same sector. IMA S.p.A.'s participation took the form of a cash increase in capital in IMA-Telstar S.L. for 10.5 million euros. The Telstar Group's lyophilization business had sales in 2004 of 16 million euros and EBITDA of 17.5%. For some time IMA had been exploring various alternatives for entering the lyophilization sector, as this is a process that is being used more and more especially in the production of pharmaceuticals based on biotechnologies. From a sales and marketing point of view, this activity also has synergies with sterile filling lines, a sector in which the IMA Group holds an important market share, having invested heavily in this area.

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

COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

	Registered offices		Share capital fully paid-in	Direct investment	Indirect investment
Manufacturing companies:					
• I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano E. (BO)	EUR	18,772,000	Parent company	–
• CO.MA.D.I.S. S.p.A.	Senago (MI)	EUR	1,540,000	100%	–
• IMA Kilian GmbH & Co. KG	Cologne (Germany)	EUR	3,600,000	–	100% (1)
• Precision Gears Pvt Ltd.	Bombay (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	2,978,000	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 (UK)	LST	1,403,895	–	90.68% (3)
Marketing companies:					
• IMA UK Ltd.	Wokingham (UK)	LST	50,000	100%	–
• IMA North America Inc.	Bristol (USA)	USD	2,500	100%	–
• I.M.A. Est Verp. Handels GmbH	Vienna (A)	EUR	280,000	100%	–
• IMA Germany GmbH	Cologne (Germany)	EUR	90,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (F)	EUR	45,735	100%	–
• 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. (BO)	EUR	98,800	100%	–
Financial companies:					
• Luxteco International S.A.	Luxembourg	EUR	2,400,000	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. totals 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.

Notes (list 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%)

COMPANIES VALUED USING THE EQUITY METHOD

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

The consolidated financial statements at 30 September 2005 include the accrued portion of net profits and losses of associated companies, which are valued at net equity from the date on which a significant influence arises to the date on which it no longer exists. Equity investments in associates are initially recorded at purchase cost. Any excess purchase cost with respect to the Group's share of the associate's net assets (at current value) is included in the value of the equity investment.

INVESTMENTS VALUED AT COST

	Registered offices	Share capital fully paid-in	Direct investment	Indirect investment
IMA Kilian Verwaltungs GmbH	Cologne (Germany)	EUR 25,000	–	100% ⁽⁵⁾
IMA-Telstar S.L.	Terrassa (Spain)	EUR 4,946,400	50%	–
Consorzio Info Area	Ozzano E. (BO)	EUR(*)50,000	25%	25% ⁽⁶⁾

(*) Quotas of the consortium fund - Notes (list of indirect investments): (5) Held by IMA Germany GmbH - (6) Held by Info Area S.r.l.

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.

The investment in IMA-Telstar S.L. is valued at cost because of the time needed to bring this company into line with the Group's consolidation procedures.

F) COMMENTS ON THE MAIN ASSET CAPTIONS

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

NON-CURRENT ASSETS

1. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment shows a net decrease of 2.0 million euros. Movements in property, plant and equipment during the period are as follows (millions of euros):

	Land	Buildings and leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other assets	Construction in progress and advances	Total
Balances at 01.01.05	14.4	34.6	16.6	1.9	4.2	1.3	73.0
Increases for the period	–	0.9	0.6	0.4	0.8	0.5	3.2
Sales and disposals	–	–	–	–	–	–	–
Depreciation	–	(1.2)	(2.5)	(0.6)	(1.3)	–	(5.6)
Reclassifications	–	0.2	0.3	0.1	0.1	(0.7)	–
Translation differences	–	0.2	0.1	0.1	–	–	0.4
Balances at 30.09.05	14.4	34.7	15.1	1.9	3.8	1.1	71.0

"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) which is 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. Certain items of 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".

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

2. INTANGIBLE ASSETS

Movements in intangible assets during the period are as follows (millions of euros):

	Develop- ment costs	Industrial patents	Software licences, trademarks and similar	Goodwill	Assets under development and advances	Total
Balances at 01.01.05	1.5	0.7	4.2	48.5	2.4	57.3
Increases for the period	0.5	0.4	0.3	–	1.7	2.9
Amortization	(0.3)	(0.4)	(1.2)	–	–	(1.9)
Increase (decrease) in value	–	–	(0.1)	0.9	–	0.8
Reclassifications	0.9	0.4	–	–	(1.3)	–
Translation differences	–	–	–	0.3	–	0.3
Balances at 30.09.05	2.6	1.1	3.2	49.7	2.8	59.4

The 2.6 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 CA1, a packaging machine for filter-paper coffee pods, the Sterifill F200 and F2000 distributors, and Impressa 130, which were all 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 3.2 million euros (4.2 million euros at 31 December 2004), include applications, management and technical software.

Goodwill comprises the following (millions of euros):

	30.09.2005	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.D.I.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	15.6	14.4
Total	49.7	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 0.9 million euros under "increase (decrease) in value" represents the change in value of the goodwill involved in the Nova Group acquisition as a result of estimating the strike price of the put & call option. The translation difference of 0.3 million euros refers to translation of the Nova Group goodwill at the period-end exchange rate.

As regards the impairment testing of goodwill, management is of the view that, given the highly seasonal nature of the business, only the results and order acquisition in the last quarter of the year can provide an adequate picture of the prospects and therefore of the fair value of the figures concerned, also bearing in mind the rapid turnover of the order book of the CGUs involved.

Of the 2.8 million euros (2.4 million euros at 31 December 2004) in assets under development and advances, 2.6 million refers to the capitalisation of development costs incurred by the Parent Company in 2003 and 2004, and the first nine months of 2005. These mainly comprise internal planning and production and materials, and concern entirely new products for the pharmaceutical and tea packaging sectors, eligible for recognition as intangible assets. Development mainly concerned the C300, an error-control tablet counting machine.

3. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

This item is made up as follows (millions of euros):

	% holding	30.09.2005	31.12.2004
B.C. S.r.l.	30%	0.5	0.5
LA.CO. S.r.l.	30%	0.5	–
IMA-Telstar S.L.	50%	11.2	–
Total		12.2	0.5

The increase reflects the acquisitions of 30% of LA.CO. and 50% of IMA-Telstar S.L. joint venture which took place, respectively, in the second and third quarters of 2005, as mentioned in the section entitled Scope of consolidation. We should also mention that from July 2005 there is a consortium agreement between the Parent Company IMA S.p.A. (25%), Info Area S.r.l. (25%) and a third company (50%) for the provision of IT services to the members of the consortium. The contract is due to expire on 31 December 2007 unless it is extended or cancelled in advance by unanimous agreement of the members.

4. FINANCIAL ASSETS

This item, which amounts to 3.7 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 (0.3 million euros) and investments in other companies (0.1 million euros).

5. DEFERRED TAX ASSETS

At 30 September 2005, deferred tax assets amounted to 2.5 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

6. INVENTORIES

This item is made up as follows (millions of euros):

	Gross value	Writedowns	Net value at 30.09.2005	Net value at 31.12.2004
Raw, ancillary and consumable materials	21.0	(4.9)	16.1	13.2
Work in progress and semifinished goods	135.8	(13.2)	122.6	92.9
Finished goods	6.4	(2.2)	4.2	3.6
Total	163.2	(20.3)	142.9	109.7

The increase in inventories compared with 31 December 2004 is, for the most part, due to a concentration of deliveries in the fourth quarter of the year, this being a typical aspect of the industry in which the Group operates.

7. TRADE AND OTHER RECEIVABLES

This item is made up as follows (millions of euros):

	30.09.2005	31.12.2004
Trade receivables	87.4	88.1
Advances to suppliers	7.1	4.3
Tax receivables	2.1	2.9
Prepayments	2.4	1.7
Other receivables	1.6	1.4
Total	100.6	98.4

TRADE RECEIVABLES

Trade receivables include customer receivables of 70.5 million euros (75.3 million euros at 31 December 2004) and amounts due on contract work in progress of 16.1 million euros (12.8 million euros at 31 December 2004).

Trade receivables from customers are carried net of accumulated provisions amounting to 2.1 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 3.5 million euros; assigned receivables that had not yet fallen due at 30 September 2005 amounted to around 4.4 million euros, of which 0.4 million euros are assigned to factoring companies and 4.0 million to other financial institutions. Assigned receivables were derecognised. No losses are expected on these assignments.

TAX RECEIVABLES

Tax receivables mainly consist of VAT receivables.

OTHER RECEIVABLES

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

8. CASH AND CASH EQUIVALENTS

This item is made up as follows (millions of euros):

	30.09.2005	31.12.2004
Bank current accounts	22.7	45.5
Demand deposits	0.7	1.4
Cheques and cash	0.4	0.1
Total	23.8	47.0

Cash and cash equivalents decreased by 23.2 million euros compared with 31 December 2004. For a better understanding of the changes in this item, reference should be made to the comments in note 12 on the composition of net debt.

G) COMMENTS ON THE MAIN LIABILITY CAPTIONS

All changes in liabilities and equity have been calculated with respect to the 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.

9. SHARE CAPITAL

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

10. TREASURY SHARES

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

- acquisition of 1,349,121 treasury shares for 13.3 million euros (in January and February 2005);
- sale of 696,105 treasury shares for 7.7 million euros in May and September 2005; these sales generated a capital gain of 0.5 million euros, net of tax effects.

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

The following table shows the number of shares outstanding:

Thousands	30.09.2005	30.06.2005	31.12.2004	30.09.2004
Number of shares	36,100	36,100	36,100	36,100
Treasury shares purchased	(1,349)	(1,349)	–	–
Treasury shares sold	696	250	–	–
Shares outstanding	35,447	35,001	36,100	36,100

A dividend of 14.0 million euros was paid in May 2005, equal to 0.40 euros (gross) per ordinary share outstanding (14.4 million euros, equal to 0.40 euros per share in May 2004).

11. 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	0.5
Fair value - tax effect	(0.1)
Realisation recognised in income	(2.2)
Realisation recognised in income - tax effect	0.7
Balance at 30.09.2004	0.4
Balance at 01.01.2005	1.1
<i>Available for sale</i>	
Valuation at fair value	0.1
<i>Cash flow hedges/hedging instruments</i>	
Valuation at fair value	(2.9)
Fair value - tax effect	0.9
Realisation recognised in income	(1.3)
Realisation recognised in income - tax effect	0.4
Balance at 30.09.2005	(1.7)

NON-CURRENT AND CURRENT LIABILITIES

12. BORROWINGS

This item includes payables to banks for 150.0 million euros (117.4 million euros at 31 December 2004) and payables to other providers of finance for 6.9 million euros (7.6 million euros at 31 December 2004).

PAYABLES TO BANKS

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

Applied research and technological innovation loans

During the period, maturing instalments were paid regularly for an overall amount of 3.7 million euros. The Parent Company also received additional funding of 4.2 million euros from Carisbo Sanpaolo IMI involving three loans for research projects, with partial or total use of funds from the European Investment Bank. Two of these loans will be repaid in 16 quarterly instalments from September 2006 to June 2010, while the third will be repaid in 17 quarterly instalments beginning in June 2006 through June 2010.

Other loans

The main changes in this item concern contractual repayments for a total of 23.5 million euros and new loans to the Parent Company of 10.0 million euros and to IMA Kilian GmbH & Co. KG for 1.7 million euros.

PAYABLES TO OTHER LENDERS

At 30 September 2005, this item included 6.7 million euros for a lease taken out by Libra P.T. S.r.l. (merged with I.M.A. S.p.A. from 1 January 2004) for land and an

industrial building built on it, which was delivered in August 2003. The non-current portion concerns payables due after 5 years for a total of 1.8 million euros.

Net debt at 30 September 2005, of 128.9 million euros, is made up as follows:

million euros	30.09.2005	30.06.2005	31.12.2004	30.09.2004
Net debt	128.9 *	101.8**	74.0	103.8
of which:				
• Liquid funds and current financial assets	(24.3)	(29.5)	(47.7)	(18.5)
• Non-current financial assets	(3.7)	(3.6)	(3.3)	(3.7)
• Current financial liabilities	100.3	84.5	71.3	79.6
• Non-current financial liabilities	56.6	50.4	53.7	46.4

(*) The net debt reflects the outlay of 5.6 million euros to buy the treasury shares held at 30 September 2005.

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

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. Moreover, our investment in IMA-Telstar S.L. was completed during September 2005 with the payment of 10.5 million euros to this newly incorporated company. At this date, the Spanish affiliate had consolidated net financial assets of 11.6 million euros. To finance this acquisition, the Parent Company took out a short-term bridging loan, which was then transformed into a long-term loan in October 2005.

Compared with the situation at 30 September 2004, the financial position now features not only the changes caused by the acquisition described previously and the presence of 5.9 million euros of treasury shares, but also a considerable difference in the amount of self-financing generated in the two periods and an increase in net working capital due above all to the billing delays that arose in the first nine months of 2005. We expect the Group's financial position to improve considerably during the next quarter thanks to normal business flows, as has generally happened in previous years.

13. PROVISIONS FOR RISKS AND CHARGES

These provisions are made up as follows (millions of euros):

	Balance at 31.12.2004	Allocations	Uses	Exchange rate differences	Balance at 30.09.2005
Non-current:					
• Agent termination indemnities	0.9	0.1	–	0.1	1.1
	0.9	0.1	–	0.1	1.1
Current					
• Product guarantee provision	4.2	0.5	(0.1)	–	4.6
• Other risk provisions	0.9	2.0	(0.9)	–	2.0
	5.1	2.5	(1.0)	–	6.6
Total	6.0	2.6	(1.0)	0.1	7.7

Other risk provisions have been established by the Parent Company to cover liabilities that could derive from its ordinary operations. They include tax provisions to cover any liabilities that could arise from the tax audits being carried out at IMA

S.p.A., IMA Kilian GmbH & Co. KG and IMA Germany GmbH on the tax years from 2000 to 2003.

14. DEFERRED TAX LIABILITIES

At 30 September 2005, deferred tax liabilities amounted to 3.6 million euros (3.2 million euros at 31 December 2004). They regard temporary differences arising from the integration of economic and technical depreciation with accelerated depreciation for tax purposes only.

15. TRADE AND OTHER PAYABLES

The item is made up as follows (millions of euros):

	30.09.2005	31.12.2004
Trade payables	68.2	74.1
Advances from customers	41.6	30.6
Social security payables	2.6	4.2
Tax payables	2.1	2.7
Employee payables	15.8	9.9
Payables in respect of acquisitions	7.9	6.5
Other payables	2.0	2.8
Total	140.2	130.8

TRADE PAYABLES

This item includes trade payables for 62.2 million euros (67.9 million euros at 31 December 2004), due to agents for 4.2 million euros (5.7 million euros at 31 December 2004) and due to associates for 1.8 million euros (0.5 million euros at 31 December 2004).

ADVANCES FROM CUSTOMERS

The increase in advances from customers for future deliveries with respect to 31 December 2004 is mainly due to the large volume of orders to be fulfilled in the fourth quarter of the year.

TAX PAYABLES

Tax payables refer mostly to withholding taxes for employees.

AMOUNTS DUE TO EMPLOYEES

The increase in this item with respect to the figure at 31 December 2004 relates principally to deferred payroll amounts (13th month salary) which will be paid during the last quarter of the year.

PAYABLES IN RESPECT OF ACQUISITIONS

This item includes the residual liability for the acquisition of 90.68% of Packaging Systems Holdings LLC for 3.3 million US dollars (2.7 million euros), which fall due in May 2006 for 3 million US dollars and the rest in May 2009. In connection with this acquisition, the Parent Company has signed an agreement under which it has granted a put option for the remaining shares in exchange for a call option on them. Both of these options can be exercised by the end of May 2009, at a price indexed to the gross operating profit achieved by the Nova Group between 1 January 2005 and 31 December 2008. The estimated amount due to acquire the remaining shares is 5.0 million euros (4.1 million euros at 31 December 2004).

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

16. DERIVATIVES

At 30 September 2005, financial derivatives amounted to 2.5 million euros. Exchange rate hedges increased from 37.2 million US dollars and 120.0 million yen at 31 December 2004 to 54.0 million US dollars and 140.0 million yen at 30 September 2005, whereas their fair value went from a positive 1.6 million euros at 31 December 2004 to a negative 2.5 million euros at 30 September 2005.

CASH FLOW HEDGES

Cash flow hedges include forward foreign exchange sales and options to hedge exchange rate risk. An interest rate swap (IRS) entered into by the Parent Company in 1999 with a leading bank expired in 2005. 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 2005.

H) COMMENTS ON THE MAIN INCOME STATEMENT CAPTIONS

17. REVENUES

Revenues earned by the IMA Group in the first nine months to 30 September 2005 can be broken down by geographical and business segment as follows (millions of euros):

REVENUES BY GEOGRAPHICAL SEGMENT

	from 01.01.2005 to 30.09.2005	from 01.01.2004 to 30.09.2004	Change
E.U. (excluding Italy)	93.7	104.2	(10.5)
Other European countries	16.2	14.0	2.2
North America	54.0	54.0	–
Asia	25.0	29.2	(4.2)
Other countries	26.1	21.5	4.6
Total exports	215.0	222.9	(7.9)
Italy	23.7	18.6	5.1
Total	238.7	241.5	(2.8)

REVENUES BY BUSINESS SEGMENT

	from 01.01.2005 to 30.09.2005	from 01.01.2004 to 30.09.2004	Change
Machines and formats	155.3	164.8	(9.5)
Contract work	23.7	20.2	3.5
Spare parts	36.2	33.7	2.5
Technical assistance	14.0	13.9	0.1
Other services	9.5	8.9	0.6
Total	238.7	241.5	(2.8)

18. PERSONNEL COSTS

Personnel costs are made up as follows (millions of euros):

	from 01.01.2005 to 30.09.2005	from 01.01.2004 to 30.09.2004	Change
Wages and salaries	65.8	59.2	6.6
Social security contributions	16.9	16.7	0.2
Remuneration of directors	1.0	1.0	–
Pensions - defined-benefit plans	3.4	3.2	0.2
Pensions - defined-contribution plans	0.8	0.5	0.3
Others personnel costs	5.1	3.5	1.6
Total	93.0	84.1	8.9

It should be noted that the figure at 30 September 2005 includes 6.2 million euros in personnel costs for the Nova Group, included in the scope of consolidation since the fourth quarter of 2004.

19. FINANCIAL INCOME

The item is made up as follows (millions of euros):

	from 01.01.2005 to 30.09.2005	from 01.01.2004 to 30.09.2004	Change
Interest income from banks	0.7	0.8	(0.1)
Interest income on receivables from customers and other financial income	0.1	0.2	(0.1)
Income on derivatives	1.3	0.6	0.7
Exchange rate gains	4.3	3.3	1.0
Total	6.4	4.9	1.5

20. FINANCIAL CHARGES

This item is made up as follows (millions of euros):

	from 01.01.2005 to 30.09.2005	from 01.01.2004 to 30.09.2004	Change
Interest expense on bank payables	3.7	2.8	0.9
Interest expense on discounting	0.1	0.2	(0.1)
Interest expense on finance leases	0.2	0.2	–
Expense on derivatives	1.6	0.7	0.9
Other financial expense	0.2	0.5	(0.3)
Exchange rate losses	5.4	3.1	2.3
Total	11.2	7.5	3.7

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

At 30 September 2005, exchange rate gains and losses included, respectively, an unrealised gain of 1.4 million euros and an unrealised loss of 1.9 million euros.

21. INCOME TAXES 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.

Note that at 30 September 2005 this item includes provisions of 0.8 million euros for potential liabilities arising from the tax audits mentioned in note 13.

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):

	from 01.01.2005 to 30.09.2005	from 01.01.2004 to 30.09.2004	Change
Tea, coffee and herbal tea packaging	50.4	51.6	(1.2)
Pharmaceuticals packaging and other	136.4	130.4	6.0
Pharmaceuticals processing	51.9	59.5	(7.6)
Total revenues	238.7	241.5	(2.8)

In the first nine months of 2005 Group revenues totalled 238.7 million euros, compared with 241.5 million euros in 2004. The Nova Group, which entered the scope of consolidation in October 2004, contributed 13.7 million euros in revenues during the period. The lower level of revenues at the end of September was still affected by the delays accumulated in the first half of the year, even if in the quarter from July to September this trend was reversed with higher revenues of 82.2 million euros compared with 77.7 million euros in the same quarter of 2004.

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

	from 01.01.2005 to 30.09.2005	from 01.01.2004 to 30.09.2004	Change
Tea, coffee and herbal tea packaging	17.0	17.3	(0.3)
Pharmaceuticals packaging and other	(3.0)	0.7	(3.7)
Pharmaceuticals processing	(7.9)	(1.2)	(6.7)
Total operating profit	6.1	16.8	(10.7)

The above changes show that the tea sector's operating profit as a percentage of sales is substantially the same as in 2004, whereas the figure for packaging machines has felt the pressure on prices. In the processing machinery segment, the decline is largely attributable to the substantial fall in revenues and an increase - albeit small - in fixed costs, mainly for the transfer of IMA Kilian GmbH & Co. KG., a non-recurring item.

In fact, the margin recoveries that we expected to see in July-September did not come about, even though the forecast was justified by the fact that there were no longer any of the costs incurred during the early part of the year for IMA Kilian's transfer to its new plant in Cologne, combined with the initial impact of the higher price lists in US dollars applied at the end of 2004. As it happens, the improvements we were expecting did occur, but they were wiped out by the higher discounts that we were forced to concede. As a result, the profit for the third quarter on its own amounted to 4.8 million euros compared with 7.5 million euros in the same period of 2004.

J) OTHER INFORMATION

GUARANTEES GIVEN

At 30 September 2005, the Group had granted sureties to customers for an amount of 6.6 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 0.8 million euros to secure leases, sundry utilities and customs duties.

Sureties granted against advances received amounted to about 17.5 million euros (17.3 million euros at 31 December 2004).

COMMITMENTS

At 30 September 2005 commitments to purchase property, plant and equipment came to 0.4 million euros, mainly for the extension and refurbishment of buildings.

The Group also has commitments in respect of minimum lease payments for non-cancellable operating leases totalling 1.9 million euros.

RELATED-PARTY TRANSACTIONS

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.

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 September 2005 (millions of euros):

	Receivables	Payables	Revenues	Costs
Advantech S.r.l.	0.1	0.6	–	1.0
Datasensor S.p.A.	–	0.1	–	0.1
Ferretti S.p.A.	0.1	–	0.4	–
Fondazione Ramazzini	–	–	–	0.1
Italbe S.r.l.	–	–	–	0.1
Lopam S.r.l.	–	–	–	0.2
Naturapack S.r.l.	1.1	–	0.9	0.2
Poggi Luca	–	0.1	–	0.1
Sporting Club Gira S.r.l.	–	0.1	–	0.2
Viaggi Nuova Era S.r.l.	–	1.3	–	2.4
Vima S.r.l.	0.8	1.5	–	4.1

Transactions with associates are summarised below (millions of euros):

	Receivables	Payables	Revenues	Costs
B.C. S.r.l.	–	0.4	–	2.0
LA.CO. S.r.l.	–	0.8	–	1.1
Consorzio Info Area	0.8	0.6	0.7	0.6

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

The above positions are held primarily by the Parent Company.

**SIGNIFICANT EVENTS
AFTER THE END OF THE
THIRD QUARTER**

In October and November 2005 IMA S.p.A. bought 374,399 treasury shares for 3.7 million euros. At the date of this report, the treasury shares held represent 2.8% of share capital.

K) IFRS RECONCILIATIONS AT 30 SEPTEMBER 2004

The reconciliation between equity according to Italian GAAP and equity according to IFRS at 1 January 2004 (the transition date) and at 31 December 2004, as well as the reconciliation between the consolidated net result according to Italian GAAP and the result according to IFRS for 2004, as required by "IFRS 1: First-Time Adoption of International Financial Reporting Standards", together with explanatory notes, are provided in the report on operations for the first quarter of 2005 and in the report on operations for the first half of 2005.

The reconciliation at 30 September 2004 required by paragraph 45 of "IFRS 1: First-Time Adoption of International Financial Reporting Standards" is provided below, together with explanatory comments.

For more information on the basis of preparation and accounting policies, please refer to the sections entitled "Basis of preparation" and "Accounting policies".

RECONCILIATION OF THE BALANCE SHEET AT 30 SEPTEMBER 2004

(MILLIONS OF EUROS)

Note	ASSETS	Italian G A A P	IFRS transition effects	IFRS
	NON-CURRENT ASSETS			
1.	<i>Property, plant and equipment</i>	58.0	13.1	71.1
2.	<i>Intangible assets</i>	39.8	2.5	42.3
	<i>Investments in non-consolidated subsidiaries and associates</i>	13.4	–	13.4
	<i>Financial assets</i>	3.7	–	3.7
	<i>Receivables from others</i>	0.9	–	0.9
3.	<i>Deferre tax assets</i>	9.6	(7.2)	2.4
	TOTAL NON-CURRENT ASSETS	125.4	8.4	133.8
	CURRENT ASSETS			
4.	<i>Inventories</i>	145.1	(23.6)	121.5
	<i>Trade and other receivables</i>			
5.	- Trade receivables	63.3	21.6	84.9
6.	- Advances, tax credits and other receivables	14.4	(1.4)	13.0
	<i>Total trade and other receivables</i>	<u>77.7</u>	<u>20.2</u>	<u>97.9</u>
	<i>Income tax receivables</i>	7.2	–	7.2
	<i>Financial assets</i>	0.3	–	0.3
7.	<i>Derivatives</i>	–	0.7	0.7
8.	<i>Cash and cash equivalents</i>	22.6	(4.4)	18.2
	TOTAL CURRENT ASSETS	252.9	(7.1)	245.8
	TOTAL ASSETS	378.3	1.3	379.6
	EQUITY AND LIABILITIES			
	EQUITY			
	<i>Share capital</i>	18.8	–	18.8
	<i>Share premium</i>	16.4	–	16.4
9.	<i>Other reserves</i>	28.9	(0.4)	28.5
10.	<i>Translation adjustment</i>	(1.4)	1.4	–
11.	<i>Fair value reserve</i>	–	0.4	0.4
12.	<i>Retained earnings</i>	18.8	8.0	26.8
13.	<i>Net profit (loss) for the period</i>	6.2	1.0	7.2
	<i>Total Group equity</i>	<u>87.7</u>	<u>10.4</u>	<u>98.1</u>
	<i>Minority interests</i>	2.3	(0.1)	2.2
	GROUP EQUITY AND MINORITY INTERESTS	90.0	10.3	100.3
	NON-CURRENT LIABILITIES			
14.	<i>Borrowings</i>	47.0	(0.6)	46.4
15.	<i>Retirement benefit obligations</i>	22.5	0.9	23.4
16.	<i>Provisions for risks and charges</i>	1.8	(0.9)	0.9
17.	<i>Deferred tax liabilities</i>	2.9	0.9	3.8
	TOTAL NON-CORRENT LIABILITIES	74.2	0.3	74.5
	CURRENT LIABILITIES			
	<i>Borrowings</i>	79.7	(0.1)	79.6
	<i>Trade and other payables</i>			
18.	- Trade payables	64.4	0.3	64.7
19.	- Advances received	36.5	(10.6)	25.9
20.	- Tax and other payables	27.1	(3.6)	23.5
	<i>Total trade and other payables</i>	<u>128.0</u>	<u>(13.9)</u>	<u>114.1</u>
21.	<i>Income tax liabilities</i>	1.9	4.2	6.1
22.	<i>Provisions for risks and charges</i>	4.5	0.3	4.8
23.	<i>Derivatives</i>	–	0.2	0.2
	TOTAL CURRENT LIABILITIES	214.1	(9.3)	204.8
	TOTAL LIABILITIES	288.3	(9.0)	279.3
	TOTAL EQUITY AND LIABILITIES	378.3	1.3	379.6

NOTES TO THE BALANCE SHEET RECONCILIATION AT 30 SEPTEMBER 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 explain adjustments of more than 0.1 million euros to balance sheet items:

1. The impact on property, plant and equipment is mainly due to the valuation at fair value at the transition date of certain assets in the categories land and buildings as permitted by IFRS 1; the impact of this valuation was 12.8 million euros at the transition date, from which has to be deducted the additional depreciation charged in the first nine months of 2004 of 0.2 million euros. To this has to be added 0.5 million euros due to the reclassification of costs incurred on assets not owned by the company, as mentioned in note 2.

2. Intangible assets:
 - i. capitalisation of development costs booked in previous years to the income statement, as permitted under Italian GAAP. 1.6
 - ii. elimination of start-up and expansion costs (0.6)
 - iii. elimination of amortization of goodwill and goodwill arising on consolidation recognised in the first nine months of 2004 3.3
 - iv. reclassification to property, plant and equipment of costs incurred on assets not owned by the company (0.5)
 - v. elimination of costs included in other intangible assets (see Note A below) (1.3)

Total impact 2.5

- (Note A)

The adjustments to other intangible assets concern 0.9 million euros 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 impact on deferred tax assets consists of:
 - i. Tax effects of adjustments for conversion to IFRS at 30 September 2004 0.1
 - ii. Reclassification as a reduction of deferred tax liabilities (see Note 17) (7.3)

Total impact (7.2)

4. The impact on inventories is due to:
 - i. higher value of inventories due to their valuation at weighted average cost compared with LIFO 0.3
 - ii. construction contracts valued in accordance with the completed contract method under Italian GAAP and under the percentage of completion method according to IFRS (13.1)
 - iii. reclassification to trade receivables of construction contracts in progress previously recognised on a percentage of completion basis (10.8)

Total impact (23.6)

5. Trade receivables:	
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.)	19.6
ii. reclassification of contract work in progress (see note 4 iii.)	10.8
iii. advances from customers for contract work in progress mentioned in points i. and ii. above	(9.2)
iv. trade receivables in respect of construction contracts for which the amount of advances received exceeded accrued and recognised revenues	(1.4)
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)	4.5
Total impact	21.6
6. The impact mainly refers to accrued income and prepayments as the amounts contained therein have been reclassified to trade receivables, other receivables and cash at banks based on their nature.	
7. The amount refers to the fair value of the exchange risk hedging instruments used to protect sales represented by forward sales of foreign exchange and options.	
8. The amount refers to the different method of accounting for the assignment of receivables to factoring companies as IFRS apply more restrictive criteria for the recognition of definitive credit assignments than Italian GAAP.	
9. The amount refers to the revaluations carried out in accordance with the law on assets included in land and buildings valued at fair value at the transition date as permitted by IFRS 1.	
10. The adjustment regards the value of the translation reserve at 31 December 2003 as determined under Italian GAAP. It is 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 (0.8 million euros) and IRS contracts (-0.2 million euros); the amount of the fair value reserve comes to 0.4 million euros (0.6 million net of the tax effect of 0.2 million).	
12. The changes in retained earnings are the same as those in the reconciliation of equity at the transition date, 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 changes in net profit for the period are detailed in the reconciliation of the income statement at 30 September 2004 shown below.
14. The amount refers to the different value of borrowings valued at amortized cost using the effective interest rate method; as mentioned in note 2, the advisory fees relating to R&D loans have been eliminated from intangible assets, where they had been recognised under Italian GAAP, and included in the calculation of amortized cost.
15. The amount refers to the adjustment of the value of post-retirement benefit obligations, represented mainly by the employee termination indemnities of the Italian companies and the reclassification explained in the following note.
16. The impacts on provisions for risks and charges are as follows:
- | | |
|---|-------|
| i. Reversal of provisions for losses on IRS contracts | (0.2) |
| ii. Reclassification of provision for personnel charges of the German company | (0.7) |
| | (0.9) |
| Total impact | (0.9) |
17. The impact on deferred tax liabilities consists of:
- | | |
|---|-------|
| i. Tax effects of adjustments for conversion to IFRS at 30 September 2004 | 8.2 |
| ii. Reclassification of deferred tax assets (see Note 3) | (7.3) |
| | 0.9 |
| Total effect | 0.9 |
18. The amount refers to the costs and related commissions payable booked according to the stage of completion of the contract; as mentioned previously, part of the contract work in progress used to be valued on a completed contract basis under Italian GAAP.
19. Of the total, 9.2 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 1.4 million regard the reduction through reclassification of advances from customers for contracts on which advances exceed accrued and recognised revenues.
20. The adjustment concerns accrued expenses and deferred income, which were reclassified for an amount of 2.7 million euros in trade receivables, as reported in note 5, 0.8 million in payables to banks and 0.1 million in other items depending on their nature.
21. The amount relates to the recognition of liabilities for current taxes on net profit for the period that, as permitted under the previous regulations, had been presented gross of tax.
22. The amount provides for the higher costs for guarantees on contract works valued on a completed contract basis under Italian GAAP and on a stage of completion basis under IAS 11.
23. The amount concerns 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 PERIOD ENDED 30 SEPTEMBER 2004

(MILLIONS OF EUROS)

Note	INCOME STATEMENT	Italian GAAP	IFRS	Adjustments
1.	REVENUES	228.9	12.6	241.5
	OPERATING COSTS			
	<i>Other revenues</i>	(2.8)	0.1	(2.7)
2.	<i>Change in work in progress, semifinished and finished goods</i>	(23.7)	8.1	(15.6)
3.	<i>Change in inventory of raw, ancillary and consumable materials</i>	0.4	0.4	0.8
	<i>Cost of raw, ancillary and consumable materials</i>	93.2		93.2
4.	<i>Services, rentals and leases</i>	58.8	(4.1)	54.7
5.	<i>Personnel costs</i>	79.8	4.3	84.1
6.	<i>Depreciation and amortization expense</i>	11.5	(3.7)	7.8
	<i>Provisions for risks and charges</i>	(0.1)	–	(0.1)
	<i>Other operating costs</i>	2.5	–	2.5
	TOTAL OPERATING COSTS	219.6	5.1	224.7
	OPERATING PROFIT	9.3	7.5	16.8
7.	FINANCIAL INCOME AND EXPENSES	(3.0)	0.4	(2.6)
	PROFITS (LOSSES) FROM INVESTMENTS IN ASSOCIATES	0.1	–	0.1
	PROFIT BEFORE TAX	6.4	7.9	14.3
8.	INCOME TAXES FOR THE PERIOD	–	(7.0)	(7.0)
	PROFIT (LOSS) AFTER TAX	6.4	0.9	7.3
	MINORITY INTERESTS	(0.2)	0.1	(0.1)
	NET PROFIT (LOSS) FOR THE PERIOD	6.2	1.0	7.2

NOTES TO THE RECONCILIATION OF THE INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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 explain adjustments of more than 0.1 million euros to income statement items:

1. revenues are 12.6 million euros higher because of the different method of valuing contract work in progress (previously under the completed contract method, now under the stage of completion method in accordance with IAS 11).
2. The impact on the 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. The change in services, rentals and leases is due for 4.4 million euros to the reclassification to personnel costs of freelancers' and directors' fees and other personnel-related expenses such as insurance, accommodation, company cars and canteen, which under IFRS have to be included in labour cost. Another 0.3 million euros of additional costs regard accrued commissions on contracts recognised on a percentage of completion basis, rather than the completed contract basis used previously.
5. The changes in personnel costs are as follows:

Reclassification from services (see note 4)	4.4
Reduced charges for defined-benefit plans	(0.1)
Total impact	4.3
6. This effect refers principally to the lower costs for amortization of goodwill and consolidation differences as IFRS do not envisage the systematic amortization of goodwill, but only a periodic impairment test;
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 the previous regulations, had been presented gross of tax.