

ANNUAL REPORT

2008



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## TABLE OF CONTENTS

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<b>NOTICE OF CALL</b>		<b>PAGE</b>	<b>3 - 4</b>
<b>REPORT ON OPERATIONS</b>		<b>PAGE</b>	<b>5 - 44</b>
DIRECTORS AND OFFICERS OF THE PARENT COMPANY IMA S.P.A.	PAGE	6 - 7	
GROUP STRUCTURE	"	8	
GROUP COMPANIES BY BUSINESS ACTIVITY	"	9	
GROUP PERFORMANCE	"	10 - 24	
PERFORMANCE OF IMA S.P.A.	"	25 - 35	
OTHER INFORMATION	"	36 - 44	
<b>CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008</b>		<b>PAGE</b>	<b>45 - 49</b>
CONSOLIDATED BALANCE SHEET	PAGE	46	
CONSOLIDATED INCOME STATEMENT	"	47	
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY	"	48	
CONSOLIDATED STATEMENT OF CASH FLOWS	"	49	
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>		<b>PAGE</b>	<b>51 - 105</b>
OVERVIEW	"	52	
GENERAL PREPARATION POLICIES	"	52	
ACCOUNTING POLICIES	"	53 - 61	
FINANCIAL RISK MANAGEMENT	"	61 - 66	
CONSOLIDATION PRINCIPLES	"	66 - 67	
SCOPE OF CONSOLIDATION	"	67 - 70	
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	"	70 - 104	
DISCLOSURE REQUIRED UNDER CONSOB RESOLUTION NO. 11971 OF 14 MAY 1999	"	105	
<b>CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART.81-TER OF THE CONSOB RESOLUTION</b>		<b>PAGE</b>	<b>107 - 108</b>
<b>REPORT OF THE INDEPENDENT AUDITORS</b>		<b>PAGE</b>	<b>109 - 111</b>

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## NOTICE OF CALL

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Published in Il Sole-24 Ore of 28 March 2009 to convene the Ordinary Shareholders' Meeting at 11:00 a.m. on 28 April 2009, at first call, in Ozzano dell'Emilia - Bologna, Via Emilia no. 237, at the offices of I.M.A. Industria Macchine Automatiche Società per Azioni and, if necessary, on 29 April 2009, at second call (at the same time and place) to resolve the following:

### AGENDA

1. Directors' report on operations for the 2008 financial year. Report of the Board of Statutory Auditors. Financial statements at 31 December 2008. Related and consequent resolutions;
2. Proposed partial distribution of reserves to the shareholders. Related and consequent resolutions;
3. Proposed purchase, sale and/or disposal of treasury shares. Related and consequent resolutions;
4. Appointment of the Board of Directors after determining the number of members. Related and consequent resolutions;
5. Amendment of the auditing engagement for the years 2009-2012.

Pursuant to the law, shareholders who, alone or together with other shareholders, represent at least one-fortieth of voting share capital, may request an addition to the items listed on the agenda within five days of publication of this notice, specifying the further matters they wish to address. Additions to the agenda are not permitted if they concern matters which the law requires to be resolved upon at the Shareholders' Meeting based on a proposal from the directors or on a project or a report prepared by them.

Any list of additions to the agenda will be published in the same manner as this notice.

Pursuant to Article 10 of the bylaws, attendance at the Shareholders' Meeting in accordance with the law is restricted to the holders of voting rights that are confirmed by certification issued by the intermediary appointed to keep tally, stating that the shares were deposited in a virtual and centrally managed form at least two business days prior to the Shareholders' Meeting, and notified by the intermediary to the Company in accordance with applicable regulations.

The bylaws envisage the adoption of a list voting system for the appointment of the Board of Directors. The rules and procedures applying to the lists of candidates and the necessary accompanying documentation are specified in art. 15 of the bylaws and published in the Investor Relations section of the website: [www.ima.it](http://www.ima.it)

The lists of candidates must be filed at the company's offices, together with documentation demonstrating the right to present them, at least 15 days prior to the Meeting by shareholders who, alone or together with others, represent at least 2.5% of the share capital, as established in the bylaws and Consob resolution no. 16779 date 27 January 2009.

Each list must comprise 15 candidates, listed in numerical order; each list must be filed together with declarations from each candidate accepting their nomination and declaring, under their own responsibility, that there are no reasons for ineligibility or incompatibility and that they satisfy the requirements specified by law or in the related regulations.

Each list must contain at least two candidates meeting the independence requirements established by law.

Each candidate may only be present on one list or, will otherwise be ineligible for election.

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Lists presented without complying with the above requirements will be treated as though not presented.

In compliance with the applicable regulations, the documentation related to the items on the agenda, comprising the separate and consolidated financial statements at 31 December 2008, the related reports and the annual report on corporate governance, will be available at the registered offices located at Via Emilia no. 428/442, Ozzano dell'Emilia (Bologna), as well as at the administrative office located at Via Tosarelli no. 184, Castenaso (Bologna), and from Borsa Italiana S.p.A., fifteen days prior to the Shareholders' Meeting. The shareholders are entitled to obtain a copy of these documents.

This documentation will also be available on the website [www.ima.it](http://www.ima.it), in the Investor Relations section.

REPORT ON OPERATIONS  
AT 31 DECEMBER 2008

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH  
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

## DIRECTORS AND OFFICERS

### BOARD OF DIRECTORS

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2008)

#### **DIRECTOR AND HONORARY CHAIRMAN**

Marco Vacchi

#### **CHAIRMAN AND 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 other equity interests in companies, associations or entities, lines of business, businesses or combinations of businesses and real estate;
- 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;
- the power to grant beneficial rights over the assets of the Company.

#### **DIRECTOR AND GENERAL MANAGER**

Andrea Malagoli

#### **DIRECTORS**

Gino Benedetti, Giancarlo Folco, Italo Giorgio Minguzzi, Luca Poggi, Maria Carla Schiavina, Gianluca Vacchi, Stefano Visentini and Romano Volta.

The Board of Directors' Meeting of IMA S.p.A. has powers to resolve upon matters which cannot be delegated, and is the only body entitled to resolve on the following:

- the strategic, business and financial plans of the Company and the Group, the corporate governance system of IMA S.p.A. and any decisions relating to the Group structure;
- the adequacy of the organizational, administrative and accounting arrangements of the Company and its subsidiaries, with special reference to the internal control system and management of conflicts of interest;
- the general conduct of operations;
- 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 million euros, except for the power to renew or extend the credit lines already granted to the Company, which can be delegated;
- any transactions in which even one director has a personal interest or represents the interests of a third party and any transactions with related parties, including intercompany transactions, except for ordinary transactions carried out under standard terms and conditions;
- the size, composition and operation of the Board of Directors and its committees;
- decisions about future significant transactions by subsidiaries of IMA S.p.A. that will affect IMA S.p.A.

**BOARD OF STATUTORY  
AUDITORS**

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2009)

**STANDING AUDITORS**

Amedeo Cazzola - Chairman - Registered auditor

Piero Aicardi - Registered auditor

Giacomo Giovanardi - Registered auditor

**ALTERNATE AUDITORS**

Vittorio Coraducci - Registered auditor

Chiara Gallina - Registered auditor

Antonella Grassigli - Registered auditor

**INTERNAL CONTROL AND  
REMUNERATION COMMITTEE**

Romano Volta - Independent director - Chairman

Giancarlo Folco - Independent director

Maria Carla Schiavina - Non-executive director

**MANAGER RESPONSIBLE FOR  
THE PREPARATION OF COMPANY  
ACCOUNTING DOCUMENTS**

Sergio Marzo

**LEAD INDEPENDENT DIRECTOR**

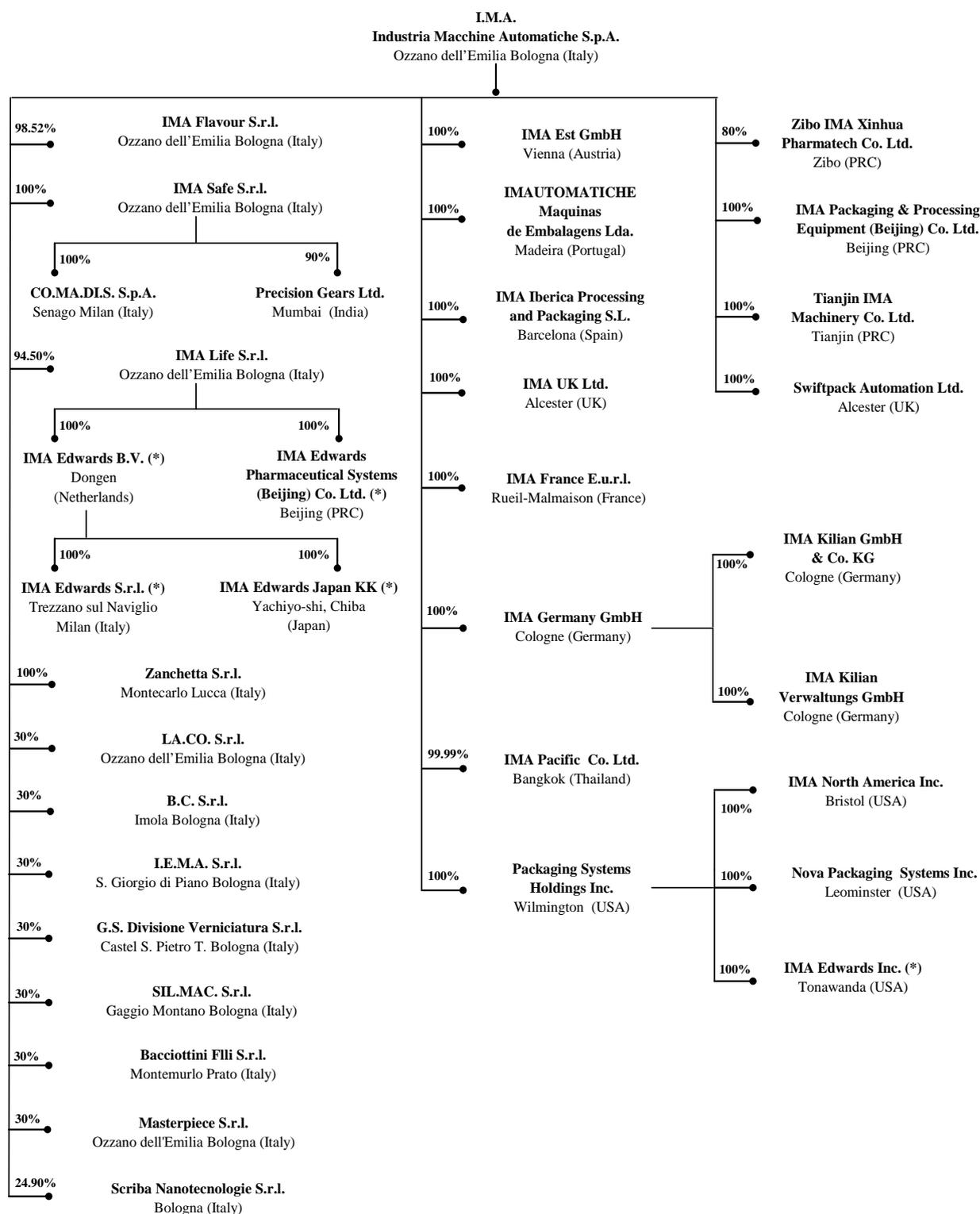
Romano Volta

**INDEPENDENT AUDITORS**

(Appointed until the Shareholders' Meeting called to approve the financial statements at 31 December 2012)

PricewaterhouseCoopers S.p.A.

GROUP STRUCTURE



(\*) "Edwards" is a registered trademark of Edwards Limited and is used by Ima Group under license.

## GROUP COMPANIES BY BUSINESS ACTIVITY

MANUFACTURING  
ACTIVITIES**I.M.A.**

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

**IMA Flavour S.r.l.**  
Ozzano dell'Emilia  
Bologna (Italy)

**IMA Life S.r.l.**  
Ozzano dell'Emilia  
Bologna (Italy)

**IMA Safe S.r.l.**  
Ozzano dell'Emilia  
Bologna (Italy)

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

**Zanchetta S.r.l.**  
Montecarlo - Lucca (Italy)

**IMA Edwards B.V.**  
Dongen (Netherlands)

**IMA Edwards Inc.**  
Tonawanda (USA)

**IMA Edwards Pharmaceutical  
Systems (Beijing) Co. Ltd.**  
Beijing (PRC)

**IMA Kilian GmbH & Co. KG**  
Cologne (Germany))

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

**Precision Gears Ltd.**  
Mumbai (India))

**Swiftpack Automation Ltd.**  
Alcester (UK)

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

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

**Bacciottini F.lli S.r.l.**  
Oste Montemurlo – Prato (Italy)

**B.C. S.r.l.**  
Imola – Bologna (Italy)

**G.S. Divisione Verniciatura S.r.l.**  
Castel S. Pietro Terme  
Bologna (Italy)

**I.E.M.A. S.r.l.**  
S. Giorgio di Piano - Bologna (Italy)

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

**MASTERPIECE S.r.l.**  
Ozzano dell'Emilia - Bologna (Italy)

**SIL.MAC. S.r.l.**  
Gaggio Montano - Bologna (Italy)

COMMERCIAL  
ACTIVITIES

**IMA Est GmbH**  
Vienna (Austria)

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

**IMA Germany GmbH**  
Cologne (Germany)

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

**IMA North America Inc.**  
Bristol (USA)

**IMA Pacific Co. Ltd.**  
Bangkok (Thailand)

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

**IMA UK Ltd.**  
Alcester (UK)

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

**IMA Edwards S.r.l.**  
Trezzano sul Naviglio  
Milan (Italy)

**IMA Edwards Japan KK**  
Yachiyo-shi Chiba (Japan)

OTHER  
ACTIVITIES

**IMA Kilian Verwaltungs GmbH**  
Cologne (Germany)

**SCRIBA Nanotecnologie S.r.l.**  
Bologna (Italy)

FINANCIAL  
ACTIVITIES

**Packaging Systems  
Holdings Inc.**  
Wilmington (USA)

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## GROUP PERFORMANCE

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### THE ECONOMIC SCENARIO

Dear Shareholders,

World GDP grew by a further 3.9% during 2008. Unfortunately, this performance was the net outcome of two starkly contrasting trends, namely extremely strong growth during the early part of the year and plunging output in the last part. The financial shock triggered in September 2008 due to the collapse of the US real estate market followed by the failure of major financial institutions, produced a dangerous downward spiral fuelled by the liquidity crisis and a fall in consumption. The difficulties that first emerged in the financial world soon spread to the real economy, raising fears of a worldwide recession. Output in the United States and Europe, the world's principal economies, reversed course and began to contract. The contagion also spread to the economies of the emerging countries, which are heavily dependent on exports to the developed economies.

The world's central banks first reacted to the situation by attempting to inject massive liquidity into the system and by lowering interest rates. This action was only partially successful, however, not least due to the collapse of confidence in the world banking system. At this point, the governments of all the principal industrialized economies moved, somewhat out of step, to boost their domestic economies via the adoption of expansionary budget policies. On multiple occasions, plans were announced and implemented for major investment in public works, together with fiscal incentives for investment and consumption by individuals, expansion of social policies supporting welfare, and plans to sustain and bail out industries and banks. The amounts involved are very substantial and, although some plans have merely been announced and not yet implemented, it is thought and hoped that their beneficial effects will be felt as from the second half of the current year. Nevertheless, the speed with which the crisis arrived, combined with its depth and unusual nature, means that it is not easy to make forecasts about future developments. We are still fully in the midst of the turmoil, with serious consequences for the economic and financial fabric of every country throughout the world. Unemployment has soared rapidly, matching the difficulties experienced by most businesses. The only positive aspect is the drop in inflation due to the fall in commodity prices.

This said, 2009 is therefore expected to be a difficult year for the entire world economy.

Within this grim macroeconomic environment, however, some sectors should, by their very nature, be less affected these challenges. Food and pharmaceuticals, the industries served by the Group, are among these. The world's consumption of medicines is still expected to grow in 2009, with an emphasis on generics, biotechnology products and vaccines.

The tea and herbal tea packaging sector is, apparently, completely unaffected by the world crisis, with orders for machines holding up even in the first part of 2009. The Group's positioning as absolute market leader offers grounds for optimism for the current year, which is expected to consolidate the excellent results obtained in 2008.

CONSOLIDATED  
INCOME STATEMENT

The following income statement classified by purpose was prepared applying the following criteria:

- cost of sales: represents costs incurred directly by the Group to generate revenues. These include, for example, the costs of materials and labour, the cost of technical offices for customizing products, and production overheads;
- R&D costs: these include costs associated with developing new products or maintaining existing products. They also include costs relating to technical personnel, materials used for experiments and the overheads of technical offices;
- selling costs: these include costs connected with commercial operations, such as staff, commissions paid to agents, promotional and advertising costs and associated overheads;
- general and administrative costs: these include all costs associated with general operations such as administrative offices in the broadest sense, the management of sectors or divisions, production planning, and all amortization and depreciation not connected directly with the business areas already mentioned above;
- gross operating profit: this corresponds to the sum of operating profit, amortization and depreciation for the year and writedowns of non-current assets.

The following main items in the reclassified income statement are equivalent to those reported in the consolidated income statement contained in the section entitled "Consolidated financial statements": revenues, operating profit, financial income and expense, profit before tax, income taxes and net profit for the year.

The Group closed 2008 with net profit of 41.81 million euros, compared with 39.46 million euros in 2007.

The following table reports the most significant figures from the Group's 2008 reclassified consolidated income statement, with comparative figures for 2007:

in millions of euros	2008		2007		% Change %
	Amount	%	Amount	%	
<b>Revenues</b>	<b>547.17</b>		<b>454.45</b>		<b>20.4</b>
Cost of sales	(332.66)	60.8	(265.86)	58.5	
<b>Gross industrial income</b>	<b>214.51</b>	<b>39.2</b>	<b>188.59</b>	<b>41.5</b>	<b>13.7</b>
R&D costs	(23.33)		(22.18)		
Sales costs	(60.83)		(53.44)		
General and administrative costs	(60.09)		(47.82)		
<b>Operating profit before writedowns/ impairment/non-recurring items (EBITA)</b>	<b>70.26</b>	<b>12.8</b>	<b>65.15</b>	<b>14.3</b>	<b>7.8</b>
Writedowns/Impairment adjustments	(1.45)		-		
Non-recurring items	3.12		4.49		
<b>Operating profit (EBIT)</b>	<b>71.93</b>	<b>13.1</b>	<b>69.64</b>	<b>15.3</b>	<b>3.3</b>
Net financial income (expense)	(11.27)		(7.71)		
Profit (loss) from investments valued at equity	(0.29)		(0.04)		
<b>Profit before taxes</b>	<b>60.37</b>	<b>11.0</b>	<b>61.89</b>	<b>13.6</b>	<b>(2.5)</b>
Income taxes	(19.03)		(24.04)		
<b>Net profit from continuing operations</b>	<b>41.34</b>	<b>7.6</b>	<b>37.85</b>	<b>8.3</b>	<b>9.2</b>
Net profit from discontinued operations/ disposal groups	0.78		1.84		
<b>Profit for the period</b>	<b>42.12</b>	<b>7.7</b>	<b>39.69</b>	<b>8.7</b>	<b>6.1</b>
Profit pertaining to minority interests	(0.31)		(0.23)		
<b>Group profit</b>	<b>41.81</b>	<b>7.6</b>	<b>39.46</b>	<b>8.7</b>	<b>6.0</b>
<b>Gross operating profit (EBITDA)</b>	<b>87.71</b>	<b>16.0</b>	<b>79.85</b>	<b>17.6</b>	<b>9.8</b>
<b>Order book</b>	<b>251.35</b>		<b>242.89</b>		<b>3.5</b>

## REVENUES BY SECTOR

in millions of euros	2008		2007		Change %
	Amount	%	Amount	%	
Tea, coffee and herbal tea packaging	84.90	15.5	77.07	17.0	10.2
Pharmaceutical packaging	323.16	59.1	246.99	54.3	30.8
Pharmaceutical processing	137.79	25.2	128.85	28.4	6.9
Other	1.32	0.2	1.54	0.3	(14.3)
<b>Total</b>	<b>547.17</b>	<b>100.0</b>	<b>454.45</b>	<b>100.0</b>	<b>20.4</b>

Consolidated revenues in 2008 amounted to 547.17 million euros, an increase of 20.4% with respect to the prior year. The freeze-drying business, represented by the Edwards Group, was consolidated for the first time from 1 February 2008, and contributed 66.95 million euros to revenues for the year.

The performance of revenues by segment is discussed in detail in the section entitled "Analysis of performance by sector". However, in this regard:

- the revenues of the tea, coffee and herbal tea packaging segment rose by 10.2%, following an excellent year in 2007, due to an increase in market share within the European Union and continued buoyant demand from the countries of central and eastern Europe;
- the revenues of the pharmaceutical packaging segment rose by 30.8%, mainly due to the acquisition of the Edwards Group, as well as to good sales performance and internal growth;
- the revenues generated by process machinery for the pharmaceuticals industry grew by 6.9%, especially with regard to powder pressing machines and lines for the handling and movement of pharmaceutical powders.

The following table shows the size of the order book at the end of the year:

in millions of euros	2008		2007		Change %
	Amount	%	Amount	%	
Tea, coffee and herbal tea packaging	68.03	27.1	61.73	25.4	10.2
Pharmaceutical packaging	139.27	55.4	119.12	49.0	16.9
Pharmaceutical processing	44.05	17.5	62.04	25.6	(29.0)
<b>Total</b>	<b>251.35</b>	<b>100.0</b>	<b>242.89</b>	<b>100.0</b>	<b>3.5</b>

## REVENUES BY GEOGRAPHICAL AREA

in millions of euros	2008		2007		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	213.05	38.9	183.86	40.4	15.9
Other European countries	50.63	9.3	41.96	9.2	20.7
North America	97.79	17.9	89.40	19.7	9.4
Asia & Middle East	95.25	17.4	67.15	14.8	41.8
Other countries	59.72	10.9	36.72	8.1	62.6
<b>Total foreign markets</b>	<b>516.44</b>	<b>94.4</b>	<b>419.09</b>	<b>92.2</b>	<b>23.2</b>
Italy	30.73	5.6	35.36	7.8	(13.1)
<b>Total</b>	<b>547.17</b>	<b>100.0</b>	<b>454.45</b>	<b>100.0</b>	<b>20.4</b>

Some 94.4% of revenues were generated outside of Italy, further modifying the mix towards foreign sales. About 70% of revenues were generated by plant and machines, while 30% came from after-sales activities (support, spares, format parts etc.).

In particular:

- revenues from the expanded EU (25 countries), excluding Italy, rose by 29.19 million euros, thanks to healthy performance in countries such as France, Germany and Spain. The other countries were substantially in line, except for the Netherlands and Austria where there was a slight decline;
- sales in other European countries rose sharply, thanks largely to countries such as Russia and Serbia, which continue to offer interesting projects. Sales in other European countries remained at good levels;
- revenues in North America were about 8.4 million euros higher than in the prior year. The performance of sales reflects the positioning of the Group's offering, which essentially lacks any significant local competition;
- there was a strong increase in sales in Asia and the Middle East, up 28.10 million euros; this area now contributes more than 17% of the entire Group's sales. This confirms the trend established in prior years, even though this market is currently the most price sensitive, and less concerned about product quality and technology. However, progress in the local economies will necessarily entail bringing production standards up to Western levels, thus boosting demand for machinery similar to the products offered by the Group.

The Group is nevertheless responding to these issues on a timely basis, in particular by expanding its production capacity in China and India;

- revenue performance in other countries also varied, showing a decline in Africa, while sales in South America held steady;
- the decrease in Italy is attributable solely to a reduction in the number of projects compared with the previous year. This variability from one year to the next appears to be recurrent, since it is affected by the investment projects implemented by pharmaceutical companies. These do not follow a stable pattern, especially in a small market like Italy.

## GROSS INDUSTRIAL INCOME

Gross industrial income was 39.2% of revenues, compared with 41.5% in 2007.

The slight reduction was due to a different mix between the tea and pharmaceuticals segments, partly as a result of consolidating the Edwards Group.

In particular, the weight of the tea segment has fallen from 17% of revenues to 15.5%, while that of the packaging segment, which now includes the Edwards Group, has increased from 54.3% to 59.1%.

This mix effect was however offset by the benefits deriving from work to reduce the cost of purchasing certain engineering components, via recourse to foreign suppliers, as well as by efficiency improvements in both pharmaceuticals segments.

## R&D COSTS

Research and development costs rose slightly to 23.33 million euros in 2008 (22.18 million euros for 2007), representing 4.3% of revenues.

This item primarily includes the research costs incurred on the technological upgrading and normal revamping of standard products. The balance does not include the cost of development work ordered by specific clients, or the cost of customizing standard products. Such

expenditure is included in the cost of sales since it is invoiced to the clients concerned. The scale of this commitment is a concrete confirmation of the Group's strong orientation to be seen as a solution provider rather than a vendor of products. This approach has always distinguished our Group and, over the years, has given us a strong market leadership position.

Development continued during 2008 on several entirely new product families, thus expanding the Group's product range.

Specifically, these include an innovative line of perforated coating pans, a new capsule filling machine and a new series of in-line filling machines for sterile environments. The costs incurred on these projects during the year, amounting to 1.78 million euros (1.26 million euros in 2007), have been capitalized as intangible assets. Amortization begins from the moment the products become available for sale.

### SALES COSTS

Selling costs, including commissions paid to agents and intermediaries, totalled 60.83 million euros, up 7.39 million euros with respect to 2007, following the acquisition of the Edwards Group (2.2 million euros) and an increase in fixed costs during the year.

Selling costs fell as a percentage of revenues from 11.8% in 2007 to 11.1% in 2008. This decrease was due to cost containment despite the increase in unit labour costs. Net of the commissions paid to commercial intermediaries, which increased by 3.2 million euros (from 8.6 million euros to 11.8 million euros), selling costs increased by about 4 million euros.

### GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs increased by 12.27 million euros, from 47.82 million euros in 2007 to 60.09 million euros in 2008. This increase includes 8.3 million euros attributable to the change in the scope of consolidation due to the acquisition of the Edwards Group. General costs were therefore higher in 2008 on a consistent comparative basis, due to an increase in both fixed costs and unit labour costs.

### OPERATING PROFIT

Consolidated EBITA of 70.26 million euros represents 12.8% of revenues. This is lower than in the prior year (14.3% of revenues) due to the different mix between the tea and pharmaceuticals segments, partly due to the first-time consolidation of the Edwards Group.

Both the increase in gross industrial income and the contained rise in overheads contributed to the good results reported in 2008.

Operating profit benefited from non-recurring income linked to capital increases reserved for the new minority shareholders in IMA Flavour S.r.l. and IMA Life S.r.l. (2.48 million euros), and from tax credits relating to costs incurred on R&D activities in 2007 (0.64 million euros). In 2007, non-recurring income had amounted to 4.49 million euros and related to a reduction in labour costs following the change in the severance indemnity rules. Ignoring non-recurring items, operating profit in 2008 would have been 68.81 million euros compared with 65.15 million euros in 2007.

### NET FINANCIAL INCOME (EXPENSE)

Net financial expense, detailed in the notes to the financial statements, was 11.27 million euros (compared with 7.71 million euros in 2007). The deterioration was largely due to the higher average level of debt following the acquisition of the Edwards Group.

## NET PROFIT

The Group's net profit came to 41.81 million euros, compared with 39.46 million euros in the prior year, after an income tax charge of 19.03 million euros.

This increase was due to better performance during the year, even though the net profit from discontinued activities (sale of land) was just 0.78 million euros compared with 1.84 million euros in 2007.

The lower impact of taxation on the pre-tax result compared with the previous year was mainly due to an increase in tax-exempt income and to the impact of certain taxes, specifically the regional tax on business activities (IRAP), which are levied using parameters other than taxable income and, therefore, have a smaller effect as pre-tax profit increases.

## PROFITABILITY RATIOS

The principal profitability parameters relating to 2008 and 2007 are presented below:

Ratio	Breakdown	2008	2007
Return on sales (ROS)	Operating profit	13.1%	15.3%
	Net revenues		
Return on investment (ROI)	Operating profit	27.9%	35.4%
	Net invested capital		
Return on equity (ROE)	Net income	34.8%	36.1%
	Equity		

The changes in the profitability ratios between 2007 and 2008 mainly arose due to the acquisition of the Edwards Group.

## CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

The following main items in the balance sheet and financial position are equivalent to those reported in the consolidated balance sheet presented in the section entitled "Consolidated financial statements": inventories, property, plant and equipment and intangible assets, Group equity and minority interests.

The following table summarizes the Group's balance sheet and financial position at 31 December 2008:

in millions of euros	31.12.2008		31.12.2007		Change %
	Amount	%	Amount	%	
Trade receivables	110.00	42.7	102.30	51.9	7.5
Inventories	160.23	62.2	135.76	68.9	18.0
Trade payables	(155.66)	(60.4)	(135.37)	(68.7)	15.0
Other, net (*)	(35.94)	(14.0)	(31.98)	(16.2)	2.4
<b>Working capital</b>	<b>78.63</b>	<b>30.5</b>	<b>70.71</b>	<b>35.9</b>	<b>11.2</b>
Property, plant and equipment	70.96	27.5	67.89	34.5	4.5
Intangible assets	117.39	45.6	66.31	33.7	77.0
Investments	13.21	5.1	13.66	6.9	(3.3)
<b>Non-current assets</b>	<b>201.56</b>	<b>78.2</b>	<b>147.86</b>	<b>75.1</b>	<b>36.3</b>
Provision for severance indemnities and other provisions (**)	(22.46)	(8.7)	(21.60)	(11.0)	4.0
<b>Net capital employed</b>	<b>257.73</b>	<b>100.0</b>	<b>196.97</b>	<b>100.0</b>	<b>30.8</b>

**FINANCED BY:**

<b>Net debt</b>	<b>134.80</b>	<b>52.3</b>	<b>86.61</b>	<b>44.0</b>	<b>55.6</b>
Minority interests	2.90	1.1	1.06	0.5	173.6
<b>Group equity</b>	<b>120.03</b>	<b>46.6</b>	<b>109.30</b>	<b>55.5</b>	<b>9.8</b>
<b>Total sources of financing</b>	<b>257.73</b>	<b>100.0</b>	<b>196.97</b>	<b>100.0</b>	<b>30.8</b>

(\*) The item mainly includes payables to employees, tax payables and provisions for risks and charges.

(\*\*) The item mainly includes the provision for severance indemnities and net deferred tax liabilities.

**WORKING CAPITAL**

Working capital at 31 December 2008 amounted to 78.63 million euros, up 7.92 million euros since the end of 2007.

This change is attributable to the increase in volumes and the change in the scope of consolidation with the acquisition of the Edwards Group, while the containment of trade receivables and the increase in advances from customers, as part of routine operations helped reduce the ratio of working capital to revenues to 14.4%, from 15.6% in 2007. In particular, the change in advances from customers (up 8.65 million euros since the end of 2007) depends on the timing of orders acquired in the last quarter and the increase in the order book at the end of 2008 compared with 2007.

Management remains strongly committed to the structural control of working capital.

Developments in the main items are discussed below:

- trade receivables increased by 7.70 million euros, from 102.30 million euros at 31 December 2007, to 110 million euros at the end of 2008. This slight increase is very positive and confirms the improvements accumulated in recent years;
- inventories increased by 24.47 million euros to 160.23 million euros (135.76 million euros in 2007) due to the increased size of the order book at the end of 2008. The Group is engaged in new efforts to further improve inventory levels through innovation in production scheduling processes and by improving management of the supply chain to reduce lead times;
- trade payables increased by 20.29 million euros, of which, as stated previously, 8.65 million euros regard advances from customers;
- the "Other, net" item was substantially unchanged at 35.94 million euros in 2008 (31.98 million euros in 2007).

## NON-CURRENT ASSETS

Overall, non-current assets increased by 53.70 million euros since 31 December 2007. This reflects:

- the increase in intangible assets due to the acquisition of the Edwards Group;
- property, plant and equipment, net of accumulated depreciation, increased by 3.07 million euros over 31 December 2007, the net effect of the following movements:

in millions of euros	Non-current assets		
	Property, plant and equipment	Intangibles	Total
Increases in the year	9.98	12.28	22.26
Net book value of disposals	(0.25)	(0.01)	(0.26)
Acquisition of the Edwards Group	-	47.43	47.43
Change in scope of consolidation	1.46	0.05	1.51
Amortization and depreciation charges for the year	(7.27)	(7.06)	(14.33)
Writedowns/Impairment adjustments	-	(1.45)	(1.45)
Activities sold	(0.84)	-	(0.84)
Exchange rate differences	(0.01)	(0.16)	(0.17)
<b>Total</b>	<b>3.07</b>	<b>51.08</b>	<b>54.15</b>

The changes in individual items are described in the notes to the financial statements. Amortization and depreciation charges for the year totalled 14.33 million euros, up on 2007 due to the acquisition of the Edwards Group. This higher amount will remain largely unchanged in 2009.

## NET CAPITAL EMPLOYED

Compared with 31 December 2007, capital employed net of operating liabilities increased by 60.76 million euros to 257.73 million euros.

## NET DEBT

Net debt at 31 December 2008 amounted to 134.80 million euros and comprises:

	31.12.2008	31.12.2007
A. Cash and cash equivalents	(76.36)	(71.01)
B. Other cash equivalents	-	-
C. Investments in securities	(0.93)	(0.22)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(77.29)</b>	<b>(71.23)</b>
<b>E. Current financial receivables</b>	<b>(0.20)</b>	<b>(0.20)</b>
F. Current payables to banks	85.31	60.41
G. Current portion of non-current bank payables	36.09	33.83
H. Other current financial payables	1.90	1.34
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>123.30</b>	<b>95.58</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>45.81</b>	<b>24.15</b>
K. Non-current portion of non-current bank payables	91.37	63.53
L. Non-current financial assets (*)	(4.76)	(4.60)
M. Other non-current financial payables	2.38	3.53
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>88.99</b>	<b>62.46</b>
<b>O. Net financial debt (J)+(N)</b>	<b>134.80</b>	<b>86.61</b>

(\*) Non-current financial assets are represented by investments in securities and financial receivables. The figure differs from that reported in the balance sheet since it does not include equity investments in other companies.

The items included in net debt are analyzed in notes 5, 12 and 16 to the consolidated financial statements.

The increase of 48.19 million euros in debt since 31 December 2007 was mainly due to the acquisition of the Edwards Group (around 48 million euros). During the year, the Group also bought minority interests in a number of companies and exercised a call option to buy 5% of the shares in the Indian company Precision Gears Ltd. for 1.4 million euros. Net of these transactions, net debt would have been around 2 million euros lower.

## GROUP EQUITY

Equity totalled 120.03 million euros at year end. The increase of 10.73 million euros since 31 December 2007 was due to the following movements:

Dividends paid during the year	(28.72)
Acquisition and disposal of treasury shares	0.06
Measurement of financial instruments recognised in equity	(1.85)
Exchange rate differences on the translation of foreign currency financial statements	(0.57)
Net profit	41.81
<b>Total</b>	<b>10.73</b>

## RECONCILIATION OF SHAREHOLDERS' EQUITY AND PROFIT FOR THE PERIOD OF THE PARENT COMPANY WITH THE CORRESPONDING CONSOLIDATED FIGURES

The following table reconciles the equity and net profit for the year reported in the Parent Company's financial statements with the corresponding consolidated figures pertaining to the Group at 31 December 2008 (millions of euros):

	Shareholders' equity	Group profit
<b>Results from the financial statement of I.M.A. Industria Macchine Automatiche S.p.A.</b>	<b>73.43</b>	<b>7.39</b>
<i>Consolidation adjustments</i>		
a) Elimination of book value of consolidated equity investments and measurement of investments using the equity method	54.89	43.11
b) Elimination of dividends distributed by Group companies	–	(5.99)
c) Elimination of intercompany items:		
· Intangible assets	(0.04)	0.08
· Inventories	(4.44)	0.19
· Margins and fees for contract work	0.29	(2.09)
d) Writedowns/impairment	(3.96)	–
e) Tax effect of consolidation adjustments and other tax effects	(0.14)	(0.88)
Net effect of consolidation adjustments	46.60	34.42
<b>Amounts pertaining to the Group</b>	<b>120.03</b>	<b>41.81</b>

ANALYSIS OF  
PERFORMANCE BY SECTOR

The following table analyzes consolidated performance by business segment in 2008:

in millions of euros	Tea	Packaging	Processing	Other	Not allocated (*)	Total
Revenues	84.90	323.16	137.79	1.32	-	547.17
Operating profit before writedowns/ impairment/non-recurring items (EBITA)	30.55	30.79	9.16	(0.24)	-	70.26
Operating profit (EBIT)	32.48	30.45	9.24	(0.24)	-	71.93
Net capital employed (*)	17.63	139.50	97.00	13.85	(10.25)	257.73
R&D costs	4.69	13.38	5.26	-	-	23.33
Average personnel (**)	195	1,819	624	-	410	3,048
Order book	68.03	139.27	44.05	-	-	251.35

(\*) Unallocated assets and liabilities mainly comprise current income tax receivables and payables and net deferred tax liabilities that cannot be allocated accurately to the above divisions.

(\*\*) The personnel allocated to the various segments are those directly employed by those segments, while the figure reported in the "Unallocated" column reflects those employed by the sales departments of branches and the Group's administrative and central offices.

Net capital employed includes 77.95 million euros in goodwill, of which 47.25 million euros relates to the packaging segment and 30.70 million euros to the process segment.

TEA, COFFEE AND HERBAL TEA  
PACKAGING

in millions of euros	2008	2007	Change %
Revenues	8490	7707	10.2
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	3055	2571	18.8
Operating profit (EBIT)	3248	2650	22.6
Net capital employed	1763	1279	37.8
R&D costs	469	529	(11.3)
Average personnel	195	190	
Order book	68.03	61.73	10.2

The tea, coffee and herbal tea packaging segment essentially comprises the activities carried out by IMA Flavour S.r.l.

Product sales and the related after-sales support in North America, Central and Eastern Europe and the UK are handled by the Group's branches operating in these countries, while all other locations are covered by the Company, either directly or through agents.

Demand for tea packaging machinery remained strong in 2008, with excellent performance in the UK, German and Russian markets due to initiatives undertaken by large multinational groups, and to sales to companies with strong local connections, especially in Europe and Asia.

Revenues from the tea segment were 10.2% higher than the already good results reported last year, confirming the Group's strong leadership position in this market. There was also further growth in operating profit, which amounted to 32.48 million euros (38.3% of sales) compared with 26.50 million euros in 2007 (34.4% of sales), helped by non-recurring items totalling 1.93 million euros compared with 0.78 million euros in 2007. The order book expanded by 10.2% (to 68.03 million euros compared with 61.73 million euros in 2007), providing good visibility for the coming year.

Net capital employed amounted to 17.63 million euros, slightly up with respect to 2007 due to higher inventories given the sizeable order book at the end of the year.

PHARMACEUTICAL PACKAGING

in millions of euros	2008	2007	Change %
Revenues	323.16	246.99	30.8
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	30.79	29.81	3.3
Operating profit (EBIT)	30.45	32.71	(6.9)
Net capital employed (*)	139.50	95.29	46.4
R&D costs	13.38	11.34	18.0
Average personnel	1,819	1,470	
Order book	139.27	119.12	16.9

(\*) Net capital employed includes goodwill of 47.25 million euros.

As a segment, packaging machines for the pharmaceuticals industry include the activities carried out directly by IMA S.p.A. through its IMA Safe Line Division, with IMA Safe S.r.l. (blister products and cartoning) and IMA Life S.r.l., at factories at Ozzano (Bologna), Bentivoglio (Bologna) and Calenzano (Florence).

It also includes the activities of CO.MA.DI.S. S.p.A., a wholly-owned subsidiary based in Senago (Milan), the Indian subsidiary Precision Gears Ltd. with operations in Mumbai and Indore (India), Swiftpack Automation Ltd. with registered office and plant in Alcester (UK), and Packaging Systems Holdings Inc., which holds 100% of Nova Packaging Systems Inc., with registered offices in Leominster (Massachusetts). The Edwards Group, world leader in the freeze-drying equipment sector with three factories in the Netherlands, the USA and China, was acquired on 31 January.

IMA's network of branches covering 16 countries sells this segment's products and provides the related after-sales service. The rest of the world is covered by an established network of agents, which works for the processing machines sector as well. The pharmaceuticals industry represents the principal market, although there is growing demand from the cosmetics industry. The Group's product range in the packaging sector is extremely wide, placing it in a leadership position worldwide. The range covers a family of machines for the production of blisters, with speeds ranging from 60 blisters/minute up to 1,200 blisters/minute; capsule and tablet bottle packaging lines; a wide range of filling equipment for liquids/powders/creams for both sterile and normal environments; freeze-dryers; tube-filling machines, cartoners, end of line products (wrapping machines, shrinkwrappers, case-packing and palletizing systems, etc.) and labelling machines.

The growth in revenues earned by the packaging segment (+76.17 million euros) was mainly due to the contribution made by the Edwards Group (66.95 million euros), as well as to internal growth thanks to the success of IMA's products. There was a noticeable improvement in this segment compared with 2007, especially for those product families that suffered the most in the past, such as Filling & Sterile and Cartoning, which both reported higher revenues and margins. The reorganization carried out, together with efforts to improve efficiency, are paying the expected dividends. This trend also appears to be confirmed for the current year. Good results were also achieved by the Blister Division. Global supply in this area has gradually consolidated over the years and IMA has achieved co-leadership status.

EBIT fell due to lower non-recurring income of 1.78 million euros (1.12 million euros versus 2.90 million in 2007), the amortization of intangible assets in connection with the acquisition of the Edwards Group (3.88 million euros) and the writedown of an R&D project (1.45 million euros). The contribution made by the Edwards Group was 1.60 million euros, after amortization charges for intangibles of 3.88 million euros.

Net capital employed amounts to 139.50 million euros (95.29 million euros in 2007). The difference is attributable to the acquisition of the Edwards Group.

## PHARMACEUTICAL PROCESSING

in millions of euros	2008	2007	Change %
Revenues	137.79	128.85	6.9
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	9.16	9.81	(6.6)
Operating profit (EBIT)	9.24	10.61	(12.9)
Net capital employed (*)	97.00	85.17	13.9
R&D costs	5.26	5.55	(5.2)
Average personnel	624	585	
Order book	44.05	62.04	(29.0)

(\*) Net capital employed includes goodwill of 30.70 million euros.

The pharmaceutical processing sector includes the activities performed directly by IMA S.p.A. via its IMA Active Division based in Ozzano, as well as the activities of IMA Kilian & Co. KG, located in Cologne (Germany), Zibo IMA Xinhua Pharmatech Co. Ltd. (China) and Zanchetta S.r.l., based in the province of Lucca.

IMA's network of branches in the 16 countries covered sells these products and provides the related after-sales service. The rest of the world is covered by an established network of agents. The Group's main product lines in this sector include machines for producing capsules and tablets, machines for weighing capsules and tablets, coating systems, systems for fluid-bed powder granulation and for the mixing, handling, processing and storage of pharmaceutical powders. The breadth and depth of the Group's range in this sector make it the only real provider of complete solutions, from the treatment of powders to the production of medicines in capsule and tablet form, with the related process control systems.

The revenues of the pharmaceutical processing segment grew by 8.94 million euros with respect to 2007 to 137.79 million euros, while operating profit was down slightly (-1.37 million euros). Results for the previous year included 0.80 million euros of non-recurring income relating to the new severance indemnity rules. The main reason for the decline in operating profit was that the profit margins on certain contracts were not in line with the segment average. This situation is not expected to be repeated in 2009.

Corrective measures will continue in 2009 to raise the profitability of the processing segment to the same level as the other pharmaceutical divisions. The order book at 31 December 2008 amounts to 44.05 million euros, which is sharply lower than at 31 December 2007 (62.04 million euros) when the total included a special, non-recurring order received during December 2007.

HUMAN RESOURCE,  
TRAINING AND  
INDUSTRIAL RELATIONS

For our customers, the IMA Group is not merely a supplier of products, albeit incorporating highly sophisticated technology, but rather a solver of complex problems through specially designed solutions that are customised to meet their individual requirements. This means that all our business processes, from preparing bids, to sales, from production/design to after-sales support, including contractual and administrative matters, have to be conducted with an extremely low level of redundancy. Accordingly, the proper functioning of these processes depends on the initiative and pro-active approach of the individuals who work within them, and on their ability to work together with everyone else in the organization: teamwork at its best. Although it is true for every company that the quality of its human resources represents a critical factor in its success, this is even more true for the IMA Group, where our people represent our principal asset, incorporating all our knowledge and skill. This expertise cannot easily be documented and codified, precisely because it is non-repetitive. In line with this vision, the Group dedicates considerable attention to the proper management of employees, investing heavily and continually in their professional development, adopting an organizational model with a high degree of participation and applying a bonus system based on the rigorous identification and assessment of the skills acquired by each employee.

EMPLOYEES

In 2008, the average number of Group employees was 3,048, compared with 2,629 in 2007. The geographical breakdown of the workforce is as follows:

	2008	2007	Change
Italy	1,633	1,589	44
India	411	395	16
USA	274	141	133
China	263	156	107
Germany	213	193	20
Netherlands	88	-	88
UK	71	66	5
Eastern Europe	41	40	1
France	30	24	6
Spain	16	16	-
Thailand	4	7	(3)
Portugal	2	2	-
Japan	2	-	2
<b>Total</b>	<b>3,048</b>	<b>2,629</b>	<b>419</b>

IMA Edwards employs 315 persons.

The excellent educational level of the people employed by the Group is demonstrated by the fact that more than 80% possess a high-school diploma and/or a university degree.

With reference to the Group's organizational structure, around 22% of employees work in the commercial area, including pre-sales and after-sales, 18% in our R&D laboratories, 14% in central functions (Administration, IT, Procurement, Quality, Human Resources, etc.) and 46% in production/logistics. This distribution of the workforce is a good reflection of the Group's business model, which is designed to retain the activities that represent critical and distinctive skills and outsource all other activities. The high degree of professionalism is also reflected in the fact that 75% of employees are occupied in office and managerial activities.

## PERSONNEL COSTS

Payroll amounted to 155.10 million euros, compared with 128.55 million euros in the prior year, equal to 28.3% of net revenues. Payroll also absorbed the same percentage of net revenues in 2007, despite benefiting from a non-recurring reduction of 4.49 million euros due to the change in the regulations governing severance indemnities.

The total for 2008 includes the payroll of IMA Edwards, 15.27 million euros. Accordingly, based on an unchanged scope of consolidation and excluding the non-recurring severance-related income recorded in 2007, personnel costs rose by about 6.79 million euros (+5.1%). Personnel costs for Italian employees, excluding non-recurring elements, were about 4.6% higher in 2008 than in the previous year. This increase in unit labour costs was due to rises under the national collective bargaining agreement for metalworkers and to the bonus policies adopted by the Company.

## HUMAN RESOURCE POLICY

In 2008, the IMA Group continued to focus on the individual within the organization. This is confirmed by:

- the continual improvement of the selection process for more strategic roles;
- the average age of new recruits is still less than 30;
- most of the staff recruited were engaged with permanent or trainee contracts that guarantee certification of the training process followed;
- closer ties with national and international universities and centres of excellence, as well as traditional partnerships with local technical institutes;
- extensive training and orientation programs for new recruits that are structured to facilitate entry and communicate the Company's values.

In general, the contractual conditions offered to employees by all IMA Group companies are better than average for the sector as a whole. Comprehensive health and accident coverage, agreements for discounted purchases and the best terms for numerous aspects of the employment contract (salaries, maternity leave, advances against severance pay, use of part-time work, etc.) are just some of tools used by the Italian companies within the IMA Group to create favourable conditions for the expression of individual talent, founded on our business culture with its system of strongly shared values. In this light, we also provide a psychological counselling service, backed up by the role of Employee Representative, which confirms the importance to us of our people. We take action to promote conditions of well-being in the workplace, especially with reference to phenomena that might result in social exclusion. This attention to the Group's human resources is tangibly demonstrated by our low rates of turnover (less than 3%) and absenteeism, which is always at ordinary levels.

## TRAINING

More than 70% of employees were involved during the year in training geared towards improving the expertise of the Group's technical, administrative and commercial personnel. Specialized training, the updating of professional skills, work safety and managerial development continue to be the main topics.

## INDUSTRIAL RELATIONS

On the industrial relations front, we continue to pursue our ongoing constructive relationship with the trade unions. Thanks to this consolidated relationship, this past year was also largely free from disputes. The Italian national bargaining agreement for workers in the metalworking sector was renewed on 20 January 2008.

## HEALTH, SAFETY AND THE ENVIRONMENT

For the IMA Group, safety and protecting the working environment is conducted through full compliance with current legislation, not least through specific training designed to create a "culture of safety". These principles are followed closely by all Group companies throughout the world.

In 2008, the IMA Group placed even greater emphasis on its training and information initiatives. In particular, there was a focus on the training and information provided to workers who provide on-site technical support at customer locations. These employees were updated on how to behave in terms of protecting their health and physical safety in circumstances of special risk found on location, in order to avoid accidents. The Group also devoted attention to the prevention of risk situations, with the provision of specific training and information to personnel responsible for organizing work offsite at customer locations.

Considerable attention is also paid to the analysis of all potential sources of risk that might affect the health of workers at the IMA Group's own business locations; similar care is dedicated to developing measures to manage any emergency situations that arise.

## RELATED-PARTY TRANSACTIONS

The IMA Group conducts business with related parties, mainly persons responsible for administration and management at IMA S.p.A., or entities controlled by such persons. Significant transactions are approved by the Board of Directors, which explains the reasons for them and the benefits to the Group. Such transactions include commercial and real estate activities (leased premises), carried out on an arm's length basis in the ordinary course of business, and participation in the consolidated tax mechanism.

Transactions with related parties are described more completely in Note 33 to the consolidated financial statements.

## IMA S.P.A. PERFORMANCE

The commentary on Group performance has implicitly touched on the main events concerning the Parent Company.

Analysis of the activities of IMA S.p.A. in 2008 must take account of the transfer of the tea, herbal tea and coffee packaging segment and part of the activities of the pharmaceuticals packaging segment to IMA Flavour S.r.l. and IMA Safe S.r.l. on 2 January 2008. Following the transfer, certain functions within the Parent Company provide general and administrative services to other companies within the Group.

## INCOME STATEMENT

The income statement reclassified by use as shown below was prepared applying the same criteria as those used to prepare the Group's income statement. For a breakdown of the various items (cost of sales, research and development costs, selling costs, general and administrative costs and gross operating margin) please see the Report on Operations accompanying the consolidated financial statements.

The following main items in the reclassified income statement are equivalent to those reflected in the income statement presented in the section entitled "Financial statements": revenues, operating profit, financial income and expense, profit before tax, income taxes and net profit for the year.

The highlights of the Parent Company's results for 2008 are summarized below, with comparative information for the previous year:

in millions of euros	2008		2007	
	Amount	%	Amount	%
<b>Revenues</b>	<b>127.26</b>		<b>288.72</b>	
Cost of sales	(88.39)	69.5	(166.27)	57.6
<b>Gross industrial income</b>	<b>38.87</b>	<b>30.5</b>	<b>122.45</b>	<b>42.4</b>
R&D costs	(3.83)		(15.96)	
Sales costs	(14.82)		(37.94)	
General and administrative costs	(11.38)		(26.74)	
<b>Operating profit before writedowns/ impairment/non-recurring items (EBITA)</b>	<b>8.84</b>	<b>6.9</b>	<b>41.81</b>	<b>14.5</b>
Writedowns/Impairment adjustments	(1.45)		-	
Non-recurring items	0.50		3.64	
<b>Operating profit (EBIT)</b>	<b>7.89</b>	<b>6.2</b>	<b>45.45</b>	<b>15.7</b>
Net financial income (expense)	0.16		1.36	
<b>Profit before taxes</b>	<b>8.05</b>	<b>6.3</b>	<b>46.81</b>	<b>16.2</b>
Income taxes	(1.44)		(17.13)	
<b>Net profit from continuing operations</b>	<b>6.61</b>	<b>5.2</b>	<b>29.68</b>	<b>10.3</b>
Net profit from discontinued operations/ disposal groups	0.78		5.82	
<b>Profit for the period</b>	<b>7.39</b>	<b>5.8</b>	<b>35.50</b>	<b>12.3</b>
<b>Gross operating profit (EBITDA)</b>	<b>15.76</b>	<b>12.4</b>	<b>52.67</b>	<b>18.2</b>
<b>Order book</b>	<b>39.35</b>		<b>176.78</b>	

To facilitate comparison, a pro-forma income statement for 2007 has also been prepared in light of the transfer by IMA S.p.A. of the tea, herbal tea and coffee packaging segment and the pharmaceuticals packaging segment to IMA Flavour S.r.l. and IMA Safe S.r.l. on 2 January 2008:

in millions of euros	2008		2007		Change %
	Amount	%	Amount	%	
<b>Revenues</b>	<b>127.26</b>		<b>129.65</b>		<b>(1.8)</b>
Cost of sales	(88.39)	69.5	(90.22)	69.6	
<b>Gross industrial income</b>	<b>38.87</b>	<b>30.5</b>	<b>39.43</b>	<b>30.4</b>	<b>(1.4)</b>
R&D costs	(3.83)		(4.65)		
Sales costs	(14.82)		(15.77)		
General and administrative costs	(11.38)		(10.57)		
<b>Operating profit before writedowns/ impairment/non-recurring items (EBITA)</b>	<b>8.84</b>	<b>6.9</b>	<b>8.44</b>	<b>6.5</b>	<b>4.7</b>
Writedowns/Impairment adjustments	(1.45)		-		
Non-recurring items	0.50		1.47		
<b>Operating profit (EBIT)</b>	<b>7.89</b>	<b>6.2</b>	<b>9.91</b>	<b>7.6</b>	<b>(20.4)</b>
<b>Gross operating profit (EBITDA)</b>	<b>15.76</b>	<b>12.4</b>	<b>16.34</b>	<b>12.6</b>	<b>(3.5)</b>
<b>Order book</b>	<b>39.35</b>		<b>58.14</b>		<b>(32.3)</b>

## REVENUES BY SECTOR

in millions of euros	2008		2007		Change %
	Amount	%	Amount	%	
Pharmaceutical packaging	55.89	43.9	53.75	41.5	4.0
Pharmaceutical processing	71.37	56.1	75.90	58.5	(6.0)
<b>Total</b>	<b>127.26</b>	<b>100.0</b>	<b>129.65</b>	<b>100.0</b>	<b>(1.8)</b>

The fall of 2.39 million euros in revenues was mainly due to a slight contraction in the revenues of the processing segment.

With regard to revenues by segment:

- the revenues of the pharmaceuticals packaging segment were slightly higher than in 2007 due to the increase achieved by the IMA Safe Line;
- the revenues of the pharmaceuticals processing sector fell by 6.0% due to lower volumes.

## REVENUES BY GEOGRAPHICAL AREA

in millions of euros	2008		2007		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	51.54	40.5	58.48	45.1	(11.9)
Other European countries	18.85	14.8	6.18	4.8	205.0
North America	12.91	10.2	27.33	21.1	(52.8)
Asia & Middle East	11.21	8.8	9.73	7.5	15.2
Other countries	5.74	4.5	5.19	4.0	10.6
<b>Total foreign markets</b>	<b>100.25</b>	<b>78.8</b>	<b>106.91</b>	<b>82.5</b>	<b>(6.2)</b>
Italy	27.01	21.2	22.74	17.5	18.8
<b>Total</b>	<b>127.26</b>	<b>100.0</b>	<b>129.65</b>	<b>100.0</b>	<b>(1.8)</b>

More than 78% of revenues came from outside Italy, in line with 2007. About 70% of revenues were generated by plant and machinery, while 30% came from after-sales activities (support, spares, formats etc.).

In terms of the geographical distribution of revenues, there was strong growth in other European countries and in Italy. In North America and the European Union, End of Line products and capsule filling machines experienced a significant decline in revenues. The other countries achieved significant growth with respect to 2007.

**GROSS INDUSTRIAL INCOME**

Gross industrial income rose 0.1 percentage points as a percentage of revenues.

This slight increase reflects the more favourable mix of products sold during the year.

**R&D COSTS**

R&D costs totalled 3.83 million euros, down slightly on the previous year (4.65 million euros in 2007). This item only includes costs incurred to develop new products or update the technology of products already in distribution. The balance therefore excludes the cost of development work ordered by specific clients and the cost of customizing products that are already being distributed. Such expenditure is included in the cost of sales since it is invoiced to the clients concerned.

**SALES COSTS**

Sales costs, including commissions paid to agents and intermediaries, totalled 14.82 million euros, compared with 15.77 million euros in 2007. Management is nevertheless working to improve the efficiency of the commercial structure despite the increase unit labour costs.

**GENERAL AND  
ADMINISTRATIVE COSTS**

General and administrative costs rose from 10.57 million euros in 2007 to 11.38 million euros in 2008. This slight rise was due primarily to a careful cost control policy that more than offset the ordinary increase in labour costs.

**OPERATING PROFIT**

The slight increase in E.B.I.T.A. is attributable to the improvement in industrial margins accompanied by a positive operating leverage effect, with the containment of fixed costs compared with 2007. Operating profit, 7.89 million euros compared with 9.91 million euros in 2007, was affected by the writedown of 1.45 million euros in respect of the project to develop the Conta counting machine, but benefited from the tax credit of 0.50 million euros for R&D costs incurred in 2007. The results for the prior year also included non-recurring income of 1.47 million euros due to the change in the severance pay regulations.

The improvements mentioned were the results of cost containment measures and increased production efficiency. There is however still room for improvement in the Company's earnings performance, especially since there are internal areas and processes whose efficiency can and must be significantly improved.

**NET FINANCIAL INCOME (EXPENSE)**

Net financial income, discussed further in the notes to the financial statements, amounted to 0.16 million euros (1.36 million euros in 2007).

The most significant items are discussed below:

- dividends received from subsidiaries amounted to 6.74 million euros in 2008 compared with 6.16 million euros in the previous year;
- the interest incurred to service debt, including discounting interest, increased by 2.06 million euros (from 6.09 million euros in 2007 to 8.15 million euros in 2008), mainly due to greater average borrowing and higher interest rates on the exposure in euros;
- net exchange rate gains were substantially in line with the previous year (0.03 million euros in 2008 compared with 0.08 million euros in 2007).

## NET PROFIT

The profit for the year was 7.39 million euros (35.50 million euros in 2007), net of income taxes of 1.44 million euros (17.13 million euros in 2007).

The lower impact of taxation on the pre-tax result was mainly due to an increase in tax-exempt income, especially the dividends received from subsidiaries, with respect to the prior year.

## BALANCE SHEET AND FINANCIAL POSITION

The following main items in the balance sheet and financial position are equivalent to those reported in the balance sheet presented in the section entitled "Financial statements": inventories, property, plant and equipment, intangible assets and equity.

The company's balance sheet and financial position at 31 December 2008 are summarized below:

in millions of euros	31.12.2008		31.12.2007		Change %
	Amount	%	Amount	%	
Trade receivables	49.94	23.1	66.52	39.9	(24.9)
Inventories	29.32	13.6	83.23	49.9	(64.8)
Trade payables	(49.43)	(22.9)	(112.37)	(67.4)	(56.0)
Other, net (*)	1.60	0.7	(22.04)	(13.2)	(107.3)
<b>Working capital</b>	<b>31.43</b>	<b>14.5</b>	<b>15.34</b>	<b>9.2</b>	<b>104.9</b>
Property, plant and equipment	58.74	27.2	58.33	35.0	0.7
Intangible assets	17.06	7.9	20.38	12.2	(16.3)
Investments	118.78	55.0	90.71	54.4	30.9
<b>Non-current assets</b>	<b>194.58</b>	<b>90.1</b>	<b>169.42</b>	<b>101.6</b>	<b>14.9</b>
Provision for severance indemnities and other provisions (**)	(9.94)	(4.6)	(18.02)	(10.8)	(44.8)
<b>Net capital employed</b>	<b>216.07</b>	<b>100.0</b>	<b>166.74</b>	<b>100.0</b>	<b>29.6</b>

### FINANCED BY:

<b>Net debt</b>	<b>142.64</b>	<b>66.0</b>	<b>69.61</b>	<b>41.7</b>	<b>104.9</b>
<b>Shareholders' equity</b>	<b>73.43</b>	<b>34.0</b>	<b>97.13</b>	<b>58.3</b>	<b>(24.4)</b>
<b>Total sources of financing</b>	<b>216.07</b>	<b>100.0</b>	<b>166.74</b>	<b>100.0</b>	<b>29.6</b>

(\*) The item mainly includes employee payables and provisions for risks and charges.

(\*\*) The item mainly includes employee severance pay, net deferred tax liabilities and payables in respect of acquisitions.

A pro-forma balance sheet at 31 December 2007 has been prepared to facilitate comparison of the Company's financial structure following the business transfers discussed earlier:

in millions of euros	31.12.2008		31.12.2007		Change %
	Amount	%	Amount	%	
Trade receivables	49.94	23.1	34.78	24.8	43.6
Inventories	29.32	13.6	27.79	19.9	5.5
Trade payables	(49.43)	(22.9)	(47.54)	(34.0)	4.0
Other, net (*)	1.60	0.7	(16.47)	(11.7)	n.s.
<b>Working capital</b>	<b>31.43</b>	<b>14.5</b>	<b>(1.44)</b>	<b>(1.0)</b>	<b>n.s.</b>
Property, plant and equipment	58.74	27.2	57.78	41.3	1.7
Intangible assets	17.06	7.9	17.51	12.5	(2.6)
Investments	118.78	55.0	81.58	58.3	45.6
<b>Non-current assets</b>	<b>194.58</b>	<b>90.1</b>	<b>156.87</b>	<b>112.1</b>	<b>24.0</b>
Provision for severance indemnities and other provisions (**)	(9.94)	(4.6)	(15.47)	(11.1)	(35.7)
<b>Net invested employed</b>	<b>216.07</b>	<b>100.0</b>	<b>139.96</b>	<b>100.0</b>	<b>54.4</b>

## WORKING CAPITAL

Working capital at 31 December 2008 came to 31.43 million euros, up on the 15.34 million euros a year earlier. The change is attributable to the following items:

- trade receivables fell by 16.58 million euros from 66.52 million euros at 31 December 2007 to 49.94 million euros at the end of 2008. The transfer resulted in a reduction of 31.74 million euros; excluding this effect, the increase in receivables was mainly attributable to the production work performed in the central manufacturing facilities for the companies that were spun off;
- inventories decreased by 53.91 million euros (from 83.23 million euros at end-2007 to 29.32 million euros at end-2008). The transfer resulted in a reduction of 55.44 million euros;
- trade payables, including advances from customers, diminished by 62.94 million euros, from 112.37 million euros at 31 December 2007 to 49.43 million euros at the end of 2008. The transfer produced a reduction of 64.83 million euros.

## NON-CURRENT ASSETS

Non-current assets increased by 25.16 million euros compared with 31 December 2007. This reflects:

- an increase in equity investments of 28.07 million euros. This reflects the capital increases carried out by subsidiaries to acquire the Edwards Group in the amount of 25.56 million euros, the effect of the transfers in the amount of 2.42 million euros, the purchase of the stake in Sirio S.p.A. for 2.01 million euros, and the purchase of interests in associates totalling 1.06 million euros, net of a writedown of 2.98 million euros in the value of Pierrel S.p.A.
- a decrease in property, plant and equipment and intangible assets, net of depreciation and amortization, of 2.91 million euros compared with 31 December 2007, as the net effect of the following movements:

in millions of euros	Non-current assets		
	Property, plant and equipment	Intangibles	Total
Transfer	(0.55)	(2.86)	(3.41)
Increases in the year	6.88	2.52	9.40
Net book value of disposals	(0.17)	(0.01)	(0.18)
Amortization and depreciation charges for the year	(4.91)	(1.51)	(6.42)
Writedowns/Impairment adjustments	-	(1.45)	(1.45)
Activities sold	(0.85)	-	(0.85)
<b>Total</b>	<b>0.40</b>	<b>(3.31)</b>	<b>(2.91)</b>

The changes in individual items are described in the notes to the financial statements.

**NET CAPITAL EMPLOYED**

Compared with 31 December 2007, capital employed net of operating liabilities increased by 49.33 million euros to 216.07 million euros for the reasons described above.

**NET DEBT**

Net debt at 31 December 2008 amounted to 142.64 million euros and comprises:

in millions of euros	31.12.2008	31.12.2007
A. Cash and cash equivalents	(9.80)	(35.91)
B. Other cash equivalents	-	-
C. Investments in securities	(0.93)	(0.22)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(10.73)</b>	<b>(36.13)</b>
<b>E. Current financial receivables</b>	<b>(29.02)</b>	<b>(15.65)</b>
F. Current payables to banks	51.46	41.45
G. Current portion of non-current bank payables	32.16	29.95
H. Other current financial payables	19.25	1.12
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>102.87</b>	<b>72.52</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>63.12</b>	<b>20.74</b>
K. Non-current portion of non-current bank payables	81.11	49.39
L. Non-current financial assets (*)	(3.96)	(4.01)
M. Other non-current financial payables	2.37	3.49
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>79.52</b>	<b>48.87</b>
<b>O. Net financial debt (J)+(N)</b>	<b>142.64</b>	<b>69.61</b>

(\*) Non-current financial assets are represented by investments in securities and financial receivables. The figure differs from that in the balance sheet since it does not include equity interests in other companies.

The breakdown of the items comprising net debt is described in Notes 5, 12 and 15.

Net debt amounted to 142.64 million euros, up by 73.03 million euros from 69.61 million euros at 31 December 2007. This increase was due to the acquisition of the Edwards Group for 25.56 million euros, the purchase of an interest in Sirio S.p.A. for 2.01 million euros, and the increase of 6.58 million euros in the dividend paid with respect to 2007.

Since we plan to maintain the same level of investment and continue efforts to contain working capital, good cash generation can be expected in 2009 in view of the fact that an improvement in results is expected.

**SHAREHOLDERS' EQUITY**

Shareholders' equity at 31 December 2008 totalled 73.43 million euros, down 23.70 million euros compared with 31 December 2007, as a result of the following movements:

Dividends paid during the year	(28.72)
Acquisition and disposal of treasury shares	0.06
Measurement of financial instruments recognised in equity	(2.43)
Net profit	7.39
<b>Total</b>	<b>(23.70)</b>

## ANALYSIS OF PERFORMANCE BY SECTOR

The following table analyses operations during 2008 by business segment:

in millions of euros	Packaging	Processing	Not allocated	Total
Revenues	55.89	71.37	–	127.26
Operating profit before writedowns/non-recurring items (EBITA)	4.55	4.29	–	8.84
Operating profit (EBIT)	3.52	4.37	–	7.89
Net capital employed	134.81	64.82	16.44	216.07
R&D costs	1.66	2.17	–	3.83
Average personnel (*)	301	221	187	709
Order book	20.35	19.00	–	39.35

(\*) The personnel allocated to the various segments are those directly employed in those segments, while the figure reported in the “Not allocated” column reflects those employed in the administrative and central offices.

A pro-forma schedule of the results for the year 2007 by business segment has been prepared to facilitate understanding of the Company's performance following the transfers made, as discussed earlier:

in millions of euros	Packaging	Processing	Not allocated	Total
Revenues	53.75	75.90	–	129.65
Operating profit before writedowns/non-recurring items (EBITA)	3.95	4.49	–	8.44
Operating profit (EBIT)	4.61	5.30	–	9.91
Net capital employed	83.17	54.12	2.67	139.96
R&D costs	2.13	2.52	–	4.65
Average personnel (*)	318	214	174	706
Order book	21.35	36.79	–	58.14

(\*) The personnel allocated to the various segments are those directly employed in those segments, whereas the figure reported in the “Unallocated” column reflects those employed in the administrative and central offices.

Net capital employed includes 10.47 million euros in goodwill relating to the process sector. The amount of net capital employed reported in the “Unallocated” column mainly includes the value of equity investments, as well as net deferred tax liabilities and income tax payables.

### PHARMACEUTICAL PACKAGING

By comparison with the pro-forma data for 2007, the revenues of this segment were about 4% higher, while operating profit was lower than in 2007, mainly due to a reduction in non-recurring income of 0.24 million euros, as well as to the writedown of a development project in the amount of 1.45 million euros. The increase in net capital employed was due to the work performed by the central manufacturing facilities on behalf of subsidiaries, and to the increase in investments due to the spin-offs.

### PHARMACEUTICALS PROCESSING

The slight reduction in revenues during 2008 was due to the lower volume of sales of machinery produced by other Group companies. Segment operating profit was lower than in 2007, which benefited from non-recurring income of 0.8 million euros due to the change in the severance pay regulations.

## CAPITAL EXPENDITURE

In 2008, the Company invested 2.52 million euros (3.42 million euros in 2007) in intangible assets and 6.88 million euros (4.57 million euros in 2007) in property, plant and equipment, for a total of 9.40 million euros (7.99 million euros in 2007).

Spending on intangible assets mainly related to administrative and technical software (1.75 million euros) and the capitalization of entirely new products that will generate economic benefits in future years (0.53 million euros). Investment in property, plant and equipment mainly related to plant and machinery (2.70 million euros) and buildings (1.07 million euros) in relation to improvements made to certain buildings and plant owned by the Company, as well as to the purchase of machinery needed for production. Assets under construction and advances include the purchase from third parties, under an exchange arrangement, of portions of a building under construction at Ozzano dell'Emilia (Bologna) valued at 2.18 million euros. Work is scheduled for completion by the end of June 2009.

## HUMAN RESOURCES, TRAINING AND INDUSTRIAL RELATIONS

The policies and guidelines for the management of human resources are discussed in relation to the IMA Group.

### EMPLOYEES

In 2008, the average number of IMA employees totalled 709, compared with 1,201 in 2007. In this regard, 495 persons were transferred to IMA Flavour S.r.l. and IMA Safe S.r.l. on 2 January 2008.

The breakdown of the workforce by grade is summarized below:

	31.12.2008	31.12.2007
Management	27	33
Office workers	493	883
Production workers	189	285
<b>Total</b>	<b>709</b>	<b>1,201</b>

The excellent educational standard of the human resources employed by the Company is demonstrated by the fact that around 85% possess a high-school diploma or a university degree.

In terms of the organizational structure, employees work in the following main professional areas:

- 13% of employees work in the commercial area, including pre-sales and after-sales;
- 15% in our R&D laboratories and design offices;
- 43% in manufacturing/logistics;
- 29% in central functions (Administration, IT, Procurement, Quality, Human Resources, etc.).

This distribution of the workforce is a good reflection of IMA's business model, which is designed to retain the activities that represent critical and distinctive skills and outsource all other activities. The high degree of professionalism is reflected in the fact that 74% of our employees are occupied in office and management activities.

### PERSONNEL COSTS

Personnel costs totalled 45.11 million euros compared with 68.71 million euros in the prior year. This reflects the change in the corporate structure following the transfer of the tea, herbal tea and coffee packaging segment and the pharmaceuticals packaging segment to IMA Flavour S.r.l.

and IMA Safe S.r.l. respectively. In addition, personnel costs benefited in 2007 from a non-recurring reduction of 3.64 million euros due to the change in the severance pay regulations.

Personnel costs, net of non-recurring items and the spin-offs, increased by about 4.5% in 2008 compared with the previous year. This increase in unit labour costs was due to increases under the national collective bargaining agreement for metalworkers and to the bonus policies adopted by the Company.

## TRAINING

IMA, like all organizations that wish to tackle the market's competitive challenges, considers continuous training to be a strategic area.

Investment is not only intended for initial training but is maintained over time, increasingly using training as a lever for employee growth and motivation, and consequently for the business' competitive development.

Complex organizations, in continuous evolution, like IMA, require employees equipped with enterprise and initiative, driven by the desire to learn and improve continuously, questioning their own skills and ready for continuous assessment.

From this point of view, IMA is also a point of reference for the district system to which it belongs, working hard to adapt its organizational and management models to the "knowledge economy", in which professional careers - which are increasingly discontinuous and multidisciplinary - require "generalist" skills that accompany the high standard of professionalism required to work in an international context, in contact with innovative technologies and in a competitive market.

## INDUSTRIAL RELATIONS

On the industrial relations front, we continue to pursue our ongoing and constructive relationship with the trade unions. Thanks to this consolidated relationship, this past year was also largely free from disputes. The national collective bargaining agreement for the metalworking sector, covering factory and office workers, together with junior managers, was renewed on 20 January 2008.

An in-house agreement was signed in April 2008 to supplement existing arrangements for the evaluation and enhancement of the professional skills contributed by employees.

## HEALTH, SAFETY AND THE ENVIRONMENT

For IMA, safety and protection of the working environment involves full compliance with current legislation, not least through specific training designed to create a "culture of safety".

These principles are applied in full by all Group companies throughout the world.

In 2008, the Company gave even greater attention to the provision of training and information, involving almost all employees over the calendar year in a total of 2000 training hours. In particular, there was a focus on the training and information provided to workers who provide on-site technical support at customer locations. These persons were updated on how to behave in terms of protecting their health and physical safety in circumstances of special risk found on location, in order to avoid accidents. The Company also gave attention to the prevention of risk situations, with the provision of specific training and information to personnel responsible for organizing work offsite at customer locations.

In another important initiative during 2008, training and information was provided to persons responsible for coordinating and managing the activities of a team of subordinates. This activity aims to ensure that these persons are fully aware of the rules and regulations adopted by IMA

in relation to workplace safety and, above all, of the duties imposed on leaders who must also ensure that their team members comply with these regulations.

The Company gives great attention to the assessment of all sources of risk for the health of employees. This includes periodic analyses and measurements of the working environment, which have been found to comply in full with current standards; similar care is dedicated to determining how to handle any emergency situations that arise.

The accident frequency and seriousness indices, respectively 5.62 and 0.043, are key indicators of the effectiveness and quality of the action taken. These were determined with reference to accidents within the Company and are based on the UNI 7249 standard.

In terms of social responsibility, the Company is committed to maintaining a high level of safety and environmental protection. Specifically, the Company did not cause any damage to the environment during 2008.

#### TRANSACTIONS WITH PARENT, SUBSIDIARIES AND ASSOCIATED COMPANIES

There were numerous intercompany transactions during the year, all carried out within the framework of ordinary operations and on an arms' length basis. Intercompany transactions are in fact a part of the Group's organizational structure. They involve commercial activities (companies wholly owned by IMA S.p.A. in various countries that market the Group's products as agents or dealers) and the manufacturing phase (subsidiaries of IMA S.p.A. that make certain types of machines and supplement the range supplied of IMA S.p.A. or their own range, by selling machines to or buying machines from IMA S.p.A.), as well as participation in the consolidated tax mechanism. Transactions also include financial transactions among the Group companies, carried out within the framework of ordinary operations and on an arms' length basis; none of these transactions can be considered atypical.

Further information is provided in Note 30 to the Company's financial statements.

#### RELATED PARTIES TRANSACTIONS

In addition to the intercompany transactions described above, the Company enters into transactions with other related parties, mainly persons responsible for administration and management at IMA S.p.A., or entities controlled by such persons. These transactions are approved by the Board of Directors, which examines the reasons for them and the benefits to the Company. The transactions concerned mostly involve real estate (premises rented for operational purposes ) and commercial activities and are carried out in the ordinary course of business on arms'-length terms.

Transactions with related parties are described more fully in Note 30 to the Company's financial statements.

**COMPANY'S LOCATIONS  
OF OPERATION**

The activities of IMA S.p.A. are carried out at the following locations:

Via Tosarelli, 184 Castenaso (BO) Head office

Via 1° Maggio, 14/16 Ozzano dell'Emilia (BO) Plant

Via 1° Maggio, 99/107 Ozzano dell'Emilia (BO) Warehouse

Via Emilia, 428/442 Ozzano dell'Emilia (BO) Plant

Via Emilia, 237 Ozzano dell'Emilia (BO) Offices

Via Romagnoli, 2 Bentivoglio (BO) Plant

Via Romagnoli, 11-11/2 Bentivoglio (BO) Plant

Via Nobel, 1 Ozzano dell'Emilia (BO) Plant

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## OTHER INFORMATION

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### SIGNIFICANT EVENTS AFTER YEAR-END

The following main events took place subsequent to year end:

- in accordance with the plan described in Note 13, 11,000 treasury shares were purchased in January 2009, as notified to Consob on 2 February 2009. At the date of these financial statements, treasury shares held amount to 0.612% of share capital;
- January 2009 saw completion of the purchase of 30% of the Indian company Briopharma Technologies Pvt. Ltd. for 0.3 million euros. This company has been working with IMA for a number of years, promoting certain Group product lines on the Indian market;
- in January 2009, a preliminary contract was signed by IMA Life S.r.l. for the purchase of a 51% interest in Pharmasiena Service S.r.l., based in Siena, which designs and manufactures machinery for the filling of phials and syringes under sterile conditions. This contract will be finalized, subject to a number of conditions, during the first half of 2009;
- POWERTRANSMISSION.IT S.r.l. based at Castenaso (Bologna) was formed on 16 February 2009 in order to produce and sell engineering components, assemblies and complete industrial plants, as well as to provide outsourcing services. The issued and fully-paid share capital amounts to 50 thousand euros, 20% of which is held by IMA S.p.A.

### OUTLOOK FOR THE CURRENT YEAR

As fully explained above, 2008 was a highly satisfactory year, thanks to the corrective steps taken in recent years, as well as to the contribution of the Edwards Group acquired during the year.

At the end of 2008, the IMA Group thus finds itself in an even stronger position of market leadership, and efforts during the current year will focus on completion of the integration of Edwards.

The tea segment has continued to perform well in early 2009, with a good flow of orders from new markets, such as China, which afford strong opportunities for growth. On the other hand, pharmaceuticals segment has experienced a slight contraction in the volume of orders, although this is not significant at the moment. Given the current situation and despite the general economic environment, gross operating profit (EBITDA) should be stable in 2009 at about 91 million euros, with a slight increase in revenues with respect to 2008.

Considering all of the above, the Group's consolidated financial statements and the separate statements of IMA S.p.A. have been prepared on a going-concern basis.

## DISCLOSURES ON FINANCIAL INSTRUMENTS

The following disclosures are provided about the objectives and policies adopted for financial risk management, as they relate to the statutory financial statements pursuant to Art. 2428, paragraph 2, no. 6 bis of the Italian Civil Code, and to the consolidated financial statements pursuant to Art. 40 of Legislative Decree 127/1991:

### Financial risk factors

The Group is exposed to financial risks connected with its business activities, particularly the following:

- Credit risk, arising from commercial transactions or financing activities;
- Liquidity risk, related to the availability of financial resources and access to the credit market;
- Market risks, specifically:
  - a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  - b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
  - c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and commodity prices.

The objectives and policies of the Company and the Group concerning financial risk management and exposure to risk are more fully described in the "Financial Risk Management" sections of the consolidated and statutory financial statements; specifically in Notes 5, 7, 12 and 15 of the Parent Company's financial statements and in Notes 5, 7, 12 and 16 of the consolidated financial statements.

### Hedging instruments

The Company and the Group mainly use derivatives to hedge exchange rate and interest rate risk and do not hold any speculative financial instruments, as required by the procedure approved by the Executive Committee.

All further details are duly provided in the "General preparation policies" section in the paragraphs on hedging instruments: specifically in Note 7 to both the Parent Company's financial statements and the consolidated financial statements.

## ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No significant atypical and/or unusual transactions were carried out by IMA S.p.A. or the IMA Group.

## TREASURY SHARES

At 31 December 2008 treasury shares amounted to 2.69 million euros, represented by 197,735 shares with a par value of 0.10 million euros. The official market value at 30 December 2008 was 2.62 million euros.

During the year, I.M.A. S.p.A. carried out transactions in equity instruments by acquiring 108,250 treasury shares for 1.44 million euros and selling 110,000 treasury shares for 1.50 million euros, as described in Note 13 to the consolidated financial statements and Note 13 to the financial statements of IMA S.p.A.

**LEGISLATIVE  
DECREE 231/2001**

At its meeting of 27 March 2008, the Board of Directors adopted the compliance model envisaged by Decree 231/2001 concerning the administrative liability of legal persons.

Following the adoption of this model, a number of internal procedures were developed and/or modified.

At the same time as the compliance model was adopted, a Code of Ethics was also adopted and the Supervisory Board was appointed

The Supervisory Board is composed of:

- Maria Lucia Sireci – Chairperson;
- Gerardo Diamanti;
- Mario Panzeri.

The Supervisory Board is tasked with supervising the operation of the compliance model and ensuring it is updated.

The Supervisory Board will remain in office until further notice.

The compliance model is available on the Company's website: <http://www.ima.it>.

**CONSOB RECOMMENDATIONS  
NO. 97001574 OF 20/02/1997  
AND NO. 98015375 OF 27/02/1998**

The Company has complied with the recommendations made by Consob in its communications 97001574 of 20 February 1997 and 98015375 of 27 February 1998 since their issuance. Specifically:

- Article 17 of the Company's articles of association requires that the directors to whom powers have been delegated shall report to the Board of Directors in a timely manner and in any event at least every quarter the activities they have performed in the exercise of their delegated powers and on the most significant operations undertaken by the Company and its subsidiaries, as well as on any transaction that may represent a potential conflict of interest. This provision ensures that the Board of Statutory Auditors receives the information required under Article 150 of Legislative Decree 58 of 24 February 1998 and ensures that the other members of the Board of Directors shall receive regular reports on the activities carried out in the exercise of the delegated powers. The reform of company law requires the persons with delegated powers to report to the Board of Directors and the Board of Statutory Auditors, with the frequency specified in the articles of association (on a quarterly basis in the Company's case), on the results of operations and the outlook for the future, as well as on the most significant transactions, by size and nature, carried out by the Company and its subsidiaries. Thus, there was no need to introduce any changes to procedures in order to comply with the new requirements;
- on 26 July 2006, the Board of Directors reserved the right of prior approval for transactions with related parties, including intercompany transactions, except for typical or ordinary transactions concluded on standard terms and conditions. In 2006, the Board approved a special procedure designed to ensure the substantive and procedural propriety and transparency of "significant" transactions to be carried out. In this regard, the Board of Directors gives prior approval to significant transactions after being informed of their terms, origin, scope and the assessment procedure followed, as well as the reasoning, the advantages and possible risks for IMA. In addition, depending on the nature, value and other characteristics of the transaction, the Board of Directors must first seek the prior

opinion of the Internal Control Committee, availing itself of the assistance of experts if needed to conclude the transaction;

- some members of the Board of Statutory Auditors of IMA also hold positions in its subsidiaries CO.MA.DI.S. S.p.A., IMA Life S.r.l., IMA Safe S.r.l. and IMA Flavour S.r.l.

## CORPORATE GOVERNANCE AND THE CORPORATE GOVERNANCE CODE

Information on the Company's system of corporate governance and its application of the Corporate Governance Code is provided in the notice made available to the shareholders together with the documentation for the Shareholders' Meeting. The notice was issued in accordance with Art. 124 bis of the Consolidated Law on Financial Intermediation, Art. 89 bis of the Issuers Regulation and Section IA.2.6. of the "Instructions accompanying the Rules for the Markets Organized and Managed by Borsa Italiana S.p.A."

The Board discloses the positions of director or auditor held by its members in listed companies, including foreign companies, financial companies, banks, insurance companies and other large companies, on the basis of their own declarations:

### **Gino Benedetti**

- Centrocasa S.r.l. (Director)
- Penta S.r.l. (Director)

### **Andrea Malagoli**

- Fin Vacchi Finanziaria Vacchi S.p.A. (Director)
- Maestrale Investimenti S.r.l. (Sole Director)
- SO.FI.MA. S.p.A. (Director)

### **Italo Giorgio Minguzzi**

- Ducati Corse S.p.A. (Auditor)
- Felsinea Ristorazione S.r.l. (Chairman)
- Ferretti S.p.A. (Director)
- Ghisamestieri S.r.l. (Director)
- Unitec S.p.A. (Director)

### **Luca Poggi**

- Boato International S.r.l. (Director)
- BRB Holding S.p.A. (Chairman)
- Costruzione Camera Donati S.p.A. (Auditor)
- Emil Europe '92 S.r.l. in liquidation (Chairman of the Board of Statutory Auditors)
- Fariniundici S.r.l. (Sole Director)
- Finvetro S.p.A. (Director)
- Fondazione Cassa di Risparmio in Bologna (Auditor)
- Infracom Consulting S.r.l. (Auditor)
- L.E. Partecipazioni S.r.l. (Director)
- Opera SGR S.p.A. (Director)
- Tesmec S.p.A. (Director)

**Maria Carla Schiavina**

- Consorzio Schiavina-Adanti (Chairman)
- Eredi Schiavina S.r.l. (Chairman)
- Immobiliare San Trovaso S.r.l. (Vice Chairman)
- Immobiliare Schiavina S.r.l. (Vice Chairman)
- Murazzi Ecostruttura-Mecos S.r.l. (Vice Chairman)
- Schiavina S.r.l. (Chairman)
- Sinergia Sistemi S.p.A. (Director)
- SO.FI.MA. S.p.A. (Director)

**Marco Vacchi**

- Banca di Bologna Credito Cooperativo SCRL (Chairman)
- B Group S.p.A. (Vice Chairman)
- Fin Vacchi Finanziaria Vacchi S.p.A. (Chairman)
- Fondazione Cassa di Risparmio in Bologna (Shareholder)
- Lopam Fin S.p.A. (Chairman)
- SO.FI.MA. S.p.A. (Chairman)

**Alberto Vacchi**

- ALVA s.r.l. (Sole Director)
- B Group S.p.A. (Director)
- Fin Vacchi Finanziaria Vacchi S.p.A. (Director)
- SO.FI.MA. S.p.A. (Director)

**Gianluca Vacchi**

- Boato Finanziaria S.r.l. (Chairman)
- Boato International S.r.l. (Chairman)
- Cofiva Holding S.p.A. (Sole Director)
- Cofiva S.A. (Director)
- Cool S.r.l. (Director)
- Eleven Finanziaria S.r.l. (Sole Director)
- Fin Vacchi Finanziaria Vacchi S.p.A. (Director)
- First Investment S.p.A. (Sole Director)
- G.V. Finanziaria S.r.l. (Sole Director)
- Lunch S.r.l. (Sole Director)
- Medinvest International S.c.a. (Member of the Supervisory Board)
- Pierrel S.p.A. (Director)
- SO.FI.MA. S.p.A. (Director)
- Tesmec S.p.A. (Director)

**Romano Volta**

- Datalogic S.p.A. (Chairman)
- Datasensor S.p.A. (Chairman)
- Fondazione Cassa di Risparmio in Bologna (Shareholder and Vice Chairman of the Management Board)
- San Paolo IMI Fondi Chiusi SGR S.p.A. (Director)
- Summa Finances S.p.A. (Chairman)

**Giancarlo Folco**

- Folco Finanziaria Immobiliare S.r.l. (Chairman and Managing Director)
- Gaia S.r.l. (Chairman)
- Gierre S.r.l. (Chairman)
- Luca S.r.l. (Chairman)

**Stefano Visentini**

- SAIT S.p.A. (Director)

In accordance with Art. 89 bis of the Issuers Regulation, the Report on Corporate Governance has been made available to the public on the website [www.ima.it](http://www.ima.it).

**CONSOB RESOLUTION  
NO.11971 OF 14 MAY 1999**

In accordance with the requirements expressly laid out under Art. 79 of the Issuers Regulation, the following table sets out the equity investments held by directors, statutory auditors, general managers, executives with strategic responsibilities and their spouses and minor children in IMA and its subsidiaries:

Name	Name of the company held	Number of shares held at the end of 2007	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2008
Aicardi Piero	IMA S.p.A.	6,000	3,200	-	9,200
Benedetti Gino	IMA S.p.A.	76,189	-	2,260	73,929
Feroli Massimo	IMA S.p.A.	25,000	-	-	25,000
Folco Giancarlo	IMA S.p.A.	650,000	-	-	650,000
Grassilli Marco	IMA S.p.A.	11,000	10,000	-	21,000
Malagoli Andrea	IMA S.p.A.	-	350,000	-	350,000
Poggi Luca	IMA S.p.A.	200,000	-	-	200,000
Vacchi Alberto	IMA S.p.A.	-	454,003	-	454,003
Vacchi Gianluca	IMA S.p.A.	1,400,365	-	-	1,400,365
Vacchi Marco	IMA S.p.A.	-	8,000	-	8,000
Volta Romano	IMA S.p.A.	41,000	-	-	41,000
Castiglione Gaetano (*)	IMA Flavour S.r.l.	-	45,000	-	45,000
Pecchioli Giovanni (*)	IMA Life S.r.l.	-	770,000	-	770,000

(\*) Nominal value of the investment in the share capital of the company.

**INFORMATION REQUIRED  
BY ART. 123 BIS OF THE  
CONSOLIDATED LAW  
ON FINANCIAL  
INTERMEDIATION**

The following information on the ownership structure is provided pursuant to Art. 123 bis of the Consolidated Law on Financial Intermediation:

Capital structure

The share capital of the Company at 31 December 2008 amounted to 17,732,000 euros represented by 34,100,000 ordinary shares with a par value of 0.52 euros each.

The Company's shares are listed in the STAR segment of the screen-traded market (MTA) organised and managed by Borsa Italiana S.p.A.

The Company has not issued other financial instruments that grant the right to subscribe newly issued shares.

The Company has not approved a stock-based incentive plan (stock options, stock grants, etc.).

Restrictions on the transfer of securities

At the date of this Report, there are no restrictions on the transfer of Company stock.

Significant shareholdings

As of the date of this Report, based on the shareholders' register and the communications received pursuant to Art. 120 of the Consolidated Law on Financial Intermediation and other information, the following parties directly or indirectly hold at least 2% of the capital of the Company:

Declarant	Direct shareholder	Percent share of ordinary capital	Percent share of voting capital
Lopam Fin S.p.A.	SO.FI.MA. S.p.A.	71.517%	71.517%
Gianluca Vacchi	G.V. Finanziaria S.r.l.	4.107%	4.107%

Securities that entitle holders to special rights

As of the date of this Report, no securities have been issued by the Company entitling holders to special rights of control or to exercise special powers.

Shares held by employees: exercise of voting rights

As of the date of this Report, no employee shareholding system is envisaged.

Restrictions on voting rights

As of the date of this Report, no restrictions on voting rights are envisaged.

Shareholder agreements

As of the date of this Report, the Company is not aware of any agreement among significant shareholders pursuant to Art. 122 of the Consolidated Law on Financial Intermediation.

Appointing and replacing directors and amending the articles of association

Article 15 of the articles of association adopted by the Shareholders' Meeting of 19 June 2007 provides for a list voting system to protect the rights of minority shareholders (the articles of association can be viewed on the Company's website: <http://www.ima.it>).

The lists, accompanied by the professional curriculums of each nominated person and signed by the shareholders presenting them, must be filed at the registered offices at least 15 (fifteen) days prior to the date of the Shareholders' Meeting in first calling, together with the documentation that demonstrates the right to present such lists. Each list must be filed together with declarations from each candidate accepting their nomination and declaring, under their own responsibility, that there are no reasons for ineligibility or incompatibility, as defined by law, and that they satisfy the requirements specified by law or in the related regulations.

Lists may only be presented by shareholders who alone or together with other shareholders own at least 2.5% (two point five percent) of the Company's share capital, or such different threshold as is established by law or regulations.

On the completion of voting, the candidates on the two lists that obtained the largest number of votes are elected, provided that these exceed half of the percentage of capital required for the presentation of lists, to be determined at the time of voting, on the following basis:

(a) the number of directors drawn from the list that obtains the largest number of votes is equal to the total number of Board members, established previously by the Shareholders' Meeting, less one. The candidates are elected in the numerical order in which they appear on the list;

(b) one director, the first candidate on the list, is drawn from the list obtaining the second largest number of votes that is not related in any way, directly or indirectly, with the shareholders who presented or voted for the majority list.

Changes to IMA's articles of association are governed by current law.

Authorization to increase share capital and purchase treasury shares

The Board of Directors has not been authorized to increase share capital pursuant to Art. 2443 of the Italian Civil Code nor to issue any equity instruments.

On 29 April 2008, the Shareholders' Meeting authorized the purchase of own shares in accordance with Art. 2357 of the Italian Civil Code.

The Shareholders' Meeting thus authorized the Board of Directors to purchase the Company's own shares up to the maximum amount permitted by law, i.e. up to 10% of share capital taking into account shares already owned and within the limits of the available reserves and distributable profits as reported in the most recent approved financial statements, as well as authorizing the Board to sell or make use of such treasury shares.

The Shareholders' Meeting authorized the purchase and/or sale and/or disposal of treasury shares to stabilise the stock price and, more generally, for stock buy-back programs to increase the stock price to the advantage of shareholders.

Finally, at 31 December 2008, IMA held 197,735 treasury shares representing 0.580% of the share capital.

Change of control clauses

As of the date of this Report, neither IMA or its subsidiaries are party to any material agreement that would become effective, would be changed or would terminate in the case of change of control of the contracting party, with the sole exception of the financing agreement signed by the Company on 30 January 2008. This contract requires the Company to make payment in full in the event Lopam Fin S.p.A. is no longer IMA's ultimate parent company.

Directors' indemnification in the case of resignation, dismissal or termination of employment as the result of a takeover bid

As of the date of this Report, there is no agreement between the Company and its directors providing for an indemnity in the case of resignation or dismissal/removal with just cause or in the event that the relationship is terminated following a takeover bid.

The above information is also available on the Company's internet site ([www.ima.it](http://www.ima.it)) in the Corporate Governance section.

**INFORMATION REQUIRED  
BY ART. 37, PARAGRAPH 2 OF  
THE ISSUERS REGULATION**

Management and coordination activity

Although it is controlled by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A., IMA is not subject to the former's management or coordination pursuant to Arts. 2497 et seq. of the Italian Civil Code.

Basically, the decision-making process, management decisions and operations of IMA are not influenced in any way by its parent company, which is also ensured by the fact that IMA's Board of Directors includes a sufficient number of independent directors to make a significant contribution to any of the Board's resolutions.

Further evidence of IMA's decision-making independence is that fact that the Company enjoys full negotiating power with all customers, suppliers and banks and that there is no centralized treasury mechanism involving IMA or its subsidiaries and SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A.

**INFORMATION REQUIRED  
BY ART. 36 AND 39 OF  
THE ISSUERS REGULATION**

With reference to the "Conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries" referred to in Art. 36 of the Consob Market Regulations (issued in implementation of paragraph 3-bis, Art. 62 of Legislative Decree 58/98, as amended by Resolution 16530 dated 25 June 2008), the IMA Group has drawn up a related plan for compliance.

The plan first identifies the scope of application of these rules to the IMA Group and then explains the measures already adopted to comply with the conditions dictated by Article 36 and, where necessary, the measures still needing to be adopted together with the related timetable.

The key elements of the plan are as follows:

- I. although eleven subsidiaries of the IMA Group are based in five non-EU countries, the scope of application relates to only two subsidiaries, namely IMA North America Inc. and IMA Edwards Inc., both based in the USA; only these two are classified as materially significant, pursuant to paragraph 2 of Art. 36;
- II. as far as the requirement to obtain the articles of association and composition and powers of the boards and officers of such subsidiaries, IMA already keeps constantly updated records on the composition of the boards of all its subsidiaries, including details of the offices held.
- III. the accounting and reporting systems used by the IMA Group already allow it to comply in general with this regulation as far as the companies falling under the above scope of application are concerned, both in terms of making publicly available the financial statements prepared for the purposes of the consolidated financial statements, and in terms of their suitability for regularly providing IMA's management and auditors with the information needed to prepare such consolidated financial statements;
- IV. as for IMA's provision of information to the central auditors needed to perform annual and interim audits of its financial statements, the current process of communication with the independent auditors operates effectively in this sense, having been recently completely revised for the purposes of complying with the law on investor protection.

CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2008

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH  
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008 AND 31 DECEMBER 2007 (THOUSANDS OF EUROS)

ASSETS	Note	31 December 2008	31 December 2007
<b>NON-CURRENT ASSETS</b>			
<i>Property, plant and equipment</i>	2	70,960	67,890
<i>Intangible assets</i>	3	117,387	66,307
<i>Investments accounted for using the equity method</i>	4	6,155	3,732
<i>Investments in unconsolidated subsidiaries</i>		-	20
<i>Financial assets</i>	5	11,812	14,508
<i>Receivables from others</i>	6	518	536
<i>Derivative financial instruments</i>	7	118	180
<i>Deferred tax assets</i>	8	13,823	13,180
<b>TOTAL NON-CURRENT ASSETS</b>		<b>220,773</b>	<b>166,353</b>
<b>CURRENT ASSETS</b>			
<i>Inventories</i>	9	160,231	135,758
<i>Trade and other receivables</i>	10	131,704	121,156
<i>Income tax receivables</i>	11	118	1,112
<i>Financial assets</i>	5	1,130	424
<i>Derivative financial instruments</i>	7	2,094	597
<i>Cash and cash equivalents</i>	12	76,366	71,014
<b>TOTAL CURRENT ASSETS</b>		<b>371,643</b>	<b>330,061</b>
<b>TOTAL ASSETS</b>		<b>592,416</b>	<b>496,414</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<i>Share capital</i>	13	17,732	17,732
<i>Share premium reserve</i>		16,382	16,382
<i>Treasury shares</i>	13	(2,687)	(2,744)
<i>Translation reserve</i>		(3,341)	(2,767)
<i>Fair value reserve</i>	14	(1,838)	8
<i>Other reserves</i>	15	21,502	14,602
<i>Retained earnings</i>		30,465	26,627
<i>Net profit (loss) for the period</i>		41,811	39,461
<b>Total capital and reserves pertaining to the Group</b>		<b>120,026</b>	<b>109,301</b>
<i>Reserves pertaining to minority interests</i>		2,594	835
<i>Profit pertaining to minority interests</i>		310	226
<b>Total minority interests</b>		<b>2,904</b>	<b>1,061</b>
<b>EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS</b>		<b>122,930</b>	<b>110,362</b>
<b>NON-CURRENT LIABILITIES</b>			
<i>Borrowings</i>	16	93,751	67,061
<i>Severance and pension obligations</i>	17	17,848	18,000
<i>Provisions for risks and charges</i>	18	1,866	1,472
<i>Deferred tax liabilities</i>	8	18,046	15,797
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>131,511</b>	<b>102,330</b>
<b>CURRENT LIABILITIES</b>			
<i>Borrowings</i>	16	123,303	95,584
<i>Trade and other payables</i>	19	196,305	172,788
<i>Income tax liabilities</i>	11	6,211	9,099
<i>Provisions for risks and charges</i>	18	11,970	6,244
<i>Derivative financial instruments</i>	7	186	7
<b>TOTAL CURRENT LIABILITIES</b>		<b>337,975</b>	<b>283,722</b>
<b>TOTAL LIABILITIES</b>		<b>469,486</b>	<b>386,052</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>592,416</b>	<b>496,414</b>

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED BALANCE SHEET ARE REPORTED IN NOTE 33 - RELATED-PARTY TRANSACTIONS.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR 2008 COMPARED WITH 2007 (THOUSANDS OF EUROS)

INCOME STATEMENT	Note	2008	2007
<b>REVENUES</b>	1	547,168	454,453
<i>Other revenues</i>	20	7,769	6,702
<b>OPERATING COSTS</b>			
<i>Change in work in progress, semifinished and finished goods</i>		18,261	12,199
<i>Change in inventory of raw, ancillary and consumable materials and goods for resale</i>		942	4,338
<i>Cost of raw, ancillary and consumable materials and goods for resale</i>		(208,334)	(169,463)
<i>Services, rentals and leases</i>	21	(114,917)	(94,914)
<i>Personnel costs</i>	22	(155,102)	(128,552)
<i>Depreciation and amortisation expense</i>	23	(17,388)	(11,046)
<i>Provisions for risks and charges</i>		(3,088)	(914)
<i>Other operating costs</i>	24	(3,383)	(3,159)
<b>TOTAL OPERATING COSTS</b>		(483,009)	(391,511)
<b>OPERATING PROFIT</b>	1	71,928	69,644
<i>- of which: effect of non-recurring items</i>	34	3,122	4,497
<b>FINANCIAL INCOME AND EXPENSE</b>			
<i>Financial income</i>	25	10,316	5,784
<i>Financial expense</i>	26	(21,587)	(13,492)
<b>TOTAL FINANCIAL INCOME AND EXPENSE</b>		(11,271)	(7,708)
<b>PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		(283)	(41)
<b>PROFIT (LOSS) BEFORE TAX</b>		60,374	61,895
<b>INCOME TAXES FOR THE PERIOD</b>	27	(19,030)	(24,048)
<b>NET PROFIT DERIVING FROM CONTINUING OPERATIONS</b>		41,344	37,847
<b>NET PROFIT FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS</b>	29	777	1,840
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>42,121</b>	<b>39,687</b>
<b>ATTRIBUTABLE TO:</b>			
<b>PARENT COMPANY SHAREHOLDERS</b>		41,811	39,461
<b>MINORITY INTERESTS</b>		310	226
		<b>42,121</b>	<b>39,687</b>
<b>EARNINGS PER SHARE (in euros)</b>	28	<b>1.23</b>	<b>1.15</b>
<i>- of which: from continuing operations</i>		1.21	1.10
<i>- of which: from discontinued operations/disposal groups</i>		0.02	0.05

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED INCOME STATEMENT ARE REPORTED IN NOTE 33 - RELATED-PARTY TRANSACTIONS.

CHANGES IN CONSOLIDATED EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 31 DECEMBER 2007 (THOUSANDS OF EUROS)

Description	Share capital	Share premium reserve	Treasury shares	Trans-lation Fair value reserve	Other reserves	Retained earnings	Net profit of Group	Total Group equity	Minority interests	Total equity	
<b>Balances at 01.01.2007</b>	<b>18,772</b>	<b>16,382</b>	<b>(18,885)</b>	<b>(675)</b>	<b>815</b>	<b>30,987</b>	<b>25,808</b>	<b>24,838</b>	<b>98,042</b>	<b>988</b>	<b>99,030</b>
Allocation of result for 2006											
- dividends	-	-	-	-	-	-	-	(22,139)	(22,139)	-	(22,139)
- reserves	-	-	-	-	-	2,380	319	(2,699)	-	-	-
Changes in minority interests	-	-	-	-	-	-	-	-	-	(173)	(173)
Cancellation of treasury shares	(1,040)	-	19,846	-	-	(16,439)	(2,367)	-	-	-	-
Sale of Info Area S.r.l.	-	-	-	-	-	(2,326)	2,326	-	-	-	-
Purchase and sale of treasury shares	-	-	(3,705)	-	-	-	541	-	(3,164)	-	(3,164)
Fair value of financial instruments	-	-	-	-	(807)	-	-	-	(807)	-	(807)
Exchange rate differences on translation of financial statements in foreign currency	-	-	-	(2,092)	-	-	-	-	(2,092)	20	(2,072)
Net profit for the period	-	-	-	-	-	-	-	39,461	39,461	226	39,687
<b>Balances at 31.12.2007</b>	<b>17,732</b>	<b>16,382</b>	<b>(2,744)</b>	<b>(2,767)</b>	<b>8</b>	<b>14,602</b>	<b>26,627</b>	<b>39,461</b>	<b>109,301</b>	<b>1,061</b>	<b>110,362</b>
Allocation of result for 2007											
- dividends	-	-	-	-	-	-	-	(28,723)	(28,723)	-	(28,723)
- reserves	-	-	-	-	-	6,900	3,838	(10,738)	-	-	-
Changes in minority interests	-	-	-	-	-	-	-	-	-	1,397	1,397
Purchase and sale of treasury shares	-	-	57	-	-	-	-	-	57	-	57
Fair value of financial instruments	-	-	-	-	(1,846)	-	-	-	(1,846)	-	(1,846)
Exchange rate differences on translation of financial statements in foreign currency	-	-	-	(574)	-	-	-	-	(574)	136	(438)
Net profit for the period	-	-	-	-	-	-	-	41,811	41,811	310	42,121
<b>Balances at 31.12.2008</b>	<b>17,732</b>	<b>16,382</b>	<b>(2,687)</b>	<b>(3,341)</b>	<b>(1,838)</b>	<b>21,502</b>	<b>30,465</b>	<b>41,811</b>	<b>120,026</b>	<b>2,904</b>	<b>122,930</b>

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 31 DECEMBER 2007 (THOUSANDS OF EUROS)

	31 December 2008	31 December 2007
<b>OPERATING ACTIVITIES</b>		
Net profit (loss) for the year	41,811	39,461
Adjustments for:		
- Depreciation and amortization	14,333	10,216
- (Reversals) or impairment of assets	1,451	-
- Capital (gains) losses on disposal of non-current assets	56	(570)
- Changes in provisions for risks and charges and staff severance obligations	1,031	(3,291)
- Non-recurring items	(3,122)	(4,497)
- Unrealized losses (gains) on exchange rate differences	2,056	32
- Other non-monetary changes	6	(115)
- Income taxes	19,386	24,017
- Capital gains on the disposal of discontinued activities	(1,133)	(3,222)
- Economic effects of the disposal of discontinued activities gross of taxes	-	1,413
- Minority interests	310	226
- Result from investments accounted for using the equity method	283	41
Operating profit (loss) before changes in working capital	76,468	63,711
(Increase) decrease in trade and other receivables	31,918	(8,145)
(Increase) decrease in inventories	(19,339)	(11,950)
Increase (decrease) in trade and other payables	(18,739)	33,681
Income taxes paid	(25,792)	(19,857)
<b>CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES (A)</b>	<b>44,516</b>	<b>57,440</b>
<b>INVESTING ACTIVITIES</b>		
Investments in property, plant and equipment	(7,802)	(6,462)
Investments in intangible assets	(6,658)	(4,615)
Exchange rate differences on property, plant and equipment and intangible assets	168	1,000
Acquisitions of companies	(48,255)	(1,155)
Purchase of equity investments	(2,686)	(13,358)
Repayment of finance lease debts	(1,034)	(1,015)
Net proceeds from sale of businesses	-	10,801
Capital received for newly issued shares	3,950	-
Proceeds from sale of non-current assets	202	971
Net change in financial assets and other non-current receivables	(1,080)	(1,438)
Changes in reserves attributable to minority interests	43	(153)
<b>CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)</b>	<b>(63,152)</b>	<b>(15,424)</b>
<b>FINANCING ACTIVITIES</b>		
Granting of loans	53,500	13,077
Repayment of borrowings	(23,956)	(22,553)
Increase (decrease) in other payables to banks	32,846	12,526
Dividends paid	(28,723)	(22,139)
(Purchase) and sale of treasury shares	57	(3,164)
Translation of financial statements in foreign currency	(733)	(2,092)
Payment of interest	(9,864)	(7,739)
Receipt of interest	861	907
<b>CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)</b>	<b>23,988</b>	<b>(31,177)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)</b>	<b>5,352</b>	<b>10,839</b>
<b>CASH AND CASH EQUIVALENTS AT START OF PERIOD (E)</b>	<b>71,014</b>	<b>60,175</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (F=D+E)</b>	<b>76,366</b>	<b>71,014</b>

A BREAKDOWN OF "CASH AND CASH EQUIVALENTS" IS PROVIDED IN NOTE 12.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2008

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH  
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

## A) OVERVIEW

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 at Via Emilia 428/442, Ozzano dell'Emilia (Bologna), and is listed in the electronic stock exchange of Borsa Italiana S.p.A. in the "S.T.A.R." segment.

At 31 December 2008 SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A., owned by Lopam Fin S.p.A., holds 71.517% of IMA S.p.A.

The transactions of I.M.A. S.p.A. with the Group's manufacturing companies are mainly of a commercial nature, involving the purchase and sale of machines required for the assembly of complete production lines. I.M.A. S.p.A. also provides the Group's marketing companies with commercial services for their areas. These services relate to the sale and distribution of products manufactured by IMA's various divisions and the related customer support activities. These commercial services are also provided to the other subsidiaries of I.M.A. S.p.A. that carry out industrial activities.

These financial statements at 31 December 2008 were prepared by the Board of Directors on 27 March 2009 for approval at the Shareholders' Meeting on 28 April 2009.

## B) GENERAL PREPARATION POLICIES

### General principles

In compliance with Regulation (EC) no. 1606/2002, the consolidated financial statements have been prepared in accordance with the IAS/IFRS International Accounting Standards currently in force, issued by the International Accounting Standards Board (IASB), and the related interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The IMA Group adopted International Accounting Standards in 2005, while I.M.A. S.p.A. adopted international accounting standards for the preparation of its separate financial statements from 1 January 2006, as allowed by Legislative Decree 38 of 28 February 2005.

The consolidated financial statements of the IMA Group have been prepared on a going-concern basis, since there are no significant doubts or uncertainties about its ability to continue in business for the foreseeable future.

### Financial statements

The consolidated income statement reflects an analysis of costs by nature, as this classification is considered to be more meaningful for a proper understanding of the Group's results. The balance sheet has been classified on the basis of the operating cycle, distinguishing between current and non-current items. With this distinction, assets and liabilities are considered current if they are expected to be realised or settled as part of the Group's normal operating cycle. The statement of cash flows has been prepared using the indirect method to determine cash flows from operating activities. Under this method, the profit for the period is adjusted for the effects of non-monetary transactions, any deferral of operational collections and payments already made, any accrued cash movements, the revenues or costs deriving from cash flows attributable to investment or financing activities.

The amounts reported in the consolidated financial statements at 31 December 2008 are expressed in thousands of euros, except where otherwise indicated.

## C) ACCOUNTING POLICIES AND PRINCIPLES

The most significant accounting policies are as follows:

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at purchase or construction cost, including directly attributable ancillary expenses. Certain land and buildings have been recognised at their fair value at the date of transition to IFRS. This value has been used as the deemed cost.

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

- |                                       |       |       |
|---------------------------------------|-------|-------|
| • Buildings                           | 30-40 | years |
| • Plant and machinery                 | 5-10  | years |
| • Industrial and commercial equipment | 4     | years |
| • Other assets                        | 3-9   | years |

The residual value and the estimated useful lives of property, plant and equipment are reviewed at the end of each financial year, if not more frequently.

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

Ordinary maintenance costs are expensed as incurred. Incremental maintenance expenditure is attributed to the assets concerned and depreciated over their residual useful lives.

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

The carrying amount of property, plant and equipment is checked periodically for impairment losses, in the manner described in the section on impairment of assets.

### LEASES

Finance lease contracts are accounted for in accordance with IAS 17. As such:

- the cost of leased assets is recognised under property, plant and equipment and depreciated on a straight-line basis over the assets' estimated useful lives; the financial liability to the lessor is recognised for an amount equal to the value of the leased asset;
- the recognition of lease instalments separates the interest element from the principal, which deemed to represent repayment of the liability to the lessor.

Lease contracts under which the lessor retains substantially all of the risks and benefits of ownership are classified as operating leases, and the related instalments are charged 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 when it is likely that their use will generate economic benefits in the future and when their cost can be reliably determined. These assets are recognised at their purchase or production cost.

Intangible assets with finite useful lives are amortised each year on a straight-line basis over their estimated useful lives, as follows:

- Industrial patents and intellectual property rights 3-10 years
- Software, licenses and similar rights 5 years
- Trademarks 10 years
- Development costs 5 - 10 years

Assets with indefinite useful lives are not amortised but are tested for possible impairment on an annual basis, or more frequently if evidence suggests an impairment has occurred.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalisation as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required to complete the development project and the ability to measure the expenditure reliably) are generally amortised in relation to their future economic utility. Amortisation begins from the moment the products become available for economic use.

The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

Goodwill is the excess of the cost of a business combination over the Group's share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognised separately. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortised. It is allocated to the related cash-generating units (CGUs) 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. Subsequent to initial recognition, goodwill is recognised at acquisition price net of any accumulated impairment.

## 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 are not carried at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset or by the related CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market 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 amount exceeds recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment is charged to 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 useful life, the impairment test must be carried out at least once each year.

If the conditions that led to an impairment cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognised. Writebacks are recognised in the income statement.

International accounting standards prohibit the reversal of impairment losses recognised in relation to goodwill.

## FINANCIAL ASSETS

In accordance with IAS 39, financial assets are divided into four categories: financial assets at fair value through profit or loss, investments held to maturity, loans and receivables, and financial assets available for sale.

The IMA Group holds available-for-sale securities and equity investments in other companies and financial receivables. Financial assets available for sale are measured at fair value and financial receivables are measured at amortised cost.

At 31 December 2008, the Group does not hold any financial instruments measured at fair value through profit or loss, or investments held to maturity.

## HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the earlier section on financial assets and in the section on "Borrowings" with regard to financial liabilities.

The Group mainly uses derivative financial instruments 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 Executive Committee.

Financial instruments are recognised under hedge accounting rules when:

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

The Group recognises cash flow hedges when it is formally documented that they hedge fluctuations in the cash flows deriving from an asset, liability or highly probable forecast transaction (the hedged underlying) that could affect the income statement.

Hedging instruments are measured at their fair value at the date of designation.

The fair value of exchange rate derivatives is calculated with reference to their intrinsic value and their time value; the intrinsic component is recognised in the fair value reserve in equity, while the time component is taken directly to the income statement as financial expense/income. When the event associated with the hedged underlying occurs, the hedge reserve is derecognized and attributed to the carrying amount of the underlying concerned.

The fair value of interest rate derivatives is determined by their market value at the date of designation. This is recognised in the fair value reserve in equity and reversed to income when the event associated with the underlying financial expense/income occurs.

Changes in the fair value of instruments that do not satisfy the requirements for hedge accounting under IAS 39 are recognised in the income statement as financial expense/income.

**INVENTORIES**

Inventories are booked at the lower of cost or their 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.

**CONSTRUCTION CONTRACTS**

Construction contracts are defined in IAS 11 as a contract specifically negotiated for the construction of an asset or a group of interrelated assets, having regard for their design, technology, function or final use.

Contract costs are recognised in the year they are incurred.

Contract revenues are recognised on a stage-of-completion basis at the reporting date, if the outcome of the construction contract can be estimated reliably.

If the outcome of a construction contract cannot be estimated reliably, revenues are recognised only to the extent of the contract costs incurred that are likely to be recovered.

Expected losses on a construction contract are recognised as an expense as soon as it becomes probable that total contract costs will exceed total contract revenues.

Revenues from contract work are recognised on a stage-of-completion basis applying the "cost-to-cost" method, which involves establishing the proportion of costs incurred on work performed to date with respect to the estimated total costs of the contract.

Construction contracts are presented in the balance sheet as follows:

- the amount due from customers is classified among Trade receivables if the costs incurred plus recognised margins (less recognised losses) exceed the advances received;
- the amount due to customers is classified among Advances if the advances received exceed the costs incurred plus recognised margins (less recognised losses).

**TRADE RECEIVABLES 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. Such receivables are stated at their nominal value, net of any provision for doubtful accounts recorded in order to measure them at their estimated realisable value. Receivables falling due beyond a period considered normal commercial practice and not earning explicit interest are recognised at amortised cost using the effective interest rate method, net of any related impairment losses.

Receivables sold without recourse are derecognized since, in substance, all the related risks and rewards have been transferred to the purchaser.

**CASH AND CASH EQUIVALENTS**

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

## TREASURY SHARES

In accordance with IAS 32, treasury shares are classified separately as a direct deduction from shareholders' equity.

No gain or loss is recognised in income on the purchase, sale or cancellation of treasury shares.

Any consideration paid or received, including expenses directly attributable to such equity transactions, net of any related tax benefits, 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 required for the settlement of which can be reasonably estimated at the end of the period.

No provisions are recorded if a liability is considered to be merely potential, although suitable disclosure is provided in the notes to the financial statements.

## EMPLOYEE BENEFITS

Employee benefits mainly include the staff severance pay of the Group's Italian companies and pension funds.

Law no. 296 of 27 December 2006 (the 2007 Finance Act) introduced significant changes concerning the allocation of the severance indemnity provision. Until 31 December 2006 the severance indemnity system was treated as a defined benefit plan and was measured under IAS 19 using the projected unit credit method applied by independent actuaries. This calculation involved estimating the amount of the benefit that an employee would receive at the projected date of termination of employment using demographical and financial assumptions. The amount calculated was discounted and reapportioned, based on the seniority accrued compared with the expected total, in order to make a reasonable estimate of the benefits already accrued by each employee for services rendered. Actuarial gains and losses arising from changes in the actuarial assumptions used were recognised in the income statement.

Following the reform of the supplementary pension system, the portion accrued from 1 January 2007 is treated as a "defined-contribution plan". Specifically, the changes give workers a choice in how their accruing severance entitlement will be allocated. In companies with more than 50 employees, employees may choose to put new severance indemnity contributions into the supplementary pension scheme of their choice, or to keep them in the company and transfer them to the Treasury Fund held by the National Social Security Institute (INPS).

As a result of the reform of the supplementary pension scheme, the Group calculates the actuarial value of severance pay accrued before 2007 without including future pay increases. The difference between this figure and the previous calculation was treated as a curtailment and taken to the 2007 income statement in accordance with paragraph 109 of IAS 19. The portion accrued after 31 December 2006 is treated as a defined-contribution plan.

## BORROWINGS

IAS 39 distinguishes between financial liabilities measured at fair value with changes recognised through profit or loss and financial liabilities measured at amortised cost.

The Group's loans are measured at amortised cost using the effective interest method.

At 31 December 2008 the IMA Group does not hold any financial liabilities at fair value with changes recognised through the income statement.

## GOVERNMENT GRANTS

Government grants are recognised when it becomes reasonably certain that the Group will comply with all the conditions established for receipt of the grants, and that such grants will actually be received.

## TAXES

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

Current taxes are taxes which are expected to be payable, based on the taxable income for the year using the tax rate applying at the reporting date.

Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognised for tax purposes. Deferred tax liabilities are determined using the tax rate which is expected to apply when the assets are realised or the liabilities settled.

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

Deferred tax assets and liabilities are off-set only when there is a legal entitlement to do this and when they relate to taxes due to the same tax authority.

The Parent Company IMA S.p.A. and its subsidiaries CO.MA.DI.S. S.p.A., IMA Flavour S.r.l., IMA Life S.r.l., IMA Safe S.r.l. and Zanchetta S.r.l. participate in a domestic consolidated taxation mechanism. The consolidating company is SO.FI.MA. S.p.A., the parent company of IMA S.p.A.

## 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 reliability. Revenues relating to the sale of products are recognised at the moment title passes, which generally coincides with shipping. The only exception relates to revenues from construction contracts which, as explained above, are recognised on a percentage-of completion basis.

## DISCONTINUED OPERATIONS/DISPOSAL GROUPS

Non-current assets (or groups of assets being divested) are classified as held for sale if their carrying amount will be recovered essentially through disposal rather than through continued use. These assets are measured at the lower of their carrying amount or their fair value, net of selling costs.

Assets and liabilities held for sale are classified separately from other assets and liabilities reported in the balance sheet. The results from discontinued operations are reported separately in the income statement, net of tax effects.

## TRANSLATION OF FOREIGN CURRENCY BALANCES

### Functional and presentation currency

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

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

### Transactions and balances

As required by IAS 21, amounts originally denominated in foreign currency are translated into the functional currency and 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 historical cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value was determined.

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

### Group companies

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

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

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

The exchange rates recorded by the European Central Bank and used to translate the financial statements of foreign companies into euros are presented below:

Currency	2008		2007	
	Final exchange rate	Average exchange rate for the period	Final exchange rate	Average exchange rate for the period
US dollar	0.71855	0.67992	0.67930	0.72967
Pound sterling	1.04987	1.25583	1.36361	1.46127
Indian rupee	0.01479	0.01569	0.01724	0.01768
Thai baht	0.02071	0.02063	0.02283	0.02262
Chinese yuan	0.10531	0.09781	0.09300	0.09599
Japanese yen	0.00793	0.00656	n.a.	n.a.

## 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 declared at the Shareholders' Meeting.

## EARNINGS PER SHARE

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

## USE OF ESTIMATES

When preparing consolidated financial statements, management must apply accounting principles and methods which, in some cases, require making difficult and subjective valuations and estimates based on past experience, and assumptions that are deemed reasonable and realistic on a case-by-case basis, depending on the circumstances.

Application of these estimates and assumptions affects the amounts reported in the financial statements: the balance sheet, the income statement and the cash flow statement, as well as the explanatory notes.

Due to the uncertainty inherent in such assumptions and the conditions used for these estimates, the final outcome of the items for which estimates and assumptions were made may differ from that reported in the financial statements of the individual companies.

Items for which assessment calls for greater subjectivity on the part of management when preparing estimates are listed below. Changes in the conditions underlying the assumptions made may have a significant impact on the consolidated financial statements:

- Goodwill;
- Write-down of non-current assets;
- Construction contracts;
- Development costs;
- Deferred tax assets;
- Provisions for doubtful accounts;
- Employee benefits;
- Provisions for risks and charges.

Estimates and assumptions are regularly reviewed and the effects of any changes are immediately reflected in the income statement.

## 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 rewards that are different from those of other business segments.

A geographical segment is a distinguishable segment engaged in providing products or services within a particular economic environment and that is subject to risks and rewards that differ from those of segments operating in other economic environments.

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

- machines for the packaging of tea and herbal teas in filter bags and coffee in pods, and related services;

- pharmaceutical packaging sector: machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, 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 basis of segment reporting is by geographical segment.

## IMPLEMENTATION OF ACCOUNTING STANDARDS

### ACCOUNTING STANDARDS APPLIED

The accounting policies described above and applied when preparing these financial statements are essentially consistent with those adopted for the preparation of the financial statements at 31 December 2007.

The IASB has issued amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures which allow the reclassification of certain financial assets from the category of assets measured at fair value through profit or loss. The Group has not carried out any of the reclassifications allowed by these amendments. The circumstances and situations covered by IFRIC 12, IFRIC 13 and IFRIC 14 do not apply to the IMA Group.

### ACCOUNTING STANDARDS ENDORSED THAT ARE NOT YET APPLIED

The process of preparing and endorsing international accounting standards involves the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) in continual revisions of certain documents. Some of these revisions do not apply to the IMA Group or are not expected to have a significant impact.

The principal document already endorsed by the EU is IFRS 8 — Operating segments, which replaces IAS 14 — Segment reporting from 1 January 2009. The disclosures required by the new standard are based on the information used by management to make operating decisions. The IMA Group does not expect the adoption of IFRS 8 to have a significant impact.

### ACCOUNTING STANDARDS NOT YET ENDORSED

The Group has considered the effects of other standards and interpretations that have been approved but not yet endorsed by the European Union, such as the amendments to IAS 27, IAS 39 and IFRS 3. These are not expected to have a significant impact on the Group's financial statements.

## D) FINANCIAL RISK MANAGEMENT

### RISK FACTORS

The Group is exposed to financial risks connected with its business activities, particularly the following:

- Credit risk, arising from commercial transactions or financing activities;

- Liquidity risk, related to the availability of financial resources and access to the credit market;
- Market risks, specifically:
  - a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  - b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
  - c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and in commodity prices.

## CREDIT RISK

The Credit Management unit is responsible for the operational management of these risks. It is centralised within the Administration, Finance and Control department and applies a credit policy that governs:

- the assessment of the customer's credit standing, taking into account the corporate and country credit rating when allowing extended payment terms, including positions backed by adequate bank or insurance guarantees;
- monitoring the related expected cash flows;
- appropriate payment solicitation actions;
- recovery actions.

Percentage writedowns are made on past due positions, based on historical insolvency information, except for any writedowns of specific receivables.

Financing activities are primarily directed towards Group companies and thus are not considered to be at risk.

Sureties and other non-bank guarantees are given solely on behalf of wholly-owned subsidiaries to back loans and financing extended by banks or commitments to pay lease instalments.

In the case of financing activities linked to temporary excess liquidity or of the use of financial instruments (derivatives), the Group operates solely with counterparties with high credit standing.

The Group's maximum theoretical credit risk exposure at 31 December 2008 is represented by the carrying amount of the financial assets stated in the financial statements, and by the nominal value of the guarantees given as described in Note 31.

## LIQUIDITY RISK

The current difficult conditions in the financial markets make it fundamentally important to maintain adequate liquidity available to meet Group requirements.

The two main factors that determine the Group's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities, and on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions.

The treasury units of the individual companies are responsible for managing this risk, based on the guidelines set out by the Finance department, under the coordination of the Parent Company's treasury unit.

The Group has adopted a series of policies and processes designed to optimise the management of financial resources, thus reducing liquidity risk. These include:

- maintaining an adequate level of available liquidity;
- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

With regard to this type of risk, the Group tends to configure its net debt by financing investments with medium/long-term loans, while meeting current commitments out of the cash flow generated by operations and by using short-term lines of credit.

The following tables shows the composition and maturity of financial and trade payables and commitments (thousands of euros):

	Within 1 year	From 1 to 5 years	Over 5 years	Total
<b>31.12.2008</b>				
Borrowings	123,303	80,172	13,579	217,054
Commitments	12,204	17,209	10,876	40,289
Trade payables	109,820	–	–	109,820
<b>Total</b>	<b>245,327</b>	<b>97,381</b>	<b>24,455</b>	<b>367,163</b>
<b>31.12.2007</b>				
Borrowings	95,584	65,506	1,555	162,645
Commitments	6,820	18,636	11,314	36,770
Trade payables	98,076	2	–	98,078
<b>Total</b>	<b>200,480</b>	<b>84,144</b>	<b>12,869</b>	<b>297,493</b>

Further information on the composition of the above items is presented in Notes 16, 19 and 32.

At 31 December 2008 the Group had about 118 million euros available in unused lines of credit (117 million euros at 31 December 2007) and cash and cash equivalents and current securities of 76 million euros (71 million euros at 31 December 2007).

As to the equilibrium of working capital, especially the coverage of payables to suppliers, net trade receivables amount to 110 million euros at 31 December 2008 (102 million euros at 31 December 2007).

## MARKET RISK

### Exchange rate risk

The current activities of those Group companies whose functional currency is the euro, which actively operate in markets outside the euro area, are exposed to exchange rate risk, mainly with respect to sales in the US dollar area.

The Group's policy on exchange-rate risk provides for the use of forward contracts to hedge between 50% and 90% of future transactions denominated in foreign currencies, depending on whether they consist of budgeted flows of sales in foreign currencies or flows from the order book acquired.

Changes in exchange rates between the date of invoicing and the date of receipt of funds are managed separately, without recourse to hedge accounting, by offset against similar payment flows.

Group investments in foreign subsidiaries are not hedged since the foreign currency positions are considered to be long term.

The following tables contains an analysis of the effects of these risks (thousands of euros):

	Exchange rate risk (ERR)					
			+ 10% €//\$		- 10% €//\$	
	Carrying value	Of which subject to ERR	Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
<b>Financial assets:</b>						
Cash and cash equivalents	76,366	18,237	(1,658)	-	2,026	-
Trade and other receivables	131,704	31,974	(2,907)	-	3,553	-
Available for sale and financial receivables	12,942	-	-	-	-	-
Derivative financial instruments	2,212	1,738	-	2,266	-	(2,841)
Tax effect			-	-	-	-
			<b>(4,565)</b>	<b>2,266</b>	<b>5,579</b>	<b>(2,841)</b>
<b>Financial liabilities:</b>						
Borrowings	217,054	14,675 (**)	1,321	13	(1,214)	(16)
Trade and other payables	196,305	26,675	2,425	-	(2,964)	-
Derivative financial instruments	186	184	-	74	-	(141)
Tax effect			-	-	-	-
			<b>3,746</b>	<b>87</b>	<b>(4,178)</b>	<b>(157)</b>
<b>Total increases (decreases) for 2008</b>			<b>(819)</b>	<b>2,353</b>	<b>1,401</b>	<b>(2,998)</b>
<b>Total increases (decreases) for 2007 (*)</b>			<b>(59)</b>	<b>808</b>	<b>67</b>	<b>(912)</b>

(\*) 2007 variability parameters: +/-6% €//\$

(\*\*) Includes 146 thousand euros in loans treated as hedging instruments.

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 16 and 19.

The variability parameters applied fall within the range of reasonably possible changes in the exchange rate, all other factors being equal.

The following table breaks down trade and other receivables and payables by currency (thousands of euros):

	Net trade receivables	Advances, taxes and other receivables	Trade payables	Advances received	Tax, employee and other payables
Euro	82,166	15,432	95,464	39,737	22,862
US dollar	20,039	806	6,297	10,522	2,818
Indian rupee	867	1,002	1,833	419	621
Pound sterling	80	78	906	142	266
Thai baht	5,554	1,300	2,247	-	107
Chinese yuan	1,182	930	2,251	2,492	815
Other	107	-	822	-	158
<b>Total</b>	<b>109,995</b>	<b>19,548</b>	<b>109,820</b>	<b>53,312</b>	<b>27,647</b>

Financial assets available for sale are denominated entirely in euros.

#### Interest rate risk

In order to conduct its business, the Group raises financing from the market, borrowing primarily at floating interest rates, and is thus exposed to risks relating to rising interest rates.

The objective of interest rate risk management is to contain and stabilise the outflow of interest payments on mainly medium-term debt so as to achieve close correlation between the underlying and the hedging instrument.

Hedging, which is decided on a case-by-case basis, is arranged using derivative contracts, typically the purchase of caps and the sale of floors which, at a certain level, transform the floating rate into a fixed rate.

The following tables contains an analysis the effects of these risks (thousands of euros):

	Carrying value	Of which subject to IRR	Interest rate risk (IRR)			
			+ 50 bp on € IRR		- 50 bp on € IRR	
			Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
<b>Financial assets:</b>						
Cash and cash equivalents	76,366	39,394 (*)	294	-	(294)	-
Trade and other receivables	131,704	-	-	-	-	-
Available for sale and financial receivables	12,942	-	-	-	-	-
Derivative financial instruments	2,212	1,738	(8)	334	24	(336)
Tax effect			(79)	-	74	-
			<b>207</b>	<b>334</b>	<b>(196)</b>	<b>(336)</b>
<b>Financial liabilities:</b>						
Borrowings	217,054	208,171 (*)	(810)	-	810	-
Trade and other payables	196,305	-	-	-	-	-
Derivative financial instruments	186	184	1	-	3	-
Tax effect			222	-	(224)	-
			<b>(587)</b>	<b>-</b>	<b>589</b>	<b>-</b>
<b>Total increases (decreases) for 2008</b>			<b>(380)</b>	<b>334</b>	<b>393</b>	<b>(336)</b>
<b>Total increases (decreases) for 2007</b>			<b>(439)</b>	<b>42</b>	<b>439</b>	<b>(55)</b>

(\*) Annual average.

Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 16 and 19.

The variability parameters applied fall within the range of reasonably possible changes in the interest rate, all other factors being equal.

Exchange rate and interest rate risk management is carried out by each company in line with the risk management policy approved by the Executive Committee of the Parent Company.

#### Price risk

The Group is exposed to price risk on investments in listed capital instruments classified in the financial statements as "available for sale". The Group is not exposed to significant price risk in relation to commodities.

A 10% increase (decrease) in stock prices and in the prices of bond funds would translate into a 729 thousand euros increase (decrease) in the fair value reserve.

## CAPITAL RISK MANAGEMENT

The Group manages capital with the goal of supporting its core business and optimising value for shareholders by maintaining an appropriate capital structure and reducing its cost.

The Group monitors its capital with reference to the gearing ratio, which is the ratio between its net debt (see Note 16) and its equity.

	2008	2007
Net debt (A)	134,799	86,611
Shareholders' equity (B)	122,930	110,362
Total capital (A)+(B)=(C)	257,729	196,973
<b>Gearing ratio (A)/(C)</b>	<b>52%</b>	<b>44%</b>

## FAIR VALUE

A comparison of the book value of the financial instruments held by the Group and their fair value reveals no significant disparities, except for those discussed in Note 16 concerning applied research and technological innovation loans and other loans.

Information about the methods used to calculate fair value is provided in Note 5 on financial assets and in Note 16 on borrowings.

## E) CONSOLIDATION PRINCIPLES

### Subsidiaries

Subsidiaries are companies over which the Parent Company has the direct or indirect power to govern their financial and operating policies so as to obtain the benefits deriving from their activities. Control is presumed to exist when the Group holds the majority of voting rights. When defining control, potential voting rights that can be exercised or converted are also taken into consideration. The financial statements of subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired until the date such control ceases.

Under IFRS 3, the subsidiaries acquired by the Group are accounted for using the purchase method, which establishes that:

- purchase cost is the fair value of the assets sold, taking into account any equity instruments issued and liabilities assumed, plus any costs directly related to the purchase;
- the excess of purchase cost over the fair value of net assets attributable to the Group is accounted for as goodwill;
- should purchase cost be lower than the fair value of the subsidiary's net assets attributable to the Group, such difference is directly recognised in the income statement.

Payables and receivables and costs and revenues arising between the companies included within the scope of consolidation, as well as the effects of all significant transactions between them, are eliminated.

Specifically, gains not yet realised with third parties deriving from transactions between Group companies are eliminated, including those deriving from the valuation of inventories at the reporting date.

Minority interests in equity and net profit are shown as separate items in the consolidated balance sheet and income statement.

Associated companies

Associates are companies over which the Group exercises significant influence, but does not have operational control.

Such influence is presumed to exist when the Group holds an interest of between 20% and 50% of voting rights. The consolidated financial statements include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which significant influence begins until the date that it ends.

Profits and losses pertaining to the Group earned after the purchase of associates are recognised in the income statement.

Equity investments in associates are initially recorded at purchase cost. Any excess of purchase cost over the Group's proportional share of the fair value of the net assets acquired is included in the value of the investment.

Joint ventures

IAS 31 defines a joint venture as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The standard requires proportional consolidation for joint ventures.

Under proportional consolidation the financial statements of each investor report its share of the assets, liabilities, income and expenses reflected in the financial statements of the joint venture. Entities acquired or sold during the period are consolidated for the period in which joint control was exercised.

## F) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2008 include the financial and operating information of IMA - Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it exercises direct or indirect control.

The following changes in Group structure took place during 2008:

- the purchase from the Linde AG Group of the freeze-drying plants business represented by the BOC Edwards Pharmaceutical Systems Group, the undisputed leader in the sector, was completed on 31 January 2008. The final price for the transaction, based on the balance sheet at 31 January 2008, was 28,391 thousand euros paid on signing plus an adjustment of 3,638 thousand euros determined in May 2008, together with the takeover of a loan for 11,940 thousand euros. As from 31 January 2008, Packaging Systems Holdings Inc. is the owner of the entire share capital of BOC Edwards Pharmaceutical Systems Inc. (now IMA Edwards Inc.) and IMA Life S.r.l. is the owner of 100% of BOC Edwards Pharmaceutical Systems B.V. (now IMA Edwards B.V.) and 50% of Edwards Tianli (Beijing) Pharmaceutical Systems Co. Ltd (now IMA Edwards Pharmaceutical Systems Beijing Co. Ltd.). In February 2008, IMA Life S.r.l. acquired the other 50% from the Chinese partner for 4,000 thousand euros and signed a four-year non-compete agreement at a cost of 5,000 thousand euros. Authorisation for the transfer of these shares was received from the local authorities on 31

March 2008, so IMA Life S.r.l. now owns all of the Chinese company. See Note 22 for further information;

- IMA Edwards S.r.l. was established on 28 March 2008 as a company with a sole shareholder based in the province of Milan, being wholly owned by IMA Edwards B.V. On 1 July 2008, Edwards S.p.A. transferred the business division that sells products to the pharmaceutical industry and provides the related technical assistance to the newly-formed company;
- on 22 April 2008, the Extraordinary Meeting of IMA Libra S.r.l. resolved to change the company name to IMA Life S.r.l., authorised and subscribed a capital increase from 3,000 thousand euros to 13,230 thousand euros, and authorised a further capital increase with the exclusion of pre-emption rights, in order to admit a new member, from 13,230 thousand euros to 14,000 thousand euros; as a result, the Parent Company's interest in IMA Life S.r.l. was reduced to 94.5%, since the new shareholder has taken an interest of 5.5%;
- on 22 April 2008, the Parent Company purchased a 30% interest in Bacciottini F.lli S.r.l., located in the province of Prato, for 446 thousand euros. This company processes sheet metal for pharmaceutical machinery and is a supplier to the IMA Group;
- on 15 May 2008 the Parent Company purchased the remaining 35% of Tianjin IMA Machinery Co. Ltd. for 200 thousand euros;
- on 15 May 2008, IMA Edwards Japan KK, a Japanese-registered company, was formed as a wholly-owned subsidiary of IMA Edwards BV; On 1 September 2008, Edwards Japan Ltd. sold the business division that provides technical and commercial services to the Japanese market;
- on 3 June 2008 the Extraordinary Meeting of IMA Flavour S.r.l. approved an increase in capital from 3,000 thousand euros to 3,045 thousand euros, with the exclusion of pre-emption rights to allow the entry of a new shareholder; subsequently, on 24 June 2008, this new investor paid in its portion of capital, with the result that the Parent Company's interest in IMA Flavour S.r.l. was reduced to 98.52%, given that the new shareholder acquired a 1.48% interest;
- on 20 November 2008, the Parent Company acquired 30% of Masterpiece S.r.l. Lavorazioni Meccaniche located in Ozzano dell'Emilia (Bologna) for 3 thousand euros.

In addition to the changes in Group structure discussed earlier, the following significant transactions took place during the year:

- the merger of Zanchetta S.r.l. into VIMA S.r.l. with effect from 1 January 2008, and immediate change of the latter's name to Zanchetta S.r.l.;
- the transfer by IMA S.p.A. at book value of the tea, herbal tea and coffee packaging sector and of the pharmaceutical packaging sector to, respectively, IMA Flavour S.r.l. and IMA Safe S.r.l., both newly-formed companies, with effect from 2 January 2008; the investments in CO.MA.DI.S. S.p.A. and Precision Gears Ltd. were also contributed to IMA Safe S.r.l.;
- the exercise in January 2008 by IMA Safe S.r.l. of the option to acquire 5% of the shares of Precision Gears Ltd, India, previously 85% owned, with the simultaneous payment of 628 thousand euros. On completion of the contract, the parties agreed reciprocal put and call options for the residual 10% interest, to be exercised by the end of January 2010.

The companies included in the consolidation are listed below, with an indication of the consolidation method used:

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

	Registered office		Share capital at 31/12/2008	Direct investment	Indirect investment
<b>Industrial companies:</b>					
• I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano E. (Bologna)	EUR	17,732,000	Parent Company	
• IMA Flavour S.r.l.	Ozzano E. (Bologna)	EUR	3,045,000	98.52%	–
• IMA Life S.r.l.	Ozzano E. (Bologna)	EUR	14,000,000	94.50%	–
• IMA Safe S.r.l.	Ozzano E. (Bologna)	EUR	3,000,000	100%	–
• CO.MA.DI.S. S.p.A.	Senago (Milan)	EUR	1,540,000	–	100% (1)
• Zanchetta S.r.l.	Montecarlo (Lucca)	EUR	363,940	100%	–
• Zibo IMA Xinhua Pharmatech Co. Ltd.	Zibo (PRC)	USD	5,143,248	80%	–
• Tianjin IMA Machinery Co. Ltd.	Tianjin (PRC)	USD	200,000	100%	–
• Swiftpack Automation Ltd.	Alcester (GB)	GBP	1,403,895	100%	–
• Precision Gears Ltd.	Mumbai (India)	RS	(*) 17,852,100	–	100% (1)
• IMA Kilian GmbH & Co. KG	Cologne (Germany)	EUR	3,600,000	–	100% (2)
• Nova Packaging Systems Inc.	Leominster (USA)	USD	8,050,000	–	100% (3)
• IMA Edwards B.V.	Dongen (Netherlands)	EUR	(*) 12,382,850	–	100% (4)
• IMA Edwards Pharmaceutical Systems (Beijing) Co. Ltd.	Beijing (PRC)	USD	400,000	–	100% (4)
• IMA Edwards Inc.	Tonawanda (USA)	USD	100	–	100% (3)
<b>Commercial companies:</b>					
• IMA UK Ltd.	Alcester (GB)	GBP	50,000	100%	–
• IMA Est GmbH	Vienna (Austria)	EUR	280,000	100%	–
• IMA Germany GmbH	Cologne (Germany)	EUR	90,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (France)	EUR	45,735	100%	–
• IMA Pacific Co. Ltd.	Bangkok (Thailand)	THB	(*) 40,219,000	99.99%	–
• IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	Beijing (PRC)	USD	1,350,000	100%	–
• Imautomatiche Lda	Madeira (Portugal)	EUR	5,000	100%	–
• IMA Iberica Processing and Packaging S.L.	Barcelona (Spain)	EUR	590,000	100%	–
• IMA North America Inc.	Bristol (USA)	USD	2,500	–	100% (3)
• IMA Edwards S.r.l.	Trezzano Naviglio (Milan)	EUR	80,000	–	100% (5)
• IMA Edwards Japan KK	Yachiyo-shi Chiba (Japan)	YEN	40,000,000	–	100% (5)
<b>Other companies:</b>					
• IMA Kilian Verwaltungs GmbH	Cologne (Germany)	EUR	25,000	–	100% (2)
<b>Financial companies:</b>					
• Packaging Systems Holdings Inc.	Wilmington (USA)	USD	1,000	100%	–

(\*) The share capital of Precision Gears Ltd., IMA Edwards B.V. and IMA Pacific Co. Ltd. amounts, at par, to Rs 20,000,000, Euro 45,400,000 and Thb 100,000,000 respectively.

**Notes (details of investments):**

(1) Held by IMA Safe S.r.l. The percentage interest in Precision Gears Ltd. includes an option to purchase 10% of the share capital, which in essence represents a form of deferred payment.

(2) Held by IMA Germany GmbH

(3) Held by Packaging Systems Holdings Inc.

(4) Held by IMA Life S.r.l.

(5) Held by IMA Edwards B.V.

**INVESTMENTS ACCOUNTED FOR  
USING THE EQUITY METHOD**

	Registered office		Share capital at 31/12/2008	Direct investment	Indirect investment
• B.C. S.r.l.	Imola (Bologna)	EUR	36,400	30%	–
• Bacciottini F.lli S.r.l.	Oste Montemurlo (Prato)	EUR	60,000	30%	–
• G.S. Divisione Verniciatura S.r.l.	Castel S. Pietro T. (Bologna)	EUR	11,000	30%	–
• I.E.M.A. S.r.l.	S. Giorgio di Piano (Bologna)	EUR	10,400	30%	–
• LA.CO S.r.l.	Ozzano E. (Bologna)	EUR	30,000	30%	–
• MASTERPIECE S.r.l.	Ozzano E. (Bologna)	EUR	10,000	30%	–
• Scriba Nanotecnologie S.r.l.	Bologna	EUR	18,750	24.9%	–
• SIL.MAC. S.r.l.	Gaggio Montano (Bologna)	EUR	90,000	30%	–
• Sirio S.p.A. Associazione in partecipazione (*)	Milan	EUR	200,000		

(\*) Agreement signed in the last quarter of 2007 for the management of an aircraft.

The consolidated financial statements at 31 December 2008 include the Group's share of the net profits and losses of companies valued using the equity method, from the date on which significant influence begins until the date when it ends.

**G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The changes below are reported with respect to 31 December 2007 for balance sheet items and 2007 for income statement items.

**1. SEGMENT INFORMATION**

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

Tea, herbal tea and coffee packaging

Machines for the packaging of tea and herbal teas in filter bags and coffee in pods, and related services. Operations in this segment are mainly carried out by IMA Flavour S.r.l.

Pharmaceuticals packaging

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 freeze-drying, cartoning and end-of-line equipment, and related services.

Operations in this segment are mainly carried out by these companies:

- IMA S.p.A. manufactures end-of-line machines through IMA Safe line;
- IMA Life S.r.l. manufactures machines for packaging liquids and powers and aseptic and non-aseptic environments;
- IMA Safe S.r.l. manufactures blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines;
- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- IMA Edwards B.V., IMA Edwards Inc. and IMA Edwards Pharmaceutical Systems (Beijing) Co. Ltd. produce freeze-drying equipment for the pharmaceuticals industry;
- Precision Gears Ltd. manufactures blister and cartoning machines, mainly for emerging markets;

- Swiftpack Automation Ltd. and Nova Packaging Systems Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceuticals industry.

#### Pharmaceuticals processing

Machines for the production of tablets and capsules, machines for coating and fluid bed granulators, and related services. Operations in this segment are mainly carried out by these companies:

- IMA S.p.A. manufactures tablet pressing machines, capsule filling machines, coating and granulating machines through the IMA Active division;
- Zanchetta S.r.l. manufactures machines for the movement of powders and depowdering of tablets and machines for the movement and granulation of pharmaceutical powders;
- IMA Kilian GmbH & Co. KG manufactures tablet pressing machines for the pharmaceuticals and chemicals industries;
- Zibo IMA Xinhua Pharmatech Co. Ltd. produces machinery for the pharmaceuticals processing industry, principally in emerging markets.

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

#### PERFORMANCE BY SEGMENT

Information by business segment for 2008 is shown below (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharma- ceuticals packaging	Pharma- ceuticals processing	Other	Total
Revenues	84,900	323,159	137,786	1,323	547,168
Segment operating profit	32,481	30,454	9,237	(244)	71,928
Net financial income (expense)					(11,271)
Profit (loss) from investments accounted for using the equity method	-	-	-	(283)	(283)
Result before tax					60,374
Income taxes for the period					(19,030)
Net profit from continuing operations					41,344
Net profit from discontinued operations	-	-	-	777	777
Net profit for the period					42,121

Information by business segment for 2007 is shown below (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharma- ceuticals packaging	Pharma- ceuticals processing	Other	Total
Revenues	77,066	246,994	128,847	1,546	454,453
Segment operating profit	26,496	32,715	10,615	(182)	69,644
Net financial income (expense)					(7,708)
Profit (loss) from investments accounted for using the equity method	-	-	-	(41)	(41)
Result before tax					61,895
Income taxes for the period					(24,048)
Net profit from continuing operations					37,847
Net profit from discontinued operations	-	(3,343)	-	5,183	1,840
Net profit for the period					39,687

The following table analyses revenues by business segment, showing changes with respect to 2007 (thousands of euros):

	2008	2007	Change
Tea, coffee and herbal tea packaging	84,900	77,066	7,834
Pharmaceutical packaging	323,159	246,994	76,165
Pharmaceutical processing	137,786	128,847	8,939
Other	1,323	1,546	(223)
<b>Total</b>	<b>547,168</b>	<b>454,453</b>	<b>92,715</b>

Consolidated revenues in 2008 amounted to 547,168 thousand euros, an increase of 20.4% with respect to 2007. The freeze-drying business operated by IMA Edwards, which was consolidated for the first time from 1 February 2008 as part of the pharmaceuticals packaging segment, contributed 66,949 thousand euros to revenues.

Revenues by segment are discussed below:

- the revenues of the tea, coffee and herbal tea packaging sector rose by 10.2%, following an excellent year in 2007, due to an increase in market share within the European Union and continued lively demand from the countries of Central and Eastern Europe;
- the rise in the revenues of the pharmaceuticals packaging sector by 30.8% was mainly due to the purchase of the Edwards Group, together with healthy sales and internal growth;
- revenues from process machinery for the pharmaceuticals industry increased by 6.9%, mostly due to the contribution made by tablet pressing machines and lines for the treatment and handling of pharmaceutical powders.

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

	2008	2007	Change
Tea, coffee and herbal tea packaging	32,481	26,496	5,985
Pharmaceutical packaging	30,454	32,715	(2,261)
Pharmaceutical processing	9,237	10,615	(1,378)
Other	(244)	(182)	(62)
<b>Total</b>	<b>71,928</b>	<b>69,644</b>	<b>2,284</b>

The operating profit of the tea segment shows considerable improvement, thanks in part to the effect of non-recurring items totalling 1,927 thousand euros versus 785 thousand euros in 2007.

The operating profit of the packaging segment was lower, despite the 1,601 thousand euros contributed by IMA Edwards, as it reflects a decline of 1,788 thousand euros in non-recurring income (1,117 thousand euros in 2008 compared with 2,905 thousand euros in 2007) and the 1,451 thousand euro writedown of a development project.

The slight deterioration in the process machinery sector can be attributed to lower non-recurring income (726 million euros), as well as to certain contracts earning profit margins below the segment average, a situation that is not expected to repeat next year.

The tables below provide other income statement information about Group operations by segment in 2008 and 2007 (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharma- ceuticals packaging	Pharma- ceuticals processing	Other	Total
Amortisation, depreciation					
impairment and writedowns	1,609	10,665	3,501	9	15,784
Other non-monetary costs	(699)	3,662	(586)	(20)	2,357

	Tea, coffee and herbal tea packaging	Pharma- ceuticals packaging	Pharma- ceuticals processing	Other	Total
Amortisation, depreciation					
impairment and writedowns	1,609	4,950	3,653	4	10,216
Other non-monetary costs	349	570	246	(60)	1,105

In the pharmaceutical packaging segment, the increase in depreciation, amortisation, impairment and writedowns was mainly due amortisation of the intangible assets recognised on the acquisition of the Edwards Group, as well as to the writedown of the cost of developing the tablet counting machine, as discussed in Note 3.

The reduction in the other non-monetary costs of the tea and processing machinery segments was mostly due to the use of inventory allowances to cover the destruction of obsolete materials, net of the effect of the change in the regulations governing severance indemnities, which reduced non-monetary costs in 2007. The higher non-monetary costs of the pharmaceuticals packaging segment reflect the arrival of IMA Edwards and the change in the regulations governing severance indemnities, which reduced these costs in 2007.

Balance sheet information at 31 December 2008 is shown below (thousands of euros):

	Tea, coffee and herbal tea packaging	Pharma- ceuticals packaging	Pharma- ceuticals processing	Other	Not allocated (*)	Total
Assets	67,368	271,422	143,347	7,857	96,267	586,261
Investments valued at equity	-	-	-	6,155	-	6,155
Total assets	67,368	271,422	143,347	14,012	96,267	592,416
Liabilities	49,737	131,925	46,352	159	241,313	469,486
Capital expenditure	2,237	62,953	4,499	7	-	69,696

(\*) Non-allocated assets and liabilities mainly relate to net financial liabilities, income tax receivables and payables and net deferred tax liabilities which cannot be divided exactly among the divisions reported.

Balance sheet information at 31 December 2007 is shown below (thousands of euros):

	Tea, coffe and herbal tea packaging	Pharma- ceuticals packaging	Pharma- ceuticals processing	Other	Not allocated (*)	Total
Assets	53,932	202,910	134,683	10,757	90,400	492,682
Investments valued at equity	-	-	-	3,732	-	3,732
<b>Total assets</b>	<b>53,932</b>	<b>202,910</b>	<b>134,683</b>	<b>14,489</b>	<b>90,400</b>	<b>496,414</b>
Liabilities	41,138	107,619	49,513	239	187,543	386,052
Capital expenditure	2,609	5,521	4,059	4	-	12,193

(\*) Non-allocated assets and liabilities mainly relate to net financial liabilities, income tax receivables and payables and net deferred tax liabilities which cannot be divided exactly among the divisions reported.

The increase in the assets and liabilities of the pharmaceuticals packaging segment mainly reflects the acquisition of IMA Edwards, as does the rise in investments due to the allocation of consolidation differences to fixed assets.

#### **ANALYSIS BY GEOGRAPHICAL AREA**

The revenues of the IMA Group are analysed below by geographical area (thousands of euros):

	2008	2007	Change
European Union (excluding Italy)	213,047	183,859	29,188
Other European countries	50,634	41,964	8,670
North America	97,793	89,403	8,390
Asia & Middle East	95,250	67,153	28,097
Other countries	59,715	36,717	22,998
<b>Total foreign markets</b>	<b>516,439</b>	<b>419,096</b>	<b>97,343</b>
Italy	30,729	35,357	(4,628)
<b>Total</b>	<b>547,168</b>	<b>454,453</b>	<b>92,715</b>

Revenues are allocated based on the geographical locations of the end customer.

The changes in the breakdown of revenues by geographical area are discussed below:

- increased revenues from European Union countries, excluding Italy, are attributable to good performance in such countries as France, Germany and Spain. Revenues from other countries were essentially stable, except for slight reductions in the Netherlands and Austria;
- the rise in sales in Other European countries was mostly due to the contribution made by such countries as Russia and Serbia, where there continue to be many interesting projects. Sales were also good in the other European countries;
- increased sales in North America reflect the Group's positioning there, which is essentially without significant local competition;
- strong growth in Asia and the Middle East was in line with the established trend, although this market is currently the most price sensitive, with lower concern for product quality and technology. The development of the local economies there will inevitably require the alignment of production standards with western levels, with demand for machinery with characteristics more in line with those offered by the Group. The Group is responding to these issues on a timely basis, in particular by expanding its production capacity in China and India;

- the revenues from other countries also reflect various dynamics, with a reduction in Africa and essential stability in South America;
- the fall in Italy was solely due to the lower number of projects with respect to the prior year. These fluctuations recur annually since revenues depend on the level of investment projects of the pharmaceutical companies, which is inevitably unstable in a small market like Italy.

The operations of the IMA Group are analysed by geographical area below (thousands of euros):

	31.12.2008	31.12.2007
Italy	378,694	362,535
European Union (excluding Italy)	104,851	74,784
North America	62,826	39,197
Asia & Middle East	46,045	19,898
<b>Total</b>	<b>592,416</b>	<b>496,414</b>

Operations are allocated to the geographical areas in which they are located.

The above changes are discussed below:

- in Italy, the increase mainly came from ordinary activities;
- in the European Union (excluding Italy), the increase was mainly due to the effect of purchasing IMA Edwards B.V.;
- in North America, the increase was essentially attributable to the acquisition of IMA Edwards Inc.;
- in Asia & Middle East, the increase was essentially due to the purchase of IMA Edwards Pharmaceuticals Systems (Beijing) Co. Ltd.

Consolidated investment is analysed by geographical area below (thousands of euros):

	31.12.2008	31.12.2007
Italy	18,889	10,436
European Union (excluding Italy)	23,168	357
North America	12,799	217
Asia & Middle East	14,840	1,183
<b>Total</b>	<b>69,696</b>	<b>12,193</b>

The changes in investment are discussed below:

- in Italy, the increase was mostly due to recognition of the know-how relating to the purchase of IMA Edwards, as well as to the capitalisation of development costs in relation to new products and patents;
- in the European Union (excluding Italy), North America, and Asia and the Middle East, the increase was essentially due to recognition of the goodwill and know-how relating to IMA Edwards.

#### **REVENUES BY BUSINESS CATEGORY**

Lastly, the IMA Group's revenues analysed by business category as follows (thousands of euros):

	2008	2007	Change
Machines and change parts	253,658	231,771	21,887
Construction contracts	180,420	124,408	56,012
Spare parts	64,854	60,262	4,592
Technical assistance	34,831	23,415	11,416
Other services	13,405	14,597	(1,192)
<b>Total</b>	<b>547,168</b>	<b>454,453</b>	<b>92,715</b>

## 2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment shows a net increase of 3,070 thousand euros.

The changes during the year were as follows (thousands of euros):

	Land	Buildings and leasehold improv.	Plant and machinery	Industrial & comm. equipment	Other assets	Assets under construction and advances	Total
<b>Balances at 01.01.07</b>							
Gross amount	17,092	42,921	44,753	13,537	21,090	1,575	140,968
Accumulated depreciation	(10)	(7,595)	(31,066)	(11,844)	(17,727)	-	(68,242)
Net amount	17,082	35,326	13,687	1,693	3,363	1,575	72,726
<b>Balances at 01.01.07</b>	<b>17,082</b>	<b>35,326</b>	<b>13,687</b>	<b>1,693</b>	<b>3,363</b>	<b>1,575</b>	<b>72,726</b>
Increases in the period	131	1,403	2,801	425	1,450	252	6,462
Sales and disposals	(84)	(24)	(166)	(3)	(122)	-	(399)
Change in scope of consolidation	-	-	23	9	85	-	117
Depreciation	(2)	(1,841)	(3,070)	(699)	(1,300)	-	(6,912)
Discontinued operations	(2,714)	(190)	(170)	(2)	(316)	(487)	(3,879)
Reclassifications	698	-	362	25	-	(1,085)	-
Translation differences	(12)	(89)	(71)	(4)	(49)	-	(225)
<b>Balances at 31.12.07</b>	<b>15,099</b>	<b>34,585</b>	<b>13,396</b>	<b>1,444</b>	<b>3,111</b>	<b>255</b>	<b>67,890</b>
<b>Balances at 01.01.08</b>							
Gross amount	15,111	43,460	47,143	14,204	16,649	255	136,822
Accumulated depreciation	(12)	(8,875)	(33,747)	(12,760)	(13,538)	-	(68,932)
Net amount	15,099	34,585	13,396	1,444	3,111	255	67,890
<b>Balances at 01.01.08</b>	<b>15,099</b>	<b>34,585</b>	<b>13,396</b>	<b>1,444</b>	<b>3,111</b>	<b>255</b>	<b>67,890</b>
Increases in the period	13	1,234	4,346	613	1,465	2,313	9,984
Sales and disposals	-	(146)	(33)	-	(69)	-	(248)
Change in scope of consolidation	-	127	1,036	-	284	12	1,459
Depreciation	(1)	(1,939)	(3,346)	(577)	(1,408)	-	(7,271)
Discontinued operations	(845)	-	-	-	-	-	(845)
Reclassifications	-	7	246	8	(3)	(258)	-
Translation differences	(51)	(124)	221	(13)	(36)	(6)	(9)
<b>Balances at 31.12.08</b>	<b>14,215</b>	<b>33,744</b>	<b>15,866</b>	<b>1,475</b>	<b>3,344</b>	<b>2,316</b>	<b>70,960</b>
<b>Balances at 31.12.08</b>							
Gross amount	14,226	44,597	53,330	14,843	18,566	2,316	147,878
Accumulated depreciation	(11)	(10,853)	(37,464)	(13,368)	(15,222)	-	(76,918)
<b>Balances at 31.12.08</b>	<b>14,215</b>	<b>33,744</b>	<b>15,866</b>	<b>1,475</b>	<b>3,344</b>	<b>2,316</b>	<b>70,960</b>

"Land" includes 10,630 thousand euros in respect of the properties located in Ozzano dell'Emilia (Bologna) and in Bentivoglio (Bologna), owned by the Parent Company, and 3,181 thousand euros for land at Calenzano (Florence) held under a finance lease.

Buildings and leasehold improvements mainly comprise the Parent Company's buildings located in Ozzano dell'Emilia, Bentivoglio and Calenzano, as well as buildings in France, the United Kingdom and India, which are owned by IMA France E.u.r.l., IMA UK Ltd. and Precision Gears Ltd. respectively.

On the adoption of international accounting standards, certain property, plant and equipment classified as "land and buildings" were measured at fair value and, effective from 1 January 2004, this value has been used as their deemed cost.

“Other assets” comprise (thousands of euros):

	31.12.2008	31.12.2007
Electronic office machines	1,480	1,106
Office furniture and fittings	1,046	1,121
Vehicles	663	667
Other	155	217
<b>Total</b>	<b>3,344</b>	<b>3,111</b>

The increase in assets under construction and advances reflects the Parent Company's acquisition for 2,183 thousand euros, by way of an exchange with third parties, of portions of a building under construction in Ozzano dell'Emilia. Completion is expected by June 2009.

The other additions during the period relate principally to the purchase of machinery, the costs incurred to expand and upgrade existing buildings and plant, and to purchase electronic equipment.

The change in the scope of consolidation reflects the acquisition of the Edwards Group, as mentioned previously.

Disposals refer to the sale of a plot of building land in Ozzano dell'Emilia to third parties by way of an exchange. This exchange generated an after-tax capital gain of 777 thousand euros, as discussed in Note 29. Assets sold in the prior year related to the sales to third parties of the Telstar Group and Info Area S.r.l.

The net book value of assets under finance lease is broken down by category as follows (thousands of euros):

	31.12.2008	31.12.2007
Land	3,181	3,181
Buildings	4,080	4,226
Plant and machinery	802	977
Other assets	81	134
<b>Total</b>	<b>8,144</b>	<b>8,518</b>

At 31 December 2008 these assets relate to the Parent Company and mainly comprise the lease of land in Calenzano (Florence) and the industrial building constructed on it.

## 3. INTANGIBLE ASSETS

The changes in intangible assets during the year break down as follows (thousands of euros):

	Development costs	Industrial patents rights	Software licences, trademarks and similar	Goodwill	Assets under dev. and advances	Total
<b>Balances at 01.01.07</b>						
Gross amount	11,945	7,882	14,532	55,908	1,150	91,417
Accumulated amortisation	(3,275)	(6,194)	(12,077)	-	-	(21,546)
Net amount	8,670	1,688	2,455	55,908	1,150	69,871
<b>Balances at 01.01.07</b>	<b>8,670</b>	<b>1,688</b>	<b>2,455</b>	<b>55,908</b>	<b>1,150</b>	<b>69,871</b>
Increases in the period	748	1,668	1,631	37	531	4,615
Sales and eliminations	-	-	(2)	-	-	(2)
Acquisition of Zanchetta S.r.l.	-	-	-	1,116	-	1,116
Change in scope of consolidation	-	-	2	-	-	2
Amortisation	(1,267)	(658)	(1,379)	-	-	(3,304)
Discontinued operations	(1,591)	-	(62)	(3,388)	(175)	(5,216)
Reclassifications	877	27	-	-	(904)	-
Translation differences	-	-	(4)	(771)	-	(775)
<b>Balances at 31.12.07</b>	<b>7,437</b>	<b>2,725</b>	<b>2,641</b>	<b>52,902</b>	<b>602</b>	<b>66,307</b>
<b>Balances at 01.01.08</b>						
Gross amount	11,547	9,367	14,974	52,902	602	89,392
Accumulated amortisation	(4,110)	(6,642)	(12,333)	-	-	(23,085)
Net amount	7,437	2,725	2,641	52,902	602	66,307
<b>Balances at 01.01.08</b>	<b>7,437</b>	<b>2,725</b>	<b>2,641</b>	<b>52,902</b>	<b>602</b>	<b>66,307</b>
Increases in the period	94	2,871	7,598	-	1,723	12,286
Sales and eliminations	-	(2)	(8)	-	-	(10)
Acquisition of the Edwards Group	22,206	-	-	25,220	-	47,426
Change in scope of consolidation	-	-	50	-	-	50
Amortisation	(4,167)	(790)	(2,105)	-	-	(7,062)
Writedowns/Impairment	(1,451)	-	-	-	-	(1,451)
Reclassifications	584	18	-	-	(602)	-
Translation differences	-	-	16	(175)	-	(159)
<b>Balances at 31.12.08</b>	<b>24,703</b>	<b>4,822</b>	<b>8,192</b>	<b>77,947</b>	<b>1,723</b>	<b>117,387</b>
<b>Balances at 01.01.09</b>						
Gross amount	32,559	12,448	23,241	77,947	1,723	147,918
Accumulated amortisation	(7,856)	(7,626)	(15,049)	-	-	(30,531)
Net amount	24,703	4,822	8,192	77,947	1,723	117,387
<b>Balances at 31.12.08</b>	<b>24,703</b>	<b>4,822</b>	<b>8,192</b>	<b>77,947</b>	<b>1,723</b>	<b>117,387</b>

Development costs mainly include the costs incurred by the Parent Company and by IMA Flavour S.r.l., IMA Life S.r.l. and IMA Safe S.r.l. for new products not previously available and targeted at new market segments. These are discussed below:

- Vortex fast wet granulators with the possibility of Pegasus fluid bed integrators, 971 thousand euros;
- coating systems based on Perfima perforated pans, 582 thousand euros;
- Impressa 130, 158 thousand euros;
- CA1 machines for packaging filter bags and coffee in pods, 844 thousand euros;
- Sterifill F200 and F2000 in-line filling and stoppering machines, 364 thousand euros;
- biotechnology compacts, 1,541 thousand euros. These development costs led to the creation of a new MAC machine which offers filling, washing and sterilisation in an integrated, compact solution that handles liquid and freeze-dried products.

The other development costs were written off in full, in the amount of 1,451 thousand euros. These related to the tablet counting machine project which, following revision of the Product Development Plan, was no longer considered to be as saleable and profitable as originally expected.

Development costs also include know-how relating to the washing and powder handling systems of the pharmaceuticals processing sector, which was recognised following the acquisition of VIMA Impianti S.r.l. (now Zanchetta S.r.l.). This know-how has an estimated useful life of 5 years. Lastly, the acquisition of the Edwards Group during 2008 involved recognising 22,206 thousand euros of know-how in relation to freeze-drying systems for the pharmaceuticals industry, with an estimated useful life of 7 years.

As noted in the report on operations, research and development costs not meeting the requirements for capitalisation were charged to the income statement for the year in the amount of 23,333 thousand euros (22,183 thousand euros in 2007).

Industrial patents and intellectual property rights include costs incurred for the acquisition of rights deriving from applications for industrial patents, stated net of related amortisation. The increase was mainly due to costs incurred to protect and extend patents in other countries, as well as the acquisition of a patent, for 1,937 thousand euros, relating to a machine for the production of bottles containing doses of product.

The increase in software, licences, trademarks and similar rights mainly reflects the capitalisation of 5,000 thousand euros, amortisable over four years, in relation to the non-compete agreement signed by IMA Life S.r.l. on acquisition of the investment in IMA Edwards Pharmaceutical Systems (Beijing) Co. Ltd. This item also includes applications, administrative and technical software.

Goodwill comprises the following (thousands of euros):

	31.12.2008	31.12.2007
Acquisition of G.S. S.r.l. Coating System division	7,402	7,402
Acquisition of ICO OLEODINAMICI S.p.A. division	3,067	3,067
Acquisition of CO.MA.DI.S. S.p.A.	3,782	3,782
B.F.B. S.p.A.	1,788	1,788
IMA Kilian GmbH & Co. KG	14,790	14,790
Acquisition of the Nova Group	12,432	12,607
VIMA Impianti S.r.l.	4,323	4,323
Precision Gears Ltd.	4,027	4,027
Zanchetta S.r.l.	1,116	1,116
Edwards Group	25,220	-
<b>Total</b>	<b>77,947</b>	<b>52,902</b>

The goodwill paid to purchase companies and/or firms and/or divisions is allocated to the Group CGUs, which are then tested for impairment. Even if such companies are merged into the acquiring company after acquisition and thus lose their legal status, the Group organisation into divisions makes it possible to identify the assets and the cash flows of the CGUs concerned, and to check whether the allocated goodwill is recoverable through the impairment test.

The recoverable value of the CGUs to which goodwill is allocated is tested by determining their value in use, as represented by the present value of expected cash flows discounted using a rate that reflects the risks specific to each CGU at the measurement date.

The CGU's weighted-average cost of capital (WACC) is used as the discount rate, as determined from a detailed analysis of the capital structure of each CGU. The Capital Asset Pricing Model is used. This mathematical model determines the rate by summing the returns from a risk-free

asset with the market risk premium. In turn, the market risk premium is found by multiplying the market average risk by the beta for the specific sector. WACCs from 6.30% to 9.40% were used to determine the present value of each CGU at 31 December 2008. This took account of various scenarios for the market risk premium, partly in order to obtain a sensitivity analysis. The principal assumptions underlying the application of this method involved estimating the future increases in sales, the gross margin, operating costs, the rate of growth of terminal values, capital investment, operating capital and the weighted-average cost of capital (discount rate). Cash flows were estimated with reference to the 2009 budget forecast and the plan for 2010-2011 and then discounted using the discount rate reflecting the current market cost of money, taking account of the specific risks associated with each CGU.

The impairment tests of goodwill conducted in accordance with IAS 36 did not lead to any writedowns.

The goodwill arising from the acquisition of the Edwards Group is discussed in Note 30.

The translation loss, 159 thousand euros, relates to the translation of Nova Group's goodwill using the year-end spot exchange rate.

Assets under development and advances mainly relate to the capitalisation of development costs incurred by the Parent Company and IMA Life S.r.l., amounting to 530 thousand euros and 1,146 thousand euros respectively.

#### 4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Below is a breakdown (thousands of euros):

	% holding	31.12.2008	31.12.2007
B.C. S.r.l.	30%	643	599
Bacciottini F.lli S.r.l.	30%	446	-
G.S. Divisione Verniciatura S.r.l.	30%	721	712
I.E.M.A. S.r.l.	30%	361	419
LA.CO. S.r.l.	30%	355	401
MASTERPIECE S.r.l.	30%	3	-
Scriba Nanotecnologie S.r.l.	24.9%	201	196
SIL.MAC S.r.l.	30%	312	307
Sirio S.p.A. Associazione in partecipazione (*)		3,113	1,098
<b>Total</b>		<b>6,155</b>	<b>3,732</b>

(\*) Amount paid under the agreement signed in the last quarter of 2007 for the management of an aircraft.

As to Bacciottini F.lli S.r.l. and MASTERPIECE S.r.l., refer to the comments in the section "Scope of consolidation" and to Note 33.

The following table identifies the goodwill included in the carrying amount of the above equity investments at 31 December 2008 (thousands of euros):

	31.12.2008
Bacciottini F.lli S.r.l.	158
G.S. Divisione Verniciatura S.r.l.	541
I.E.M.A. S.r.l.	295
LA.CO. S.r.l.	129
Scriba Nanotecnologie S.r.l.	167
SIL.MAC S.r.l.	131
<b>Total</b>	<b>1,421</b>

The following table summarises the key financial data of associated companies at 31 December 2007 (thousands of euros):

	Assets	Liabilities	Revenues	Net profit (loss)
B.C. S.r.l.	3,511	1,369	3,002	146
Bacciottini F.lli S.r.l.	3,421	2,408	5,014	742
G.S. Divisione Verniciatura S.r.l.	2,822	2,221	3,723	32
I.E.M.A. S.r.l.	2,002	1,779	3,278	158
LA.CO. S.r.l.	4,205	3,850	4,865	23
Scriba Nanotecnologie S.r.l.	420	283	462	(9)
SIL.MAC. S.r.l.	3,267	2,664	2,953	52

## 5. FINANCIAL ASSETS

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

	31.12.2008	31.12.2007
Non-current:		
· Investments in securities	2,970	3,021
· Financial receivables	1,789	1,575
· Equity investments in other companies	7,053	9,912
	<b>11,812</b>	<b>14,508</b>
Current:		
· Investments in securities	930	224
· Financial receivables	200	200
	<b>1,130</b>	<b>424</b>
<b>Total</b>	<b>12,942</b>	<b>14,932</b>

Investments in non-current securities mainly include listed bond funds securing non-current borrowings. Their fair value is the official price on 30 December 2008. Their percentage change over the year (source: *Il Sole 24 Ore*) averaged about -2.1% in December 2008. Investments in current securities relate to listed bond funds. Their fair value is the official price on 30 December 2008. Their percentage change over the year was about -3.26% in December 2008.

Non-current financial receivables relate to the lease contract entered into by the German subsidiary IMA Kilian GmbH & Co. KG for its offices and plants in Cologne, 789 thousand euros, and to the loan granted by the Parent Company to Infracom Consulting S.r.l. in 2007, 1,000 thousand euros. This loan was granted on normal market terms and is repayable in July 2010.

The increase in investments in other companies mainly comprises the purchase of 8.5% of Pierrel S.p.A. and 12.5% of Infracom Consulting S.r.l. in the third quarter of 2007. At 31 December 2008, these investments totalled 4,330 thousand euros and 2,535 thousand euros respectively. In view of the strategic nature of these acquisitions for the IMA Group, these equity investments have been classified as financial assets available for sale and changes in their fair value are recognised in equity.

The decrease in investments in other companies mainly reflects downward adjustment of the carrying amount of the investment in Pierrel S.p.A. by 3,017 thousand euros, determined with reference to its official market price at 30 December 2008; the investment in Infracom Consulting S.r.l., an unlisted company, is stated at purchase cost.

The valuation of the investment in Pierrel S.p.A. reflects the general situation in the financial markets, which has affected the market capitalisations of companies world-wide, including those listed on the Milan Stock Exchange. Most listed companies suffered rapid losses in market value during 2008, especially after the financial shock in September, due to the generalised lack of confidence and the economic recession. Despite the highly uncertain market conditions, the nature of certain sectors means that they should be less affected by the current difficulties and uncertainties. The pharmaceuticals sector is one of these, representing the principal market for

IMA and, although on a much smaller scale, that of Pierrel S.p.A. Furthermore, the investment in Pierrel S.p.A. is strategic for IMA since the objective is to establish greater contact with the R&D departments of the pharmaceuticals industry in order to present the Group's contract manufacturing service.

In view of these considerations and the likelihood that Pierrel will achieve the targets established in the business plan, the 2008 income statement does not include any adjustment to the value of this investment.

The underlying performance of Pierrel will be reviewed in 2009, together with the stock market trends, to determine if there is objective evidence for believing that the value of this investment has been impaired and therefore needs to be written down in the financial statements.

The changes in current and non-current financial assets are analysed as follows (thousands of euros):

	2008	2007
<b>Opening balance</b>	14,932	3,628
Increases	1,099	12,284
Effect of the valuation at fair value on equity	(3,089)	(980)
<b>Closing balance</b>	<b>12,942</b>	<b>14,932</b>
Of which:		
Non-current financial assets available for sale	10,023	12,933
Current financial assets available for sale	930	224
Non-current financial receivables	1,789	1,575
Current financial receivables	200	200
<b>Total</b>	<b>12,942</b>	<b>14,932</b>

## 6. RECEIVABLES FROM OTHERS

These include various guarantee deposits.

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Assets 31.12.2008	Assets 31.12.2007	Liabilities 31.12.2008	Liabilities 31.12.2007
Interest rate swap (non-current)				
Cash flow hedges	118	180	-	-
Exchange rate hedging instruments (current) - cash flow hedges	2,094	597	186	7
<b>Total</b>	<b>2,212</b>	<b>777</b>	<b>186</b>	<b>7</b>

### INTEREST RATE DERIVATIVES

The Group uses interest rate derivatives (cash flow hedges) to manage the risk of changes in the interest rates on borrowings from banks, transforming part of them from floating to a maximum fixed rate via the purchase of a cap and the sale of a floor.

At 31 December 2008, the amount of 118 thousand euros mainly represents the fair value of options arranged with leading credit institutions to hedge interest rate risk. Such options are linked to a portion of two medium-term loans, maturing in 2011 and 2015, and hedging a nominal value of 33,130 thousand euros (8,658 thousand euros at 31 December 2007).

**EXCHANGE RATE DERIVATIVES**

The Group uses exchange rate derivatives to hedge future cash flows (cash flow hedges). The exchange rate risk exposure is managed through forward contracts denominated in the currency of sale in certain markets where the Group operates.

At 31 December 2008, the amounts of 2,094 thousand euros in assets and 186 thousand euros in liabilities represent the fair value of these derivative contracts. The respective notional amounts of these exchange rate hedges at 31 December 2008 are 44.2 million US dollars (20.5 million US dollars at 31 December 2007) and 4.7 million US dollars (not present at 31 December 2007). All foreign currency derivatives at 31 December 2008 mature within 12 months.

**8. DEFERRED TAX ASSETS AND LIABILITIES**

At 31 December 2008 deferred tax assets mainly regard temporary differences in respect of provisions, the elimination of unrealised intercompany profits on sales of finished goods and the tax benefit deriving from loss carry-forward.

At 31 December 2008 deferred tax liabilities mainly related to temporary differences between the book values of certain property, plant and equipment and intangible assets and the related values recognised for tax purposes.

The tables below provide a breakdown by due dates and net changes for this item (thousands of euros):

	31.12.2008	31.12.2007
Deferred tax assets:		
· within 12 months	6,961	5,206
· after 12 months	6,862	7,974
	<b>13,823</b>	<b>13,180</b>
Deferred tax liabilities:		
· within 12 months	(3,128)	(5,421)
· after 12 months	(14,918)	(10,376)
	<b>(18,046)</b>	<b>(15,797)</b>
<b>Total</b>	<b>(4,223)</b>	<b>(2,617)</b>

	31.12.2008	31.12.2007
Net amount at the start of the year	(2,617)	(2,614)
Exchange rate difference	120	(15)
Change in scope of consolidation	(6,662)	(17)
Discontinued operations	–	478
Other changes	3	(128)
Credited / (Charged) to the income statement	4,934	(688)
Credited / (Charged) to equity	(1)	367
<b>Net amount at the end of the year</b>	<b>(4,223)</b>	<b>(2,617)</b>

The amount of 6,662 thousand euros reflects the deferred taxation arising on the acquisition of the Edwards Group and the consequent recognition of its freeze-drying know-how.

The main components of deferred tax assets and liabilities are presented below, together with the changes with respect to the prior year (thousands of euros):

	Accrued to provisions	Losses carried forward	Amortisation	Income (losses) from fair value	Finance lease	Other	Total
<b>Balances at 01.01.07</b>	8,720	3,281	(11,305)	(385)	(776)	(2,149)	(2,614)
Effect on the income statement	(547)	(1,500)	967	(9)	(1)	402	(688)
Effect on equity	-	-	-	367	-	-	367
Change in scope of consolidation	15	-	-	-	-	(32)	(17)
Discontinued operations	509	-	-	-	-	(31)	478
Other changes	-	-	-	-	(39)	(89)	(128)
Exchange rate difference	(31)	(23)	32	-	-	7	(15)
<b>Balances at 31.12.07</b>	<b>8,666</b>	<b>1,758</b>	<b>(10,306)</b>	<b>(27)</b>	<b>(816)</b>	<b>(1,892)</b>	<b>(2,617)</b>
Effect on the income statement	1,055	(375)	2,349	-	(148)	2,053	4,934
Effect on equity	-	-	-	(1)	-	-	(1)
Change in scope of consolidation	-	-	(6,662)	-	-	-	(6,662)
Other changes	-	-	-	9	-	(6)	3
Exchange rate difference	71	11	41	-	-	(3)	120
<b>Balances at 31.12.08</b>	<b>9,792</b>	<b>1,394</b>	<b>(14,578)</b>	<b>(19)</b>	<b>(964)</b>	<b>152</b>	<b>(4,223)</b>

The "Other" item mainly includes deferred tax liabilities on temporary differences between the book values of construction contracts and the values recognised for tax purposes, and deferred tax assets related to the elimination of unrealised intercompany profits on sales of finished goods.

At the reporting date, the carried-forward tax losses for which deferred tax assets were not recognised totalled 2,401 thousand euros (2,141 thousand euros at 31 December 2007).

No provisions for deferred tax liabilities were recognised in respect of the retained earnings of subsidiaries and associates.

Further information on the deferred tax assets and liabilities recognised in equity is provided in Note 14.

## 9. INVENTORIES

Below is a breakdown (thousands of euros):

	Gross value	Impairment charges	Net value at 31.12.2008	Net value at 31.12.2007
Raw, ancillary and consumable materials	27,587	(5,199)	22,388	20,326
Work in progress and semifinished goods	153,568	(17,691)	135,877	114,269
Finished products and goods for resale	3,803	(1,837)	1,966	1,163
<b>Total</b>	<b>184,958</b>	<b>(24,727)</b>	<b>160,231</b>	<b>135,758</b>

The inventories of IMA Edwards amounted to 3,950 thousand euros at 31 December 2008; accordingly, on a consistent scope of consolidation basis, inventories increased by 20,523 thousand euros with respect to 31 December 2007. This essentially reflects the increased size of the order book at year end.

The inventory impairment inventory provision decreased by 3,012 thousand euros from 27,477 thousand euros at 31 December 2007. This was mainly due to utilisation of the provision by a number of Group companies following the destruction of obsolete materials during 2008.

## 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

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

	31.12.2008	31.12.2007
Trade receivables	109,995	102,300
Advances to suppliers	7,473	7,375
Tax receivables	9,212	7,947
Deferrals	2,161	1,128
Other receivables	2,863	2,406
<b>Total</b>	<b>131,704</b>	<b>121,156</b>

### TRADE RECEIVABLES

Trade receivables include customer receivables of 64,859 thousand euros (82,646 thousand euros at 31 December 2007), amounts due on construction contracts of 44,915 thousand euros (19,622 thousand euros at 31 December 2007) and trade receivables from associates of 221 thousand euros (32 thousand euros at 31 December 2007).

Trade receivables from customers are carried net of accumulated provisions amounting to 4,732 thousand euros (3,405 thousand euros at 31 December 2007).

The changes in the provision for doubtful accounts during the year are summarised below (thousands of euros):

<b>Balance at 01.01.2008</b>	3,405
Net allocations	1,604
Uses	(438)
Change in scope of consolidation	194
Exchange difference	(33)
<b>Balance at 31.12.2008</b>	<b>4,732</b>

Customer receivables falling due beyond 12 months amount to 77 thousand euros (396 thousand euros at 31 December 2007). Credit facilities granted to customers who reside in countries with particular risks are guaranteed by suitable financial instruments to secure collection.

Receivables with a total nominal value of about 21,132 thousand euros (11,674 thousand euros in 2007) were assigned without recourse during the year; receivables sold without recourse but not yet past due at 31 December 2008 amounted to around 18,045 thousand euros (8,620 at 31 December 2007), of which 16,508 thousand euros were assigned to factoring companies and 1,537 thousand euros to other financial institutions.

Amounts due in respect of construction contracts, determined on a percentage-of-completion basis, are shown below net of advances (thousands of euros):

	31.12.2008	31.12.2007
Construction contracts (costs incurred plus recognized margins)	112,866	32,521
Advances received	(67,951)	(12,899)
<b>Due from customers</b>	<b>44,915</b>	<b>19,622</b>

Amounts due to customers (included in trade payables and advances received) in respect of construction contracts, determined on a percentage-of-completion basis, are shown below net of the related amounts due from customers (thousand of euros):

	31.12.2008	31.12.2007
Advances received	31,126	(3,536)
Construction contracts (costs incurred plus recognized margins)	(25,622)	3,195
<b>Due to customers</b>	<b>5,504</b>	<b>(341)</b>

At 31 December 2008 the amounts due from/to the customers of IMA Edwards totalled respectively 7,392 thousand euros and -4,579 thousand euros (after deducting advances received and valuations of existing contracts totalling respectively 53,737 thousand euros and 22,842 thousand euros).

The revenues from contract work recognised in 2008 on a stage-of-completion basis amounted to 180,420 thousand euros (124,408 thousand euros in 2007). The increase in contract revenues with respect to the prior year mainly reflects the contribution made by IMA Edwards.

The ageing of the receivables is as follows (thousands of euros):

	Undue	Past due less than one year	Past due more than one year	Total
<b>31.12.2008</b>				
Receivables from customers (gross)	53,220	10,933	5,438	69,591
Provision for doubtful accounts	(1,914)	(423)	(2,395)	(4,732)
<b>Receivables from customers (net)</b>	<b>51,306</b>	<b>10,510</b>	<b>3,043</b>	<b>64,859</b>
<b>31.12.2007</b>				
Receivables from customers (gross)	63,986	18,290	3,775	86,051
Provision for doubtful accounts	(1,020)	(422)	(1,963)	(3,405)
<b>Receivables from customers (net)</b>	<b>62,966</b>	<b>17,868</b>	<b>1,812</b>	<b>82,646</b>

The high credit standing of our customers, largely multinationals, and the lack of any significant concentration of receivables by type or geographical area, reduce credit risk and ensure that the provision for doubtful accounts is sufficient.

#### **ADVANCES TO SUPPLIERS**

At 31 December 2008 these relate to advances paid, mainly by the Parent Company, to suppliers of inventory in the amount of 5,185 thousand euros (4,513 thousand euros at 31 December 2007), and services in the amount of 2,288 thousand euros (2,862 thousand euros at 31 December 2007).

This item also includes advances to associates of 742 thousand euros (785 thousand euros at 31 December 2007).

#### **TAX RECEIVABLES**

Tax receivables mainly consist of VAT credits. The increase was mainly a result of the formation of IMA Safe S.r.l. and IMA Flavour S.r.l. which, in their first year of operations, only benefited from "regular exporter" status from May 2008 following an application made to the tax authorities.

## 11. INCOME TAX RECEIVABLES AND PAYABLES

At 31 December 2008 income tax receivables and payables amounted to 118 thousand euros and 6,211 thousand euros (1,112 thousand euros and 9,099 thousand euros respectively at 31 December 2007).

During the first half of 2007, VIMA Impianti S.r.l. (now Zanchetta S.r.l.), IMA S.p.A., IMA Libra S.r.l. (now IMA Life S.r.l.), and CO.MA.DI.S. S.p.A. elected to participate in a domestic consolidated taxation mechanism for the three-year period 2007-2009 together with SO.FI.MA. S.p.A. as the consolidating company. During the first half of 2008, IMA Safe S.r.l. and IMA Flavour S.r.l. also elected to join the mechanism. At 31 December 2008, the IRES liability to SO.FI.MA. S.p.A. amounted to 1,796 thousand euros.

The boards of directors of certain Italian companies have resolved, pursuant to Art. 1.48 of Law 244 dated 24 December 2007, to discharge the tax liability in respect of off-ledger deductions recorded in the income tax returns for the tax year under way at 31 December 2008. This election allows those companies to align the book and tax values of certain classes of asset by the payment of a one-off gains tax replacing IRES and IRAP. The amount of tax recognised among income tax liabilities amounts to 551 thousand euros, of which 386 thousand euros falling due beyond one year.

## 12. CASH AND CASH EQUIVALENTS

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

	31.12.2008	31.12.2007
Bank current accounts	72,974	68,934
Deposits	3,099	1,229
Cheques and cash	293	851
<b>Total</b>	<b>76,366</b>	<b>71,014</b>

At 31 December 2008 cash and cash equivalents include 17,952 thousand euros in balances relating to IMA Edwards companies. For a better understanding of changes in this balance, reference should be made to Note 16 on the composition of net debt.

### 13. SHARE CAPITAL AND TREASURY SHARES

The share capital at 31 December 2008 refers to the share capital issued (fully subscribed and paid-up) by the Parent Company IMA S.p.A., represented by 34,100,000 ordinary shares with a par value of 0.52 euros each.

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
<b>Balance at 01.01.2007</b>	34,125	18,772	16,382	(18,885)
Purchase of treasury shares	(224)	–	–	(3,164)
Reclassification to retained earnings	–	–	–	(541)
Sale of treasury shares	–	–	–	–
Cancellation of treasury shares	–	(1,040)	–	19,846
<b>Balance at 31.12.2007</b>	33,901	17,732	16,382	(2,744)
Purchase of treasury shares	(108)	–	–	(1,444)
Sale of treasury shares	110	–	–	1,501
<b>Balance at 31.12.2008</b>	33,903	17,732	16,382	(2,687)

In 2007, 2,000,000 treasury shares held in portfolio, with a par value 0.52 euros each, were cancelled, with a consequent voluntary reduction in capital from 18,772 thousand euros to 17,732 thousand euros.

During 2008, the Parent Company carried out transactions in treasury shares by buying 108,250 own shares for 1,444 thousand euros and selling 110,000 for 1,501 thousand euros. In 2007, the Parent Company bought 224,485 treasury shares for 3,164 thousand euros. These transactions were recognised directly in equity in accordance with IAS 32.

15 January 2009 saw the start of a new share buy-back plan, implemented via BHV, with a view to stabilising the share price in full compliance with current regulations. Over the term of this plan, which will terminate on 28 April 2009, it is reasonable to expect that no more than 300,000 shares will be purchased, for a maximum of 4.5 million euros.

At 31 December 2008, 197,735 treasury shares were held in the portfolio, with a total value of 2,687 thousand euros.

In May 2008, a total dividend of 28,723 thousand euros was paid, equal to 0.85 euros (gross) per ordinary share in circulation (22,139 thousand euros, equal to 0.65 euros (gross) in May 2007).

In the current year, the Board of Directors of the Parent Company IMA S.p.A. proposes to pay out a dividend of 0.90 euros (gross) per share. As this dividend is subject to approval of the Shareholders' Meeting, it was not recognised as a liability at 31 December 2008.

**14. FAIR VALUE RESERVE**

At 31 December 2008 the fair value reserve, gross of tax effects, principally related to the intrinsic fair value of forward foreign exchange sales and purchases and advance payments on export transactions for 2,010 thousand euros (686 thousand euros at 31 December 2007), interest rate swaps for 97 thousand euros (158 thousand euros at 31 December 2007) and securities available for sale for -3,909 thousand euros (-819 thousand euros at 31 December 2007).

At 31 December 2008 the available for sale category included the -3,977 thousand euro writedown (-961 thousand euro at 31 December 2007) of the investment in Pierrel S.p.A. to reflect the stock price at 30 December 2008.

At the reporting date, the fair value reserve, net of tax effects, amounted to -1,838 thousand euros (-1,820 thousand euros net of tax effects of 18 thousand euros).

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

<b>Balance at 01.01.2007</b>	<b>815</b>
<i>Available for sale</i>	
Measurement at fair value	(978)
Fair value - tax effect	52
<i>Cash flow hedges/hedging instruments</i>	
Measurement at fair value	735
Fair value - tax effect	(17)
Realisation recognised in income - revenues	(800)
Realization recognized in income - financial income and expense	(131)
Realization recognized in income - tax effect	332
<b>Balance at 31.12.2007</b>	<b>8</b>
<i>Available for sale</i>	
Measurement at fair value	(3,089)
Fair value - tax effect	(18)
<i>Cash flow hedges/hedging instruments</i>	
Measurement at fair value	2,051
Changes in minority interests	(18)
Realization recognized in income - revenues	(579)
Realization recognized in income - financial income and expense	(210)
Realization recognized in income - tax effect	17
<b>Balance at 31.12.2008</b>	<b>(1,838)</b>

**15. OTHER RESERVES**

This item mainly includes income reserves, essentially comprising the legal reserve, the extraordinary reserve and the merger surplus of the Parent Company.

**16. BORROWINGS**

These include payables to banks of 212,771 thousand euros (157,954 thousand euros at 31 December 2007) and payables to other lenders of 4,283 thousand euros (4,691 thousand euros at 31 December 2007).

**PAYABLES TO BANKS**

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

	31.12.2008	31.12.2007
Non-current:		
· Applied research and technological innovation loans	9,563	14,368
· Other loans	81,803	49,160
	<b>91,366</b>	<b>63,528</b>
Current:		
· Current accounts	9,946	11,145
· Advances on domestic transactions (Italy)	–	1,863
· Advances on export transactions	75,223	47,044
· Advances on export transactions to be carried out	146	359
· Applied research and technological innovation loans	3,898	4,462
· Other loans	32,192	29,553
	<b>121,405</b>	<b>94,426</b>
<b>Total</b>	<b>212,771</b>	<b>157,954</b>

The increase in the amount due to banks mainly relates to the loan of 53,500 thousand euros obtained to finance the acquisition of the freeze-drying business represented by the Edwards group.

*Applied research and technological innovation loans*

Repayments totalling 5,048 thousand euros were made by the Parent Company as they fell due during the year; no new loans were received.

*Other loans*

The principal changes in other loans relate to new loans granted to the Parent Company in the amount of 53,500 thousand euros, and contractual repayments made by IMA S.p.A. (14,882 thousand euros), IMA Life S.r.l. (1,945 thousand euros), and IMA Kilian GmbH & Co. KG (1,921 thousand euros).

Payables to banks are analysed by maturity as follows (thousands of euros):

	31.12.2008	31.12.2007
Due within 1 year	121,405	94,426
Due from 1 to 5 years	77,787	61,973
Due after more than 5 years	13,579	1,555
<b>Total</b>	<b>212,771</b>	<b>157,954</b>

Applied research and technological innovation loans and other loans are analysed below by currency (thousands of euros):

	31.12.2008	31.12.2007
Euro	127,456	97,357
Chinese yuan	–	186
<b>Total</b>	<b>127,456</b>	<b>97,543</b>

Applied research and technological innovation loans and other loans are backed by the following guarantees (thousands of euros):

	31.12.2008	31.12.2007
Bank guarantees	1,878	3,639
Guarantees issued by IMA S.p.A.	8,077	8,077
Guarantees issued by FIN-VACCHI S.p.A.	236	519
Pledged securities	2,956	3,007
<b>Total</b>	<b>13,147</b>	<b>15,242</b>

Certain loans and other borrowings are secured by compliance with certain financial covenants calculated on the following items in the Parent Company's financial statements and/or the Group consolidated accounts:

- ratio between net financial expense and EBITDA;
- ratio between net property, plant and equipment and shareholders' equity, minus dividends declared;
- minimum limits for shareholders' equity;
- ratio between net financial expense and revenues from sales;
- ratio between net debt and shareholders' equity, minus dividends declared;
- ratio between net debt and EBITDA;
- ratio between EBIT and net financial expense.

The non-compliance with such covenants would constitute a material event for the purposes of calling in the related loans. At 31 December 2008, all covenant requirements had been met.

Interest rates on payables to banks are lower than 5% on average.

The book value of advances on export transactions represents a good estimate of their fair value. Determining the fair value of loans and other borrowings as the present value of future capital and interest flows, calculated using the market rate expressed by the yield curve for government bonds as of the reporting date, would lead to an increase in payables by around 8.3 million euros.

#### **PAYABLES TO OTHER LENDERS**

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

	31.12.2008	31.12.2007
Non-current:		
· Payables to leasing companies	2,373	3,487
· Other	12	46
	<b>2,385</b>	<b>3,533</b>
Current:		
· Payables to leasing companies	1,115	1,035
· Payables to factoring companies	764	88
· Other	19	35
	<b>1,898</b>	<b>1,158</b>
<b>Total</b>	<b>4,283</b>	<b>4,691</b>

The total minimum future payments under finance leases at the reporting date are reconciled with their present value below (thousands of euros):

	Due within 1	Due from 1 to 5 years	Due after 5 years	Total
<b>Year 2007</b>				
Minimum payments of finance leases	1,178	3,702	–	4,880
Less future financial charges	(143)	(215)	–	(358)
<b>Present value of finance lease payables</b>	<b>1,035</b>	<b>3,487</b>	<b>–</b>	<b>4,522</b>
<b>Year 2008</b>				
Minimum payments of finance leases	1,223	2,480	–	3,703
Less future financial charges	(108)	(107)	–	(215)
<b>Present value of finance lease payables</b>	<b>1,115</b>	<b>2,373</b>	<b>–</b>	<b>3,488</b>

At 31 December 2008 this item mainly includes finance lease payables relating to the Calenzano plant for 3,411 thousand euros (4,416 thousand euros at 31 December 2007). The non-current portion includes payables due from one to five years for 2,373 thousand euros.

### NET DEBT

The breakdown of net debt is as follows:

	31.12.2008	31.12.2007
A. Cash and cash equivalents	(76,366)	(71,014)
B. Other cash equivalents	–	–
C. Investments in securities	(930)	(224)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(77,296)</b>	<b>(71,238)</b>
<b>E. Current financial receivables</b>	<b>(200)</b>	<b>(200)</b>
F. Current payables to banks	85,315	60,411
G. Current portion of non-current bank payables	36,090	33,829
H. Other current financial payables	1,898	1,344
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>123,303</b>	<b>95,584</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>45,807</b>	<b>24,146</b>
K. Non-current portion of non-current bank payables	91,366	63,528
L. Non-current financial assets	(4,759)	(4,596)
M. Other non-current financial payables	2,385	3,533
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>88,992</b>	<b>62,465</b>
<b>O. Net financial debt (J)+(N)</b>	<b>134,799</b>	<b>86,611</b>

Information on the breakdown of the items comprising net debt is provided in Notes 5 and 12.

Net debt at the end of the year amounts to 134,799 thousand euros, compared with 86,611 thousand euros at 31 December 2007. The change in debt was mainly due to the acquisition of the Edwards Group for 48 million euros.

In addition, IMA S.p.A. paid a dividend of 28,723 thousand euros in May, which was 6,584 thousand euros more than that paid in May 2007.

### **17. SEVERANCE AND PENSION PROVISIONS**

This item includes post-employment benefits valued actuarially by independent actuaries using the projected unit credit method under IAS 19. It mainly comprises severance indemnity provisions recognised by the Group's Italian companies. The charge for the year has been accounted for under personnel costs.

The main demographic assumptions adopted by the actuary are:

- probability of death: that of the population of Italy measured by ISTAT (National Institute of Statistics) in 2002 distinguished by gender;
- probability of disability: that in the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;
- pensionable age: the earliest retirement age possible under the Compulsory General Insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies of 2.50%;
- probability of advance payments: an annual frequency of 5% for requests for advances of 60%.

Furthermore, the following financial assumptions were adopted in relation to the Italian companies:

	31.12.2008	31.12.2007
Annual discount rate	5.15%	5.45%
Annual inflation rate	2.00%	2.00%
Annual rate of increase of total compensation	3.50%	3.50%
Annual rate of increase of severance indemnity	3.00%	3.00%

The discount rate for the Italian companies was determined with reference to the iBoxx EUR Italy 10+ index, comprising a basket of long-term securities issued by the Italian State. Given the current crisis in the financial markets, this ties the discount rate to the yield on government securities and applies the concept of substance over form, as required by international accounting standards.

The changes in the provisions during the year were as follows (thousands of euros):

<b>Balance at 01.01.2007</b>	25,526
Service cost	479
Interest cost	1,279
Net actuarial (gains)/losses recognized during the period	(1,440)
Curtailed of severance pay provision	(4,497)
Change in scope of consolidation	493
Liabilities relating to discontinued operations	(350)
Severance payments made during the period	(3,499)
Other changes	9
<b>Balance at 31.12.2007</b>	<b>18,000</b>
Service cost	203
Interest cost	955
Net actuarial (gains)/losses recognized during the period	(119)
Change in scope of consolidation	826
Severance payments made during the period	(2,388)
Other changes	330
Exchange rate difference	41
<b>Balance at 31.12.2008</b>	<b>17,848</b>

The change in the scope of consolidation relates to IMA Edwards Inc.

During 2007, the IMA Group recognised 4,497 thousand euros as the effect of changes made to the regulations governing severance indemnities by Law 296 of 27 December 2006 (the "2007 Finance Act"), and by subsequent decrees and regulations issued in early 2007. This effect was recognised using the curtailment approach. Further information is presented in the notes to the 2007 consolidated financial statements.

## 18. PROVISIONS FOR RISKS AND CHARGES

These provisions are analysed as follows (thousands of euros):

	Balance at 31.12.2007	Allocation	Uses	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2008
Non-current:						
Agency termination indemnities	1,320	200	(13)	250	(24)	1,733
Legal disputes	133	-	-	-	-	133
Other provisions	19	-	(19)	-	-	-
	<b>1,472</b>	<b>200</b>	<b>(32)</b>	<b>250</b>	<b>(24)</b>	<b>1,866</b>
Current:						
Product guarantee provision	5,701	3,556	(1,662)	3,906	186	11,687
Legal disputes	61	-	(61)	-	-	-
Other provisions	482	85	(284)	-	-	283
	<b>6,244</b>	<b>3,641</b>	<b>(2,007)</b>	<b>3,906</b>	<b>186</b>	<b>11,970</b>
<b>Total</b>	<b>7,716</b>	<b>3,841</b>	<b>(2,039)</b>	<b>4,156</b>	<b>162</b>	<b>13,836</b>

The product guarantee provision was established on the basis of estimated expenses for work performed under guarantee after 31 December 2008.

Other risk provisions mainly cover forecast liabilities emerging from the reorganisation of the corporate structure of several Group companies, which mainly involves managerial positions.

The change in the scope of consolidation refers to IMA Edwards.

## 19. TRADE PAYABLES AND OTHER PAYABLES

This item is analysed as follows (thousands of euros):

	31.12.2008	31.12.2007
Trade payables	109,820	98,078
Advances from customers	53,312	44,667
Social security payables	5,526	5,216
Tax payables	3,990	3,703
Employee payables	17,246	15,698
Payables in respect of acquisitions	1,308	1,879
Other payables	5,103	3,547
<b>Total</b>	<b>196,305</b>	<b>172,788</b>

### TRADE PAYABLES

These include trade payables to suppliers of 96,993 thousand euros (89,635 thousand euros at 31 December 2007), payables to agents of 7,265 thousand euros (4,848 thousand euros at 31 December 2007) and trade payables to associates of 5,562 thousand euros (3,595 thousand euros at 31 December 2007).

The increase in payables to suppliers mainly reflects the rise in inventories at year end, as well as the presence of IMA Edwards.

### ADVANCES FROM CUSTOMERS

The increase since 31 December 2007 in advances from customers for contracts in progress is mainly due to the first-time consolidation of the various IMA Edwards companies.

### TAX PAYABLES

Tax payables mostly related to the taxes withheld from employees.

**EMPLOYEE PAYABLES**

The increase in this item since 31 December 2007 is mainly attributable to the IMA Edwards companies.

**PAYABLES IN RESPECT OF ACQUISITIONS**

These refer to the estimated liability to purchase the remaining 10% interest in Precision Gears Ltd., India, in relation to which the parties have agreed reciprocal put&call options to be exercised by the end of January 2010. An option to acquire 5% of the Indian company was exercised in January 2008, with the simultaneous payment of 628 thousand euros.

**20. OTHER REVENUES**

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

	2008	2007	Change
Capital gains on disposal of property, plant and equipment	137	698	(561)
Out-of-period income	1,164	1,739	(575)
Capitalization of internal construction costs	2,142	1,858	284
Other revenues and proceeds	4,326	2,407	1,919
<b>Total</b>	<b>7,769</b>	<b>6,702</b>	<b>1,067</b>

The capitalisation of internal construction costs refers to internal work mainly performed by IMA S.p.A. and IMA Life S.r.l., totalling respectively 1,771 thousand euros for development costs in 2008 (1,262 thousand euros in 2007) and 371 thousand euros for machinery and equipment (596 thousand euros in 2007).

Other revenues and proceeds include the tax credits recognised by the Parent Company and IMA Life S.r.l., amounting respectively to 496 thousand euros and 148 thousand euros, in relation to R&D costs incurred in 2007, as well as the capital gains generated on the investment by third-party shareholders in IMA Life S.r.l. and IMA Flavour S.r.l. totalling 2,478 thousand euros. Further information on these non-recurring items is provided in Note 34.

Net of non-recurring items, other revenues and proceeds decreased by 1,203 thousand euros, mainly due to the redebiting in 2007 of IT costs totalling 1,474 thousand euros by Info Area S.r.l. to Consorzio Infoarea.

**21. SERVICES, RENTALS AND LEASES**

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

	2008	2007	Change
External works and assembly	27,682	22,152	5,530
Maintenance and repair	4,318	3,653	665
Energy, telephone, gas, water and postal charges	6,852	6,124	728
Fees due	11,945	8,710	3,235
Technical, legal, tax and administrative consulting services	20,339	18,747	1,592
Advertising and promotions	2,025	1,650	375
Exhibitions	2,535	1,657	878
Travels and insurance	12,108	10,016	2,092
Transport	6,700	6,452	248
Bank charges	1,112	672	440
Rent expense and operating lease fees	5,852	4,990	862
Rental fees	1,336	1,225	111
Other services	12,113	8,866	3,247
<b>Total</b>	<b>114,917</b>	<b>94,914</b>	<b>20,003</b>

The increase reflects the arrival of IMA Edwards in the amount of 9,128 thousand euros.

**22. PERSONNEL COSTS**

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

	2008	2007	Change
Wages and salaries	109,761	94,919	14,842
Social security contributions	26,767	23,861	2,906
Remuneration of directors	2,619	2,113	506
Pensions - defined-benefit plans	603	389	214
Pensions - defined-contribution plans	6,408	4,888	1,520
Other personnel costs	8,944	6,879	2,065
Effect of curtailment of severance pay provision	-	(4,497)	4,497
<b>Total</b>	<b>155,102</b>	<b>128,552</b>	<b>26,550</b>

Personnel costs in 2008 include 15,269 thousand euros relating to the IMA Edwards companies, which were not consolidated last year.

During 2007, the IMA Group recognised the effect of the changes made to the regulations governing severance indemnities by Law 296 of 27 December 2006.

In 2008, the IMA Group employed an average of 3,048 people, as analysed below:

	2008	2007	Change
Management	86	64	22
Office workers	1,985	1,767	218
Production workers	977	798	179
<b>Total</b>	<b>3,048</b>	<b>2,629</b>	<b>419</b>

IMA Edwards companies employ 315 people.

**23. DEPRECIATION AND AMORTISATION EXPENSE**

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

	2008	2007	Change
Depreciation of property, plant and equipment	7,271	6,912	359
Amortization of intangible assets	7,062	3,304	3,758
Writedowns/Impairment	1,451	-	1,451
Provisions for bad debts	1,604	830	774
<b>Total</b>	<b>17,388</b>	<b>11,046</b>	<b>6,342</b>

The increase in the amortisation of intangible assets derives from the capitalisation of assets on the acquisition of the Edwards Group and the writedown of development costs capitalised in relation to a tablet counting machine. See Note 3 for further information.

**24. OTHER OPERATING COSTS**

Other operating costs comprise (thousands of euros):

	2008	2007	Change
Capital losses on disposal of property, plant and equipment	193	128	65
Local property tax and other taxes	1,026	841	185
Out-of-period expenses	564	1,018	(454)
Membership fees	274	266	8
Penalties and charges on sales	165	135	30
Sundry promotional materials	190	165	25
Other operating costs	971	606	365
<b>Total</b>	<b>3,383</b>	<b>3,159</b>	<b>224</b>

**25. FINANCIAL INCOME**

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

	2008	2007	Change
Interest income from banks	1,594	1,480	114
Interest income on amounts due from customers	172	195	(23)
Interest income on investments available for sale and other interest	67	45	22
Income from derivative financial instruments	359	44	315
Exchange rate gains	8,124	4,020	4,104
<b>Total</b>	<b>10,316</b>	<b>5,784</b>	<b>4,532</b>

**26. FINANCIAL EXPENSE**

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

	2008	2007	Change
Interest expense on bank payables	10,911	7,793	3,118
Interest expense on discounting	246	213	33
Interest expense on finance leases	255	246	9
Expense on bank guarantees	155	169	(14)
Expense from derivative financial instruments	228	319	(91)
Other interest and financial expense	506	349	157
Exchange rate losses	9,286	4,403	4,883
<b>Total</b>	<b>21,587</b>	<b>13,492</b>	<b>8,095</b>

The increase in interest expense on bank payables reflects the increase in net debt during the year.

At 31 December 2008, exchange rate gains and losses included an unrealised gain of 2,248 thousand euros and an unrealised loss of 4,304 thousand euros (1,294 thousand euros and 1,326 thousand euros, respectively, in the previous year).

**27. INCOME TAXES FOR THE PERIOD**

The theoretical tax rate used to determine the income taxes of Italian companies is 27.5% of the taxable income for the year. The income taxes of foreign companies are calculated using the tax rates applied in each country.

Below is a breakdown of income taxes (thousands of euros):

	2008	2007	Change
Income tax on continuing operations:			
Current taxes	23,964	23,360	604
Net deferred tax assets and liabilities	(4,934)	688	(5,622)
	<b>19,030</b>	<b>24,048</b>	<b>(5,018)</b>
Income tax on discontinued operations:			
Current taxes	356	121	235
Net deferred tax assets and liabilities	–	(152)	152
	<b>356</b>	<b>(31)</b>	<b>387</b>
<b>Total</b>	<b>19,386</b>	<b>24,017</b>	<b>(4,631)</b>

During 2007, VIMA Impianti S.r.l. (now Zanchetta S.r.l.), IMA S.p.A., IMA Libra S.r.l. (now IMA Life S.r.l.), and CO.MA.DI.S. S.p.A. elected to participate in a domestic consolidated taxation mechanism for the three-year period 2007-2009 together with SO.FI.MA. S.p.A., the consolidating company. During 2008, IMA Safe S.r.l. and IMA Flavour S.r.l. also elected to join this mechanism.

The breakdown of the result before taxes is as follows (thousands of euros):

	2008	2007	Change
Result before taxes of continuing operations	60,374	61,895	(1,521)
Result before taxes of discontinued operations	1,133	1,809	(676)
<b>Total</b>	<b>61,507</b>	<b>63,704</b>	<b>(2,197)</b>

The following table reconciles the tax charges with the book profits multiplied by the applicable tax rates (thousands of euros):

	2008	2007
<b>Result before tax</b>	<b>61,507</b>	<b>63,704</b>
<b>Taxes determined using the tax rate applicable in each country</b>	<b>15,223</b>	<b>21,064</b>
Effect of re-alignment of off-ledger tax deductions	(891)	-
Prior year taxes	(208)	(95)
Tax-exempt capital gains/losses	-	(738)
Effect of change in tax rate	-	(505)
Recognition of tax assets not previously recorded	-	(550)
IRAP	4,830	5,109
Other	432	(268)
<b>Total</b>	<b>19,386</b>	<b>24,017</b>

In 2008, net deferred tax liabilities of 1 thousand euros (net deferred tax assets of 367 thousand euros in 2007) were taken directly to equity.

## 28. EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding during the year, as follows:

	2008	2007
Net profit from continuing operations (thousand of euros)	41,034	37,621
Average number of outstanding ordinary shares (thousands of shares)	33,799	34,052
<b>Earnings per share from continuing operations (in euros)</b>	<b>1.21</b>	<b>1.10</b>
Net profit from discontinued operations (thousands of euros)	777	1,840
Average number of outstanding ordinary shares (thousands of shares)	33,799	34,052
<b>Earnings per share from discontinued operations (in euros)</b>	<b>0.02</b>	<b>0.05</b>
Net profit for the period (thousands of euros)	41,811	39,461
Average number of outstanding ordinary shares (thousands of shares)	33,799	34,052
<b>Earnings per share (in euros)</b>	<b>1.23</b>	<b>1.15</b>

For the IMA Group, basic earnings per share and diluted earnings per share are the same.

## 29. NET PROFIT FROM DISCONTINUED OPERATIONS/ DISPOSAL GROUPS

At 31 December 2008, this item includes the economic effect of the Parent Company's exchange of building land extending over 12,726 sq.m. for portions of a building under construction by third parties at Ozzano dell'Emilia (Bologna). The exchanged assets were valued at 2,183 thousand euros. The book value of the land sold and related selling expenses totalled 1,050 thousand euros and, accordingly, this transaction generated a capital gain of 1,133 thousand euros, gross of tax effect. Taxation at 31.4% amounted to 356 thousand euros, resulting in a net gain of 777 thousand euros.

At 31 December 2007, this item included the effect of selling Info Area S.r.l. and the Telstar Group. Further information is provided in the notes to the 2007 consolidated financial statements.

### 30. BUSINESS COMBINATIONS

Contracts were signed in the first half of 2008 for the purchase of the freeze-drying business represented by the BOC Edwards Pharmaceutical Systems Group, the undisputed leader in this sector, as discussed in more detail in the section entitled "Scope of consolidation". The group acquired is organised as follows:

- IMA Edwards Inc., located in Tonawanda, New York (USA), which produces freeze-drying machines, mainly for the pharmaceuticals market;
- IMA Edwards B.V., located in Dongen (Netherlands), which produces freeze-drying machines, mainly for the pharmaceuticals and cosmetics markets;
- IMA Edwards Pharmaceutical Systems (Beijing) Co. Ltd., located in Beijing (China), which produces freeze-drying machines, mainly for the pharmaceuticals and cosmetics markets.

The Edwards Group companies supply integrated systems and are present in all the principal world markets, with a strong presence in America. The freeze-drying business is expanding rapidly, with excellent prospects in the field of biotechnologies. This acquisition strengthens the IMA Group's world leadership in the supply of machines for the pharmaceuticals industry and will facilitate the sale of filling and sterilisation lines.

As required by IFRS 3, all related adjustments were made within twelve months of the acquisition date. The main assets and liabilities at 31 January 2008, the acquisition date, were as follows (in millions of euros):

	IMA Edwards Inc.	IMA Edwards B.V.	IMA Edwards Beijing	Total book values	Fair value
Property, plant and equipment and intangible assets	293	376	801	1,470	1,470
Know-how	-	-	-	-	22,206
Tax effect of recognizing know-how	-	-	-	-	(6,662)
Inventories	1,069	3,303	762	5,134	5,134
Cash and cash equivalents	2,288	2,059	1,244	5,591	5,591
Provisions for risks and charges	(1,857)	(1,912)	(351)	(4,120)	(4,120)
Defined benefit plans	(817)	-	-	(817)	(817)
Financial payables	-	(11,940)	-	(11,940)	(11,940)
Trade and other receivables (payables)	4,110	(2,155)	(1,131)	824	824
<b>Total</b>	<b>5,086</b>	<b>(10,269)</b>	<b>1,325</b>	<b>(3,858)</b>	<b>11,686</b>
Carrying amount of the investment					36,866
<b>Goodwill</b>					<b>25,180</b>
Goodwill IMA Edwards S.r.l.					40
<b>Goodwill Edwards Group</b>					<b>25,220</b>

The acquisition of the BOC Group absorbed around 48 million euros in cash flow; this includes 5,000 thousand euros for the non-compete agreement, capitalised in intangible assets as discussed in Note 3, the takeover of a loan for 11,940 thousand euros and 5,591 thousand euros in cash acquired.

The IMA Edwards companies have been consolidated for eleven months. IMA Edwards S.r.l. and IMA Edwards Japan KK were also formed during the first half of 2008, as mentioned in the section on the scope of consolidation.

The IMA Edwards companies contributed 66,949 thousand euros in revenues and 1,601 thousand euros in operating profit to the IMA Group's results.

**31. GUARANTEES GRANTED**

At 31 December 2008, the Group has granted sureties and other bank guarantees to customers totalling 18,657 thousand euros for the proper operation of machinery, bid bonds and advances not yet received, performance guarantees to the municipality of Ozzano dell'Emilia (Bologna) for 699 thousand euros, a surety to the tax authorities for VAT rebates of 8,684 thousand euros, and sureties to others for 1,085 thousand euros.

The Parent Company has also given sureties and other guarantees (binding letters of patronage) to third parties on behalf of subsidiaries, with respect to lines of credit or financing extended by banks and the payment of rentals, as shown below (thousands of euros):

	31.12.2008	31.12.2007
IMA Edwards B.V.	4,500	-
IMA Edwards Inc.	489	-
IMA EST GmbH	799	799
IMA Flavour S.r.l.	12,750	-
IMA Kilian GmbH & Co. KG	57,935	55,592
IMA Iberica Processing & Packaging S.L.	250	-
IMA Life S.r.l.	14,350	-
IMA Pacific Co. Ltd.	721	557
IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	251	238
IMA Safe S.r.l.	22,110	-
Precision Gears Ltd.	1,775	-
Zanchetta S.r.l.	4,325	1,725
<b>Total</b>	<b>120,255</b>	<b>58,911</b>

Guarantees totalling 55,600 thousand euros have also been given to leading banks in relation to the lines of credit shared by the Group's Italian subsidiaries.

Sureties granted against advances received amount to about 25,012 thousand euros (28,236 thousand euros at 31 December 2007).

**32. COMMITMENTS**

At 31 December 2008, commitments for the purchase of property, plant and equipment and intangible assets totalled 362 thousand euros and 566 thousand euros respectively, relating principally to costs to be incurred for the purchase of new machinery and the expansion and upgrade of existing plant and software.

The Group has commitments of 1,709 thousand euros (1,376 thousand euros at 31 December 2007) for future minimum payments for non-cancellable operating lease transactions for software and motor vehicles (650 thousand euros due within one year, 996 thousand euros due from one to five years, and 63 thousand euros due after more than five years) and commitments for rents of 31,748 thousand euros (26,913 thousand euros at 31 December 2007), of which 4,954 thousand euros due within one year, 15,981 thousand euros due from one to five years, and 10,813 thousand euros due after more than five years. Instalments paid during the year under operating lease and rental contracts totalled 5,852 thousand euros (4,990 thousand euros in 2007).

There are also commitments in favour of third parties for 5,904 thousand euros, consisting mainly of the commitment to the Sirio S.p.A. participation arrangement of 4,650 thousand US dollars.

### 33. RELATED-PARTY TRANSACTIONS

At 31 December 2008 the Group holding company is IMA Industria Macchine Automatiche S.p.A., 71.517% owned by SO.FI.MA. S.p.A., in turn a subsidiary of Lopam Fin S.p.A. During 2007, VIMA Impianti S.r.l. (now Zanchetta S.r.l.), IMA S.p.A., IMA Libra S.r.l. (now IMA Life S.r.l.), and CO.MA.DI.S. S.p.A. elected to participate in a domestic consolidated taxation mechanism for the three-year period 2007-2009 together with SO.FI.MA. S.p.A. as the consolidating company. During 2008, IMA Safe S.r.l. and IMA Flavour S.r.l. also elected to join the mechanism.

As described earlier, intercompany transactions are a consequence of the organisational structure of the Group. Such transactions are carried out as part of ordinary operations on an arm's-length basis.

In addition to intercompany transactions, the Group also conducts operations with other related parties, mainly being the parties that control the Parent Company, or persons responsible for the administration and management of IMA S.p.A. or entities controlled by such parties. The Board must give advance approval in its meetings for all transactions with related parties, including intercompany transactions, except for transactions carried out in the ordinary course of business on arm's-length terms.

These transactions are mainly commercial and real estate operations (leased premises used by the Parent Company or the Group), as well as participation in the consolidated tax mechanism mentioned above. Related-party transactions are carried out on an arm's-length basis.

The following table details the main transactions carried out with related parties, primarily being the directors of the Parent Company (thousands of euros):

	Receivables at 31.12.2008	Receivables at 31.12.2007	Payables at 31.12.2008	Payables at 31.12.2007
Parent companies:				
SO.FI.MA. S.P.A.	–	–	1,796	6,042
	<b>–</b>	<b>–</b>	<b>1,796</b>	<b>6,042</b>
Associates:				
B.C. S.r.l.	–	161	827	674
Bacciottini F.lli S.r.l.	–	n.a.	983	n.a.
G.S. Divisione Verniciatura S.r.l.	–	–	18	127
I.E.M.A. S.r.l.	–	–	968	536
LA.CO. S.r.l.	674	303	1,549	1,091
Scriba Nanotecnologie S.r.l.	21	9	96	–
SIL.MAC. S.r.l.	268	344	1,121	1,167
	<b>963</b>	<b>817</b>	<b>5,562</b>	<b>3,595</b>
Other related parties:				
Datasensor S.p.A.	–	–	63	79
Felsinea Ristorazione S.r.l.	–	n.a.	399	n.a.
Idice S.p.A.	–	–	6	15
Info Area S.r.l.	n.a.	1,932	n.a.	4,078
Lopam S.r.l.	–	37	25	25
Naturapack S.r.l.	1,006	1,137	19	–
Poggi Luca	15	–	–	–
Viaggi Nuova Era S.r.l.	–	–	1,742	1,612
	<b>1,021</b>	<b>3,106</b>	<b>2,254</b>	<b>5,809</b>
<b>Total</b>	<b>1,984</b>	<b>3,923</b>	<b>9,612</b>	<b>15,446</b>

The Parent Company has also granted a loan to Scriba Nanotecnologie S.r.l. of 200 thousand euros.

	Revenues 2008	Revenues 2007	Costs 2008	Costs 2007
<b>Associates:</b>				
B.C. S.r.l.	6	–	3,732	2,575
Bacciottini F.lli S.r.l.	–	n.a.	2,126	n.a.
Consorzio Infoarea	n.a.	1,474	n.a.	1,362
G.S. Divisione Verniciatura S.r.l.	–	–	270	32
I.E.M.A. S.r.l.	–	–	2,102	369
LA.CO. S.r.l.	725	520	2,211	1,776
Scriba Nanotecnologie S.r.l.	12	9	–	–
SIL.MAC. S.r.l.	5	–	2,499	155
	<b>748</b>	<b>2,003</b>	<b>12,940</b>	<b>6,269</b>
<b>Other related parties:</b>				
Datasensor S.p.A.	–	–	180	224
Felsinea Ristorazione S.r.l.	–	n.a.	1,091	n.a.
Idice S.p.A.	–	–	31	32
Info Area S.r.l. (*)	n.a.	1,285	n.a.	2,553
Italbe S.p.A.	–	–	152	149
Lopam S.r.l.	–	–	461	309
Morosina S.p.A.	–	–	150	150
Naturapack S.r.l.	1,896	2,485	453	1,250
Poggi Luca	–	18	387	292
Sporting Club Gira S.r.l.	–	–	265	230
Viaggi Nuova Era S.r.l.	–	–	4,380	3,853
	<b>1,896</b>	<b>3,788</b>	<b>7,550</b>	<b>9,042</b>
<b>Total</b>	<b>2,644</b>	<b>5,791</b>	<b>20,490</b>	<b>15,311</b>

(\*) The amounts relate to the period August-December 2007.

The above transactions primarily relate to Italian companies.

Brief information about transactions with associates is given below:

- B.C. S.r.l. manufactures machine parts for the Group and third parties;
- Bacciottini F.lli S.r.l. processes sheet metal for pharmaceutical machinery;
- G.S. S.r.l. makes painting equipment and coating machines;
- I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
- LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
- Scriba Nanotecnologie S.r.l. specialises in the study of high-tech solutions for food adulteration and for tracking pharmaceuticals;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties.

Transactions with associates are largely of a commercial nature. See Note 4 for further information.

Brief information about transactions with other related parties is given below:

- Naturapack S.r.l. is a company that refurbishes and repairs used tea packaging machines. IMA Flavour S.p.A. sells - or arranges for its customers to sell - used tea packaging machinery to Naturapack S.r.l., which refurbishes the equipment and, as part of an exclusive agency agreement with the IMA Group, sells it on the market;

- Viaggi Nuova Era S.r.l., a travel agency owned by Lopam Fin S.p.A., provides services to Group companies at market prices;
- Felsinea Ristorazione S.r.l. provides catering services to a number of Italian companies;
- transactions with Italbe S.r.l. and Lopam S.r.l. mainly relate to rent expense.

The table below provides a summary of the balance sheet and the income statement including transactions with related parties and the percentage impact (millions of euros):

	Total at 31.12.2008	Of which related parties	% impact	Total at 31.12.2007	Of which related parties	% impact
<b>Balance sheet:</b>						
<u>Non-current assets</u>	220,773	511	0.2%	166,353	610	0.4%
Trade and other receivables	131,704	1,984	15%	121,156	3,923	3.2%
Financial assets	1,130	200	17.7%	424	200	47.2%
Other current assets	238,809	–	0.0%	208,481	–	0.0%
<u>Current assets</u>	371,643	2,184	0.6%	330,061	4,123	1.2%
<b>Total assets</b>	<b>592,416</b>	<b>2,695</b>	<b>0.5%</b>	<b>496,414</b>	<b>4,733</b>	<b>1.0%</b>
<u>Shareholders' equity</u>	122,930	–	–	110,362	–	–
<u>Non-current liabilities</u>	131,511	–	0.0%	102,330	–	0.0%
Trade and other payables	196,305	7,816	4.0%	172,788	9,404	5.4%
Income tax payables	6,211	1,796	28.9%	9,099	6,042	66.4%
Other current liabilities	135,459	–	0.0%	101,835	–	0.0%
<u>Current liabilities</u>	337,975	9,612	2.8%	283,722	15,446	5.4%
<b>Total liabilities and equity</b>	<b>592,416</b>	<b>9,612</b>	<b>1.6%</b>	<b>496,414</b>	<b>15,446</b>	<b>3.1%</b>

	2008	Of which related parties	% impact	2007	Of which related parties	% impact
<b>Income statement:</b>						
Revenues and other income	554,937	2,632	0.5%	461,155	4,497	10%
Cost of raw materials and goods	(208,334)	(10,267)	4.9%	(169,463)	(5,415)	3.2%
Costs of services and leases	(114,917)	(10,223)	8.9%	(94,914)	(7,343)	7.7%
Other operating costs	(159,758)	–	0.0%	(127,134)	–	0.0%
<b>Operating profit</b>	<b>71,928</b>			<b>69,644</b>		
Net financial income (expense)	(11,271)	12	-0.1%	(7,708)	9	-0.1%
Other income statement items	(18,536)	–	0.0%	(22,249)	–	0.0%
<b>Net profit for the period</b>	<b>42,121</b>			<b>39,687</b>		

The following table reports the fees paid, for any reason and in any form, by the Parent Company and by other Group companies to executives with strategic responsibilities (thousand of euros):

Short-term benefits	Post-employment benefits	Fees for positions	Total
2,994	190	2,100	5,284

The executives with strategic responsibilities include two members of the Board of Directors. Fees paid during the year to directors, statutory auditors and general managers are shown by name in the section dealing with the CONSOB Resolution no. 11971 of 14 May 1999.

### 34. SIGNIFICANT NON-RECURRING TRANSACTIONS AND EVENTS

During 2008 the Extraordinary Meetings of IMA Life S.r.l. and IMA Flavour S.r.l. approved an increase in capital, excluding the exercise of pre-emption rights by existing shareholders and admitting new third-party shareholders; as a result, the Parent Company's interest in these two companies has decreased to 94.5% and 98.52%, as discussed in the section "Scope of consolidation". These transactions generated an overall capital gain of 2,478 thousand euros.

In addition, the Parent Company and IMA Life S.r.l. have recognised 496 thousand euros and 148 thousand euros respectively in tax credits for research and development costs incurred in 2007, as permitted by Article 1 of Law 296 dated 27 December 2006 and subsequent amendments.

These non-recurring items in 2008, for a total of 3,122 thousand euros, have been booked to other revenues.

The amount of 4,497 thousand euros recorded in 2007 related to recognition of the changes in the regulations governing severance obligations contained in Law 296 dated 27 December 2006.

### 35. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No significant atypical and/or unusual transactions or positions are reported.

### 36. SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

The following main events have taken place subsequent to year end:

- in accordance with the plan described in Note 13, 11,000 treasury shares were purchase in January 2009, as notified to Consob on 2 February 2009. At the date of preparing these financial statements, treasury shares amounting to 0.612% of share capital were held;
- January 2009 saw completion of the purchase of 30% of Briopharma Technologies Pvt. Ltd., an Indian company, for 319 thousand euros. This company has been working with IMA for a number of years, promoting certain Group product lines on the Indian market;
- a preliminary contract was signed in January 2009 for the purchase by IMA Life S.r.l. of 51% of Pharmasiena Service S.r.l., based in Siena, which designs and manufactures machines for the sterile filling of vials and syringes. This contract will become final, depending on the fulfilment of certain conditions, during the first half of 2009;
- POWERTRANSMISSION.IT S.r.l. based at Castenaso (Bologna) was formed on 16 February 2009 in order to produce and sell engineering components, assemblies and complete industrial plants, as well as to provide outsourcing services. Share capital amounts to 50 thousand euros, of which IMA S.p.A. holds 20%.

## H) DISCLOSURE REQUIRED UNDER CONSOB RESOLUTION NO. 11971 OF 14 MAY 1999

The following table reports fees paid by the Parent Company and other Group companies to Directors, General Managers and executives with strategic responsibilities.

<i>(in thousands of euros)</i>	Position held	Term of office	End of term of office (*)	Fees for position	Non-monetary benefits	Bonuses and other incentives	Other fees
Vacchi Marco	Director and Honorary Chairman	01/01/08-31/12/08	2008	20.00	7.35	-	21.33
Vacchi Alberto	Chairman and CEO	01/01/08-31/12/08	2008	878.60	9.62	-	208.37
Malagoli Andrea	Director and General Manager	01/01/08-31/12/08	2008	676.36	5.87	-	217.81
Benedetti Gino	Director	01/01/08-31/12/08	2008	20.00	-	-	-
Folco Giancarlo	Director	01/01/08-31/12/08	2008	20.00	-	-	-
	Member of Internal Control and Compensation Committee	01/01/08-31/12/08		15.00	-	-	-
Minguzzi Italo Giorgio	Director and Secretary	01/01/08-31/12/08	2008	55.00	-	-	-
Poggi Luca	Director	01/01/08-31/12/08	2008	20.00	-	-	500.00
Schiavina Maria Carla	Director	01/01/08-31/12/08	2008	20.00	-	-	-
	Member of Internal Control and Compensation Committee	01/01/08-31/12/08		15.00	-	-	-
Vacchi Gianluca	Director	01/01/08-31/12/08	2008	20.00	-	-	-
Vsentini Stefano	Director	01/01/08-31/12/08	2008	20.00	-	-	-
Volta Romano	Director	01/01/08-31/12/08	2008	20.00	-	-	-
	Chairman of Internal Control and Compensation Committee	01/01/08-31/12/08		15.00	-	-	-
Cazzola Amedeo	Chairman of Board of Statutory Auditors	01/01/08-31/12/08	2009	22.54	-	-	39.90
Aicardi Piero	Statutory Auditor	01/01/08-31/12/08	2009	16.23	-	-	27.63
Giovanardi Giacomo	Statutory Auditor	01/01/08-31/12/08	2009	16.23	-	-	16.00

(\*) Through the approval of the financial statements  
Compensation relates to duties performed in 2008.

In 2008, total compensation of any kind and in any form paid to executives with strategic responsibilities by IMA S.p.A. and its subsidiaries amounted to 4,404 thousand euros and includes the 1,997 thousand euros in fees paid to the Directors listed in the table above.



CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO  
ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH  
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

**Certification of the consolidated financial statements pursuant to Art. 81-ter of Consob Regulation no. 11971  
of 14 May 1999, as amended**

The undersigned, Alberto Vacchi, Chairman and Managing Director, and Sergio Marzo, the executive responsible for preparing the financial reports of IMA S.p.A. certify, having regard for the requirements of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness with regard to the characteristics of the Company and
- the effective application

of the administrative and accounting procedures in preparing the consolidated financial statements for the period January-December 2008.

It is also certified that the consolidated financial statements:

- a) correspond to the entries in the books and accounting records;
- b) were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union with Regulation 1725/2003, as amended, and, to our knowledge, provide a true and fair representation of the performance and financial position of the Company and all the companies included in the scope of consolidation.

Ozzano dell'Emilia (Bologna), 27 March 2009

Chief Executive Officer

Alberto Vacchi

Manager responsible for preparing the financial reports

Sergio Marzo

REPORT OF THE INDEPENDENT AUDITORS  
AT 31 DECEMBER 2008

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH  
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)



PricewaterhouseCoopers SpA

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW  
DECREE NO. 58 DATED 24 FEBRUARY 1998**

To the shareholders of  
IMA SpA

- 1 We have audited the consolidated financial statements of IMA SpA and its subsidiaries ("IMA Group") as of 31 December 2008, which comprise the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and related notes. The directors of IMA SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 11 April 2008.

- 3 In our opinion, the consolidated financial statements of IMA SpA as of 31 December 2008 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in equity and cash flows of IMA Group for the period then ended.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: Bari 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - Bologna 40122 Via delle Lame 111 Tel. 051526611 - Brescia 25123 Via Borgo Pietro Wuhrrer 23 Tel. 0303697501 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Dante 7 Tel. 01029041 - Napoli 80121 Piazza dei Martiri 30 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43100 Viale Tanara 20/A Tel. 0521242848 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10129 Corso Montevecchio 37 Tel. 011556771 - Trento 38100 Via Grazioli 73 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 - Verona 37122 Corso Porta Nuova 125 Tel. 0458002561



- 4 The directors of IMA SpA are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the consolidated financial statements of IMA SpA as of 31 December 2008.

Bologna, 10 April 2009

PricewaterhouseCoopers SpA

Signed by  
Roberto Megna  
(Partner)

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

(2)