
QUARTERLY REPORT FOR THE FOURTH QUARTER OF 2005

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

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REPORT ON OPERATIONS

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

DIRECTORS AND OFFICERS

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

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

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

BOARD OF DIRECTORS

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

CHAIRMAN AND MANAGING DIRECTOR

Marco Vacchi

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

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

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

MANAGING DIRECTOR

Alberto Vacchi

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

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

DIRECTOR WITH POWERS

Andrea Malagoli

Delegated powers:

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

DIRECTORS

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

BOARD OF STATUTORY AUDITORS

(in office until 31 December 2006)

AUDITORS

Giorgio Comini - Chairman - Auditor

Amedeo Cazzola - Auditor

Piero Aicardi - Auditor

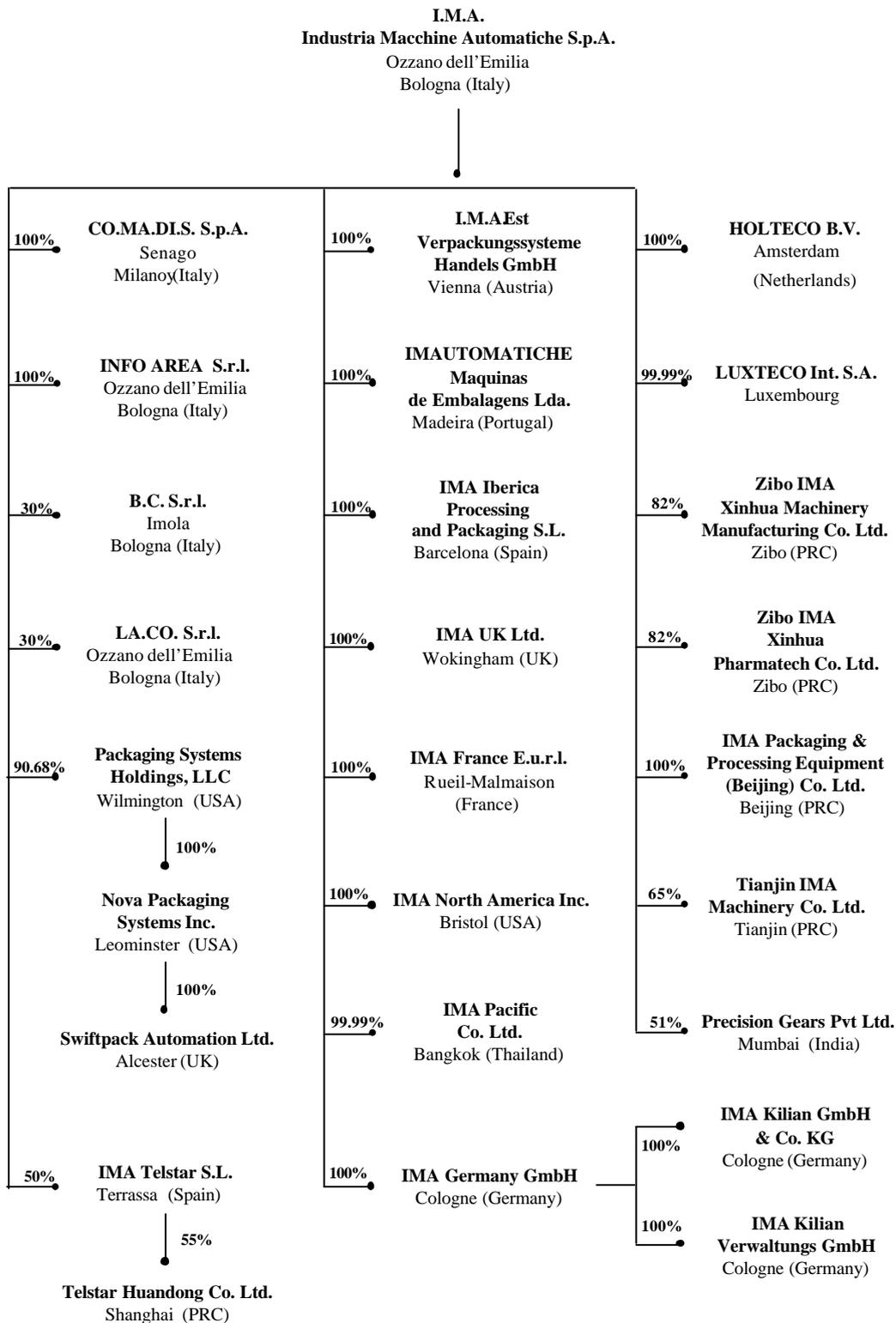
ALTERNATE AUDITORS

Vittorio Coraducci - Auditor

Chiara Gallina - Auditor

Antonella Grassigli - Auditor

GROUP STRUCTURE



GROUP COMPANIES BY BUSINESS ACTIVITY

**MANUFACTURING
ACTIVITIES**

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

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

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

B.C. S.r.l.
Imola – Bologna (Italy)

IMA Kilian GmbH & Co. KG
Cologne (Germany)

Precision Gears Pvt Ltd.
Mumbai (India)

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

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

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

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

Swiftpack Automation Ltd.
Alcester (UK)

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

Telstar Huadong Co. Ltd.
Shanghai (PRC)

**COMMERCIAL
ACTIVITIES**

IMA Germany GmbH
Cologne (Germany)

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

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

IMA UK Ltd.
Wokingham (UK)

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

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

IMA North America Inc.
Bristol (USA)

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

IMA Pacific Co. Ltd.
Bangkok (Thailand)

OTHER ACTIVITIES

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

IMA Kilian Verwaltungs GmbH
Cologne (Germany)

FINANCIAL ACTIVITIES

Luxteco International S.A.
Luxembourg

HOLTECO B.V.
Amsterdam (Netherlands)

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

GROUP PERFORMANCE

INTRODUCTION

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

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

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

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

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

GENERAL PERFORMANCE

According to estimates that are still provisional, the world-wide pharmaceutical industry grew by around 5% in terms of sales during 2005, at a constant dollar exchange rate, compared with 7% in 2004. Over the last three years, the pharmaceutical industry's rate of growth has gone from 12% in 2002 to the current level of 5%. In 2005, the slowdown mainly concerned the North American and European markets. The fact that the growth rate at the end of December, compared with the previous twelve months, did not show a further decline, remaining around 5% as at the end of September, means that demand picked up during the last quarter, especially in the North American market, which alone represents more than 45% of the world consumption of pharmaceuticals. According to a survey published recently by IMS Health, an authoritative source, the pharmaceutical industry's rate of growth is already expected to rise again during the current year to 7%. The growth in demand for drugs was also reflected in an upswing in demand for plant and machinery. This was particularly dynamic in the last few months of 2005, which promises well for the coming months. Of course, it is still early days to comment on the solidity of this recovery, but the symptoms to date do suggest that there is room for cautious optimism. In the meantime, the continuous slide in selling prices which dominated the last two years, severely depressing industrial margins for all companies in this industry, seems to have come to an end.

The tea-bagging machinery sector has continued to show a very favourable trend, with excellent prospects also for 2006.

CONSOLIDATED INCOME STATEMENT

Group revenues in fourth quarter 2005 amounted to 160.1 million euros, compared with 130.5 million euros in the same period of 2004. In the meantime, operating profit for the quarter, prior to writedowns and goodwill amortization (EBITA), came to 33.0 million euros versus 19.9 million euros in fourth quarter 2004. Consolidated

revenues for the year therefore came to 398.8 million euros which compares with 372.0 million euros in 2004, while EBITA amounted to 39.1 million euros versus 36.7 million euros for the whole of 2004.

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

| millions of euros | 2005 | | 2004 | | Change % |
|---|--------------|-------------|--------------|-------------|---------------|
| | Amount | % | Amount | % | |
| Revenues | 398.8 | | 372.0 | | 7.2 |
| Cost of sales | (242.4) | | (222.9) | | |
| Gross industrial income | 156.4 | 39.2 | 149.1 | 40.1 | 4.9 |
| R&D costs | (18.3) | | (17.6) | | |
| Selling costs | (49.4) | | (46.0) | | |
| General and administrative costs | (49.6) | | (48.8) | | |
| Operating profit before writedowns and goodwill amortization (EBITA) | 39.1 | 9.8 | 36.7 | 9.9 | 6.5 |
| Writedowns and goodwill amortization | (3.5) | | – | | |
| Operating profit (E.B.I.T.) | 35.6 | 8.9 | 36.7 | 9.9 | (3.0) |
| Net financial income (expense) | (7.6) | | (4.2) | | |
| Profit (loss) from investments in associates | – | | 0.1 | | |
| Profit (loss) before tax | 28.0 | 7.0 | 32.6 | 8.8 | (14.1) |
| Income taxes | (15.0) | | (15.5) | | |
| Profit (loss) for the period | 13.0 | 3.3 | 17.1 | 4.6 | (24.0) |
| Attributable to minority interests | (0.5) | | (0.3) | | |
| Parent Company shareholders | 12.5 | 3.1 | 16.8 | 4.5 | (25.6) |
| Gross operating margin (E.B.I.T.D.A.) | 49.2 | 12.3 | 47.6 | 12.8 | 3.4 |
| Order book | 164.0 | | 150.7 | | 8.8 |

REVENUES AND ORDERS

As mentioned previously, consolidated revenues for fourth quarter 2005 are higher than the equivalent figure in 2004 by 29.6 million euros (+22.7%). IMA-Telstar, which has just been consolidated for the first time, contributed 4.1 million euros to this result. The figure for revenues in fourth quarter 2005 is in line with previous announcements, raising consolidated revenues for the year to 398.8 million euros, an increase of 7.2% compared with the figure for 2004 (372.0 million euros). Year on year, widening the scope of consolidation to include IMA-Telstar in the second half and the Nova Group for the whole of the year (in 2004 the Nova Group was only consolidated from October onwards) contributed 22.2 million euros of additional revenues. So based on the same scope of consolidation, revenues went up by 2%. This is certainly not a major increase, but we still consider it positive considering that it was achieved in a period of weak demand and fierce competition. To this has to be added the fact that the translation of dollar revenues (around 20% of the total) into euros was negatively affected by the weakening of the US currency starting in the latter part of 2004 and continuing in the first half of 2005.

The order book at the end of the year totalled 164.0 million euros against 150.7 million euros at 31 December 2004 (+8.8%). The contribution made by IMA-Telstar amounts to 7.7 million euros. In particular, the latter part of the year saw a sharp acceleration in the acquisition of new orders, especially from the pharmaceutical industry (+14%), a trend that continued in January. This would seem to indicate a certain recovery in demand, as mentioned above.

OPERATING PROFIT

In fourth quarter 2005, the industrial gross profit rose to 41.7% of sales compared with 39.8% in the same period of 2004. This is the best quarterly result for the last two years and, above all, it shows a strong recovery compared with the equivalent figures for the other quarters of 2005. The improvement is not attributable to a different sales mix, but rather to an effective recovery in profit margins made possible, on the one hand, by the measures taken to reduce cost of sales and, on the other, the initial effects of the dollar list price increases introduced at the beginning of 2005. Both of these factors are due to strengthen over the coming months as the measures taken to reduce cost of sales have now also been applied to new product families, while the gradual reinforcement of the dollar in the second half of 2005 can only help boost margins on sales in that currency, helped by the fact that the new price list in dollars now applies to all new sales.

On an annual basis, the industrial gross profit as a percentage of sales is approximately one point lower than in 2004 (39.2% in 2005 versus 40.1% in 2004), whereas EBITA (39.1 million euros in absolute terms, having been 36.7 million euros in 2004) is substantially the same as last year as a percentage of sales at 9.8%. This result, which was affected by the various negative factors mentioned above, as well as by 2 million euros of non-recurring costs due to the Group reorganisation, was made possible by the efforts to hold down fixed sales and general costs which, based on the same scope of consolidation, have not increased, despite rising labour costs per head.

In accordance with the new accounting standards applied in preparing these financial statements, we carried out an analytical evaluation of the "sustainability" of the amounts of goodwill shown in the balance sheet in respect of the related cash generating units of the Group. Based on the prescribed impairment test, we decided to write down the value of goodwill relating to IMA-Kilian. Certainly, the results of IMA-Kilian have been affected not only by the unfavourable state of the economy, but also by a learning curve for the new line of products that has been slower than expected, not to mention certain inefficiencies caused by the transfer to a new plant. However, we would add that the trend in recent months, both in new orders and profit margins, seems to be showing a distinct recovery. In any case, we still think it best to make this writedown to reflect the results of the impairment test, based on the value in use deriving from a DCF evaluation of expected future cash flows. Net of these costs, the operating profit (EBIT) comes to 35.6 million euros.

RESULT BEFORE TAX

Net financial expense amounted to 7.6 million euros compared with 4.2 million euros at 31 December 2004. The deterioration is mainly due to exchange rate differences and consolidation of the Nova Group (+1.8 million euros with respect to the 2004), as well as to higher interest charges, especially for the dollar, and a debt curve that was distinctly unfavourable during the year. The result before tax therefore comes to 28.0 million euros, compared with 32.6 million euros at 31 December 2004.

PROFIT (LOSS) FOR THE PERIOD

The profit for the period amounts to 13.0 million euros for 2005 compared with 17.1 million euros the previous year. The main reasons for the difference have already been explained in the previous two captions, whereas the tax charge is more or less

the same as in 2004. The tax charge is the best estimate possible at the date of the financial statements. The amount of tax that will actually be paid in March, based on a definitive calculation, may well differ from this estimate as various countries' tax regulations are involved; however, differences are unlikely to be significant. The increased incidence of income taxes as a percentage of the pre-tax result, compared with last year, is principally due to non-deductible charges, subsidiaries' losses that do not generate tax recoveries and a provision of 0.8 million euros for the estimated liability that could arise from tax audits on various Group companies.

ANALYSIS OF PERFORMANCE BY SECTOR

The following table provides summary balance sheet and income statement figures for the various sectors into which the Group's activities are split:

| millions of euros | Tea | | Packaging | | Process | | Other | |
|--------------------------|------|------|-----------|-------|---------|-------|-------|------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues | 70.9 | 67.2 | 223.4 | 202.0 | 104.5 | 102.8 | – | – |
| Operating profit (EBITA) | 23.2 | 21.7 | 13.4 | 8.6 | 2.5 | 6.4 | – | – |
| Net capital employed | 13.4 | 16.3 | 93.6 | 84.4 | 75.5 | 79.1 | (0.6) | 3.7 |
| R&D costs | 4.1 | 3.4 | 9.9 | 9.8 | 4.3 | 4.4 | – | – |
| Average personnel (*) | 240 | 233 | 1,548 | 1,492 | 494 | 491 | 404 | 394 |
| Order book | 39.8 | 42.2 | 97.1 | 82.7 | 27.1 | 25.8 | – | – |

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

Revenues in the tea sector are up by 5.5% on last year's record level, confirming the Group's strong leadership in this market. The further improvement in industrial gross profit gave a strong boost to the operating profit, despite considerable investments in the development of new products and reinforcement of the sales and marketing organisation. The excellent state of the order book at the beginning of 2006 and various negotiations near to completion enable us to foresee for 2006 results in line with those achieved in 2005.

The growth in revenues in the packaging sector is almost entirely due to enlargement of the scope of consolidation following the inclusion of the Nova Group from the start of the year (having been consolidated only for the last quarter of 2004) and of the IMA-Telstar Group from the second half of the year. The industrial gross profits and operating profits of the divisions making up this sector are better than last year, but they are still far from satisfactory as they continue to suffer from strong pressure on prices, a feature of the pharmaceutical industry, while not yet being able to benefit from greater stability in the US currency. In addition, certain product lines have been suffering from production start-up and stabilisation processes, which caused inefficiencies. However, the elements that emerged during the last quarter seem to confirm a significant improvement in profit margins, in the same way that the order flow has been a great deal better, making it possible to close the year with an order book in strong recovery. This sector's net capital employed includes goodwill of 22.2 million euros at 31 December 2005 (20.0 million euros at the end of 2004); the increase is essentially due to the goodwill that arose on the acquisition of IMA-Telstar. The sector that makes process machinery for the pharmaceutical industry has turned in higher revenues despite very weak demand:

on the other, it has suffered a further compression of margins compared with last year's figures which were already very disappointing. The results were also affected by the costs incurred to transfer IMA-Kilian to its new Cologne plant, inefficiencies caused by the transfer and reorganisation costs. This sector's net capital employed includes goodwill of 25.3 million euros at 31 December 2005 (28.5 million euros at the end of 2004); the decrease is due to the fact that the previous amount of goodwill has been written down.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

The following table summarises the Group's balance sheet at 31 December 2005:

| millions of euros | 31.12.2005 | 31.12.2004 |
|--|--------------|--------------|
| Trade receivables | 98.8 | 88.1 |
| Inventories | 122.1 | 109.7 |
| Trade payables | (115.4) | (100.4) |
| Other, net | (28.1) | (14.0) |
| Working capital | 77.4 | 83.4 |
| Property, plant and equipment | 73.3 | 73.0 |
| Intangible assets | 59.3 | 57.3 |
| Investments in associate companies | 1.0 | 0.5 |
| Fixed assets | 133.6 | 130.8 |
| Employee termination indemnities and other | (29.1) | (30.7) |
| Net capital employed | 181.9 | 183.5 |

FINANCED BY:

| | | |
|---------------------------------------|--------------|--------------|
| Net debt | 86.8 | 74.0 |
| Minority interests | 3.6 | 2.3 |
| Equity pertaining to the Group | 91.5 | 107.2 |
| Total sources of finance | 181.9 | 183.5 |

At the end of December 2005 net capital employed amounted to 181.9 million euros, a level not far from the figure at 31 December 2004 (183.5 million euros). In particular, the decrease in working capital, despite the growth in business activities and the higher concentration of deliveries in the last quarter, consolidates the improvements already achieved in previous years in terms of managing the related balance sheet items. Trade receivables have in fact grown less than sales in the last quarter, while the higher level of inventories is offset by higher trade payables. Advances from customers have improved as they now exceed 20% of the year-end portfolio. The changes in fixed assets are mainly due to the consolidation of IMA-Telstar, as capital expenditure during the year was substantially in line with depreciation.

The following is a breakdown of net debt:

| millions of euros | 31.12.2005 | 31.12.2004 |
|-------------------------------------|------------|------------|
| Net debt | 86.8 | 74.0 |
| Of which: | | |
| • Cash and current financial assets | (62.4) | (47.7) |
| • Non-current financial assets | (3.6) | (3.3) |
| • Current financial liabilities | 68.0 | 71.3 |
| • Non-current financial liabilities | 84.8 | 53.7 |

Net debt at 31 December 2005 comes to 86.8 million euros versus 74.0 million euros at 31 December 2004. As regards the increase, mention has to be made of certain extraordinary items, namely:

- during 2005 IMA S.p.A. bought and sold treasury shares with a total net outlay at the end of the year of 14.4 million euros,
- the acquisition of the interest in IMA-Telstar and other minor investments which led to further net outlays of 6.3 million euros.

It follows that, without these items, net debt at 31 December 2005 would have come to 66.1 million euros. This shows that despite a difficult year due to strong pressures on prices at a time of stagnant demand, the Group's management of working capital made it possible to generate net cash of 7.9 million euros, having distributed 14.0 million euros of dividends. Going against the seasonal trend of the business, cash generation in the last quarter of the year, net of the extraordinary items mentioned above, came in 13 million euros higher than for the same period last year.

CAPITAL EXPENDITURE

Group capital expenditure in property, plant and equipment was 6.8 million euros (8.1 million euros in the same period of 2004) and relates mainly to the costs incurred to extend and upgrade existing buildings and plants, as well as to build and purchase machinery and equipment for the production processes of Group companies, above all to expand the production capacity of Zibo Pharmatech, the Chinese subsidiary, and to purchase electronic machines. Capital expenditure in intangible assets came to 3.9 million euros (3.7 million euros in 2004). We would observe that the depreciation and amortization expense for the year amounted to 10.2 million euros, substantially in line with the level of new capital expenditure.

OTHER INFORMATION

SIGNIFICANT EVENTS AFTER THE END OF THE FOURTH QUARTER

No significant events have taken place after the end of the fourth quarter.

OUTLOOK FOR THE CURRENT YEAR

As we have said on various occasions, the Group's performance in 2005 was adversely affected by various factors: weak demand from the pharmaceutical and cosmetics industries, very high pressure on prices even though they slid considerably in 2004, a US dollar at its weakest level for much of the first half, the time when hedges are taken out for the current year, and start-up problems for certain product lines. However, the last quarter of the year showed concrete symptoms that demand was picking up, and these positive signs have continued in January 2006. The pressure on selling prices is not getting any worse, though the process of returning discount terms to more normal levels is unlikely to be very rapid. In the meanwhile, the US dollar has got steadily stronger, while the actions taken to reduce costs for the main product lines, including the delocalisation of mechanical component production, is beginning to have an impact on industrial

margins. All of these elements, combined with a good level of order book at the start of the year, allow us to look forward to a 2006 that ought to be substantially better than the year that has just ended. If these signs are confirmed over the next few months, a forecast of sales growth of more than 5%, with an operating profit in excess of 10% of sales could turn out to be conservative. At the same time, the Group is working on a complete redesign of its organisational structure with a view to making it commercially a great deal more incisive, while also achieving significant improvements in efficiency.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2005

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

CONSOLIDATED BALANCE SHEET

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

| ASSETS | Note | 31 December 2005 | 31 December 2004 |
|--|------|------------------|------------------|
| NON-CURRENT ASSETS | | | |
| <i>Property, plant and equipment</i> | 1 | 73.3 | 73.0 |
| <i>Intangible assets</i> | 2 | 59.3 | 57.3 |
| <i>Investments in associates</i> | 3 | 1.0 | 0.5 |
| <i>Financial assets</i> | 4 | 3.6 | 3.3 |
| <i>Receivables from others</i> | | 0.7 | 0.8 |
| <i>Deferred tax assets</i> | 5 | 5.3 | 2.9 |
| TOTAL NON-CURRENT ASSETS | | 143.2 | 137.8 |
| CURRENT ASSETS | | | |
| <i>Inventories</i> | 6 | 122.1 | 109.7 |
| <i>Trade and other receivables</i> | 7 | 108.9 | 98.4 |
| <i>Income tax receivables</i> | | 0.8 | 5.3 |
| <i>Financial assets</i> | 8 | 4.6 | 0.7 |
| <i>Derivative financial instruments</i> | 9 | 0.1 | 1.6 |
| <i>Cash and cash equivalents</i> | 10 | 57.8 | 47.0 |
| TOTAL CURRENT ASSETS | | 294.3 | 262.7 |
| TOTAL ASSETS | | 437.5 | 400.5 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| <i>Share capital</i> | 11 | 18.8 | 18.8 |
| <i>Share premium reserve</i> | | 16.4 | 16.4 |
| <i>Treasury shares</i> | 12 | (14.7) | – |
| <i>Other reserves</i> | | 30.5 | 28.5 |
| <i>Translation reserve</i> | | 1.3 | (1.2) |
| <i>Fair value reserve</i> | 13 | (0.9) | 1.1 |
| <i>Retained earnings</i> | | 27.6 | 26.8 |
| <i>Profit (loss) for the period</i> | | 12.5 | 16.8 |
| Total capital and reserves pertaining to the Group | | 91.5 | 107.2 |
| <i>Reserves pertaining to minority interests</i> | | 3.1 | 2.0 |
| <i>Profit pertaining to minority interests</i> | | 0.5 | 0.3 |
| Total minority interests | | 3.6 | 2.3 |
| EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS | | 95.1 | 109.5 |
| NON-CURRENT LIABILITIES | | | |
| <i>Borrowings</i> | 14 | 84.8 | 53.7 |
| <i>Severance and pension obligations</i> | | 25.3 | 24.2 |
| <i>Provisions for risks and charges</i> | 15 | 1.1 | 0.9 |
| <i>Deferred tax liabilities</i> | 16 | 4.1 | 3.6 |
| TOTAL NON-CURRENT LIABILITIES | | 115.3 | 82.4 |
| CURRENT LIABILITIES | | | |
| <i>Borrowings</i> | 14 | 68.0 | 71.3 |
| <i>Trade and other payables</i> | 17 | 149.5 | 130.8 |
| <i>Income tax liabilities</i> | | 3.0 | 1.3 |
| <i>Provisions for risks and charges</i> | 15 | 4.9 | 5.1 |
| <i>Derivative financial instruments</i> | 18 | 1.7 | 0.1 |
| TOTAL CURRENT LIABILITIES | | 227.1 | 208.6 |
| TOTAL LIABILITIES | | 342.4 | 291.0 |
| TOTAL EQUITY AND LIABILITIES | | 437.5 | 400.5 |

CONSOLIDATED INCOME STATEMENT

FOR THE FOURTH QUARTER OF 2005 AND FOR THE PERIOD 01/01-31/12/2005 (MILLIONS OF EUROS)

| INCOME STATEMENT | Note | 4th quarter 2005 | 4th quarter 2004 | from 01/01/2005 to 31/12/2005 | from 01/01/2004 to 31/12/2004 |
|---|------|------------------|------------------|----------------------------------|----------------------------------|
| REVENUES | 19 | 160.1 | 130.5 | 398.8 | 372.0 |
| <i>Other revenues</i> | | 4.1 | 1.2 | 7.4 | 3.9 |
| OPERATING COSTS | | | | | |
| <i>Change in work in progress, semifinished and finished goods</i> | | (22.0) | (15.4) | 6.4 | 0.2 |
| <i>Change in inventory of raw, ancillary and consumable materials</i> | | (0.6) | (1.5) | 2.3 | (2.3) |
| <i>Cost of raw, ancillary and consumable materials</i> | | (46.2) | (34.8) | (152.4) | (128.0) |
| <i>Services, rentals and leases</i> | | (26.8) | (24.2) | (84.3) | (78.9) |
| <i>Personnel costs</i> | 20 | (33.4) | (30.9) | (126.4) | (115.0) |
| <i>Depreciation and amortization expense</i> | 21 | (5.9) | (3.6) | (13.7) | (11.4) |
| <i>Provisions for risks and charges</i> | | 1.2 | (0.6) | 0.2 | (0.5) |
| <i>Other operating costs</i> | | (1.0) | (0.8) | (2.7) | (3.3) |
| TOTAL OPERATING COSTS | | (134.7) | (111.8) | (370.6) | (339.2) |
| OPERATING PROFIT | | 29.5 | 19.9 | 35.6 | 36.7 |
| FINANCIAL INCOME AND EXPENSE | | | | | |
| <i>Financial income</i> | 22 | 1.7 | 3.8 | 8.1 | 8.7 |
| <i>Financial expense</i> | 23 | (4.5) | (5.4) | (15.7) | (12.9) |
| FINANCIAL INCOME AND EXPENSE | | (2.8) | (1.6) | (7.6) | (4.2) |
| PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES | | – | – | – | 0.1 |
| RESULT BEFORE TAX | | 26.7 | 18.3 | 28.0 | 32.6 |
| INCOME TAXES FOR THE PERIOD | 24 | (13.8) | (8.5) | (15.0) | (15.5) |
| Profit (loss) for the period | | 12.9 | 9.8 | 13.0 | 17.1 |
| ATTRIBUTABLE TO: | | | | | |
| PARENT COMPANY SHAREHOLDERS | | 12.5 | 9.6 | 12.5 | 16.8 |
| MINORITY INTERESTS | | 0.4 | 0.2 | 0.5 | 0.3 |
| | | 12.9 | 9.8 | 13.0 | 17.1 |
| EARNINGS PER SHARE (in euros) | | 0.36 | 0.26 | 0.36 | 0.46 |

CHANGES IN CONSOLIDATED EQUITY

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

| Description | Share capital | Share premium reserve | Treasury shares | Other reserves | Translation reserve | Fair value reserve | Retained earnings | Profit (loss) of Group | Total Group equity | Minority interests | Total equity |
|--|---------------|-----------------------|-----------------|----------------|---------------------|--------------------|-------------------|------------------------|--------------------|--------------------|--------------|
| Balances at 01.01.2004 | 18.8 | 16.4 | - | 22.1 | - | 1.5 | 28.6 | 19.0 | 106.4 | 2.2 | 108.6 |
| Effect of merger of Libra S.r.l. and IT S.r.l. with IMA S.p.A. | - | - | - | (0.4) | - | - | 0.4 | - | - | - | - |
| Allocation of result for 2004: | | | | | | | | | | | |
| - dividends | - | - | - | - | - | - | - | (14.4) | (14.4) | (0.2) | (14.6) |
| - reserves | - | - | - | 6.8 | - | - | (2.2) | (4.6) | - | - | - |
| Valuation of financial instruments at equity | - | - | - | - | - | (0.4) | - | - | (0.4) | - | (0.4) |
| Exchange rate differences on translation of financial statements in foreign currency | - | - | - | - | (1.2) | - | - | - | (1.2) | - | (1.2) |
| Profit (loss) for the period | - | - | - | - | - | - | - | 16.8 | 16.8 | 0.3 | 17.1 |
| Balances at 31.12.2004 | 18.8 | 16.4 | - | 28.5 | (1.2) | 1.1 | 26.8 | 16.8 | 107.2 | 2.3 | 109.5 |
| Effect of merger of Comitec S.r.l. with IMA S.p.A. | - | - | - | (0.2) | - | - | 0.2 | - | - | - | - |
| Allocation of result for 2005: | | | | | | | | | | | |
| - dividends | - | - | - | - | - | - | - | (14.0) | (14.0) | (0.2) | (14.2) |
| - reserves | - | - | - | 2.2 | - | - | 0.6 | (2.8) | - | - | - |
| Increases in capital | - | - | - | - | - | - | - | - | - | 0.3 | 0.3 |
| Change in scope of consolidation | - | - | - | - | - | - | - | - | - | 0.4 | 0.4 |
| Purchase and sale of treasury shares | - | - | (15.2) | - | - | - | - | - | (15.2) | - | (15.2) |
| Gains on trading in treasury shares | - | - | 0.5 | - | - | - | - | - | 0.5 | - | 0.5 |
| Valuation of financial instruments at equity | - | - | - | - | - | (2.0) | - | - | (2.0) | - | (2.0) |
| Exchange rate differences on translation of financial statements in foreign currency | - | - | - | - | 2.5 | - | - | - | 2.5 | 0.3 | 2.8 |
| Profit (loss) for the period | - | - | - | - | - | - | - | 12.5 | 12.5 | 0.5 | 13.0 |
| Balances at 31.12.2005 | 18.8 | 16.4 | (14.7) | 30.5 | 1.3 | (0.9) | 27.6 | 12.5 | 91.5 | 3.6 | 95.1 |

CONSOLIDATED STATEMENT OF CASH FLOWS

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

| | 31 December 2005 | 31 December 2004 |
|---|------------------|------------------|
| OPERATIONS | | |
| <i>Profit (loss) for the period</i> | 12.5 | 16.8 |
| <i>Adjustments for:</i> | | |
| - <i>Depreciation and amortization</i> | 10.3 | 10.9 |
| - <i>(Writebacks) or writedowns of non-current assets</i> | 3.3 | - |
| - <i>Capital (gains) losses on disposal of non-current assets</i> | (0.3) | (0.2) |
| - <i>Changes in provisions for risks and charges and staff severance obligations</i> | 0.6 | 1.9 |
| - <i>Unrealised losses (gains) on exchange rate differences</i> | 1.0 | (0.9) |
| - <i>Other non-monetary changes</i> | 0.4 | (0.2) |
| - <i>Income taxes</i> | 15.0 | 15.5 |
| - <i>Minority interests</i> | 0.5 | 0.3 |
| - <i>Share of income on investments in associates</i> | - | (0.1) |
| Operating profit (loss) before changes in working capital | 43.3 | 44.0 |
| <i>(Increase) decrease in trade and other receivables</i> | (10.4) | 0.2 |
| <i>(Increase) decrease in inventories</i> | (12.4) | (3.3) |
| <i>Increase (decrease) in trade and other payables</i> | 19.7 | 12.3 |
| <i>Income taxes paid</i> | (10.2) | (18.5) |
| CASH FLOW GENERATED (ABSORBED) BY OPERATIONS (A) | 30.0 | 34.7 |
| INVESTMENT ACTIVITY | | |
| <i>Company acquisitions</i> | (6.4) | (6.1) |
| <i>Investments in intangible assets</i> | (3.9) | (3.7) |
| <i>Investments in property, plant and equipment</i> | (6.8) | (8.1) |
| <i>Exchange rate differences on property, plant and equipment and intangible assets</i> | (1.3) | 0.5 |
| <i>Repayment of finance lease debts</i> | (1.1) | (1.2) |
| <i>Investments in non-consolidated subsidiaries and associates</i> | (0.4) | - |
| <i>Proceeds of sale of non-current assets</i> | 0.9 | 0.5 |
| <i>Net change in financial assets including those deriving from acquisitions</i> | (3.9) | 0.4 |
| <i>Changes in reserves pertaining to minority interests</i> | 0.8 | (0.2) |
| <i>Payment/collection of interest</i> | (3.7) | (2.6) |
| CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITY (B) | (25.8) | (20.5) |
| FINANCE ACTIVITY | | |
| <i>New loans granted</i> | 51.9 | 33.5 |
| <i>Borrowings repaid</i> | (31.4) | (19.7) |
| <i>Increase (decrease) in other payables to banks</i> | 12.0 | (14.5) |
| <i>Dividends paid</i> | (14.0) | (14.4) |
| <i>Purchase of treasury shares</i> | (14.4) | - |
| <i>Translation of financial statements in foreign currency</i> | 2.5 | (1.1) |
| CASH FLOW GENERATED (ABSORBED) BY FINANCE ACTIVITY (C) | 6.6 | (16.2) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C) | 10.8 | (2.0) |
| CASH AND CASH EQUIVALENTS AT START OF PERIOD (E) | 47.0 | 49.0 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD (F=D+E) | 57.8 | 47.0 |

Note that the item Cash and cash equivalents includes respectively:

* 1.0 million euros at 31 December 2005 attributable to the Telstar Group

* 1.0 million euros at 31 December 2004 attributable to the Group Nova.

EXPLANATORY NOTES

A) OVERVIEW

The Report on Operations for the fourth quarter of 2005 was approved by the Board of Directors on 14 February 2006.

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

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

A key feature of the industry in which the IMA Group operates is the heavy concentration of new orders and revenues in the last quarter of the year.

All of the figures in the quarterly report at 31 December 2005 are millions of euros.

B) GENERAL PREPARATION POLICIES

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

The quarterly report was prepared in accordance with Article 82 of Consob Regulation no. 11971/1999 (implementing Legislative Decree 58 of 24 February 1998 relating to the rules for issuers): as envisaged by Consob Resolution 14990 of 14 April 2005, and in consideration of Regulation (EC) 1606/2002, the report contains the information that IAS 34 requires for interim financial reports.

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

The reconciliation between equity according to Italian GAAP and equity according to IFRS at 31 December 2004, as well as the reconciliation between the consolidated net result according to Italian GAAP and the result according to IFRS for 2004, as required by "IFRS 1: First-Time Adoption of International Financial Reporting Standards", together with explanatory notes, are provided in the notes to the consolidated financial statements.

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

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

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

C) ACCOUNTING POLICIES

The most significant accounting policies applied are as follows:

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

Ordinary maintenance costs are expensed as incurred. Incremental maintenance costs are attributed to the assets to which they refer and depreciated over their residual useful life or until such time as they require further extraordinary maintenance, whichever occurs first.

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

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

FINANCE LEASES

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

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

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

INTANGIBLE ASSETS

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

These assets are recognised at their purchase or production cost.

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

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

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

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

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

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

IMPAIRMENT OF ASSETS

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

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

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

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

If the conditions that led to an impairment no longer apply, the written-back value of the asset should not exceed what the amortized historical cost would have been if the impairment had not taken place. Write-backs are booked through the income statement. International accounting standards prohibit write-backs of impairments to goodwill.

FINANCIAL ASSETS

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

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

INVENTORIES

Inventories are booked at the lower of cost and estimated net realizable value. Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

CONTRACT WORK IN PROGRESS

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

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

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

Revenues and costs relating to contract work are recognised in proportion to the stage of completion of the contract activity, applying the so-called "cost-to-cost" method, which involves establishing the proportion between the costs incurred to date and the estimated total costs of the contract.

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

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

TRADE AND OTHER RECEIVABLES

Receivables falling due within a period considered to be normal commercial practice or which earn interest at market rates are not discounted. Instead, they are shown at their original face value, net of any writedowns, which are deducted directly from the value of the receivables to bring them in line with the estimated recoverable value. Receivables falling due beyond the period considered normal commercial practice are recognised at amortized cost using the effective interest rate method, net of writedowns.

CASH AND CASH EQUIVALENTS

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

TREASURY SHARES

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

PROVISIONS FOR RISKS AND CHARGES

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

PERSONNEL BENEFITS

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

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

BORROWINGS

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

FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

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

a) *Exchange rate risk*

Exchange rate risk refers to the risk of adverse movements in exchange rates for the Group from the time that the target exchange rate is agreed, i.e. when a Group entity commits itself to receive or pay in a foreign currency at a future date, and the time when this commitment becomes first an order and then an invoiced amount.

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

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

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

b) Interest rate risk

Interest rate risk is the risk of an uncontrolled increase in charges deriving from the payment of floating-rate interest on the Group's long-term borrowings.

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

Hedges are taken out for loans whenever it is thought advisable. The duration of a hedge cannot exceed the maturity of the loan.

Financial hedging instruments and their accounting treatment

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

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

Financial instruments are therefore treated under hedge accounting rules when:

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

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

In the present interim financial report, the Group has applied the amendment to IAS 39 under the heading of *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*, approved by the IASB in April 2005.

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

The fair value of derivatives on exchange rates is calculated with reference to their intrinsic value and their time value; the intrinsic element is recognised in the fair value reserve in equity, whereas the time element is booked directly to income as financial income or expense. When the underlying element being hedged becomes

manifest, the fair value reserve is removed and attributed to the carrying value of the underlying.

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

TAXES

As prescribed by IAS 34, interim results have to be shown net of income tax, based on the best estimate of the income tax rate expected for 2005 and calculated definitively for 2004.

Current and deferred taxes are debited or credited directly to equity if they refer to items debited or credited directly to equity.

REVENUE RECOGNITION

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

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

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

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

Transactions and balances

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

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

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

Group companies

The translation into euros of the financial statements of foreign companies included in the scope of consolidation is carried out by applying the current exchange rate at

the closing date to balance sheet items and the average exchange rate for the period to income statement items.

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

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

SEGMENT INFORMATION

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

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

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

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

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

DIVIDENDS

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

EARNINGS PER SHARE

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

MAIN IFRS 1 EXEMPTIONS

For the purposes of preparing these interim financial statements and the comparative figures that they contain, the accounting policies set out in the preceding sections were applied retrospectively, with the exception of a number of exemptions to retrospective application permitted by IFRS 1 that the IMA Group chose to adopt:

- **Business combinations:** the values of business combinations that took place prior to 1 January 2004 have not been restated.
- **Property, plant and equipment:** certain property, plant and equipment classified as "Land and buildings" have been valued at fair value at the transition date and this value has been used as the so-called "deemed cost".

- **Employee benefits:** the cumulative actuarial gains and losses have been recognised in full at the transition date, so the option to use the "corridor method" was not exercised.
- **Cumulative translation differences:** the option to cancel the translation reserve at the transition date was exercised, as foreseen by IAS 21, starting to account for translation differences from that date onwards.
- **Derivative financial instruments:** IAS 32 and 39 have been applied from 1 January 2004; the comparative figures shown in the first year of transition therefore comply with these standards.

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

D) CONSOLIDATION PRINCIPLES

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

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

- the book value of consolidated investments held by the parent company or by other consolidated companies is eliminated against the Group share of their equity, while booking their assets and liabilities.
- any difference between the total cost of acquisition and the Group's share of the fair values of the net identifiable assets and potential liabilities of the consolidated company is recognised as goodwill under intangible assets;
- significant transactions between consolidated companies are eliminated as are the receivables and payables and any unrealized income resulting from intercompany transactions.
- minority interests in equity and net profit are shown as separate items in the consolidated balance sheet and income statement, respectively;
- companies acquired or sold during the period are consolidated for the period in which a majority interest was held.

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, with proportionate consolidation as the method of accounting.

Proportionate consolidation means that the financial statements of each participant discloses its share of joint venture's assets, liabilities, income and expenses. Companies acquired or sold during the period are consolidated for the period in which a majority interest was held.

E) SCOPE OF CONSOLIDATION

The quarterly report at 31 December 2005 includes the financial and operating information of I.M.A. - Industria Macchine Automatiche S.p.A. (Parent Company) and all the companies over which it exercises direct or indirect control.

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

- Absorption by IMA S.p.A. of Comitec S.r.l., with effect from 1 January 2005.
- On 23 May 2005, the Parent Company acquired 30% of LA.CO. S.r.l., a company based in Ozzano dell'Emilia operating in mechanical manufacturing, turning and milling, calibration and repair of machine tools. The purpose of the investment is to enable the Group to take a stake in suppliers that are important for its own manufacturing operations.
- On 22 July 2005 the Board of Directors of IMA S.p.A. approved an increase in capital of the Chinese company Zibo IMA Xinhua Pharmatech Co. Ltd., which operates in the manufacture of pharmaceutical process machinery, for an amount of 2.0 million US dollars, to which IMA S.p.A. contributed 1.6 million US dollars, while the Chinese partner Xinhua Medical Co. contributed 0.4 million US dollars, in proportion to their respective interests in the company (IMA S.p.A. 82%, Xinhua Medical Co. Ltd. 18%).
- Since July 2005 there is a consortium contract in operation between the Parent Company IMA S.p.A. (25% interest), Info Area S.r.l. (25%) and a third company (50%) to provide IT services to the members of the consortium. The contract is due to expire on 31 December 2007, subject to extension or early winding-up to be resolved unanimously by the members in general meeting.
- On 30 September 2005, after completion of the formalities required for the conferral of Telstar's activities and approval from the Antitrust Authority, an agreement was signed for IMA S.p.A. to buy 50% of the shares in a new Spanish company to which the Spanish Telstar Group had transferred its activities in the field of lyophilization machines for the pharmaceutical industry. The company, called IMA-Telstar S.L., controls 55% of the Chinese company Telstar Huadong Co. Ltd., based in Shanghai, which operates in the same sector. IMA S.p.A.'s participation took the form of a 10.5 million euro cash increase in IMA Telstar's share capital. The Telstar Group's lyophilization business had sales in 2004 of 16 million euros and EBITDA of 17.5%. IMA had been looking for some time into various ways of entering the lyophilization sector, as this is a process that is becoming more and more popular, especially in the production of pharmaceuticals derived from biotechnologies. This activity is also synergic, from a commercial point of view, with sterile-environment filling plants, an area in which the IMA Group holds an important market share, having invested a great deal in it. IMA-Telstar S.L. has been consolidated from 1 July 2005, the date on which we acquired the economic effects of the deal that followed conferral of the lyophilization activities to the vehicle company used for the joint venture, which took place on 30 June 2005.
- On 13 December 2005 the subsidiaries Luxteco Int. S.A. and Holteco B.V. which held 99.38% and 0.62% respectively of IMA Far East Co. Ltd., sold there investments to third parties; this operation did not generate significant costs for the Group.

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

**COMPANIES CONSOLIDATED
ON A LINE-BY-LINE BASIS**

| | Registered offices | | Share capital fully paid-in | Direct investment | Indirect investment |
|---|-------------------------|-----|--------------------------------|----------------------|------------------------|
| Manufacturing companies: | | | | | |
| • I.M.A. Industria Macchine Automatiche S.p.A | Ozzano E. (BO) | EUR | 18,772,000 | Parent company | |
| • CO.MA.DI.S. S.p.A. | Senago (MI) | EUR | 1,540,000 | 100% | – |
| • IMA Kilian GmbH & Co. KG | Cologne (Germany) | EUR | 3,600,000 | – | 100% (1) |
| • Precision Gears Pvt. Ltd. | Mumbai (India) | RS | (*) 17,852,100 | 51% | – |
| • Zibo IMA Xinhua Machinery Manufacturing Co. Ltd. | Zibo (PRC) | USD | 820,727 | 82% | – |
| • Zibo IMA Xinhua Pharmatech Co. Ltd. | Zibo (PRC) | USD | 3,047,216 | 82% | – |
| • Tianjin IMA Machinery Co. Ltd. | Tianjin (PRC) | USD | 206,204 | 65% | – |
| • Nova Packaging Systems Inc. | Leominster (USA) | USD | 8,050,000 | – | 90.68% (2) |
| • Swiftpack Automation Ltd. | Alcester (UK) | GBP | 1,403,895 | – | 90.68% (3) |
| Marketing companies: | | | | | |
| • IMA UK Ltd. | Wokingham (UK) | GBP | 50,000 | 100% | – |
| • IMA North America Inc. | Bristol (USA) | USD | 2,500 | 100% | – |
| • I.M.A. Est Verp. Handels GmbH | Vienna (Austria) | EUR | 280,000 | 100% | – |
| • IMA Germany GmbH | Cologne (Germany) | EUR | 90,000 | 100% | – |
| • IMA France E.u.r.l. Rueil-Malmaison | (France) | EUR | 45,735 | 100% | – |
| • IMA Far East Co. Ltd. | Hong Kong | USD | 6,672,969 | – | 100% (4) |
| • IMA Pacific Co. Ltd. | Bangkok (Thailand) | THB | (*) 40,219,000 | 99.99% | – |
| • IMA Packaging and Processing Equipment (Beijing) Co. Ltd. | Beijing (PRC) | USD | 1,367,285 | 100% | – |
| • Imautomatiche Lda | Madeira (Portugal) | EUR | 5,000 | 100% | – |
| • IMA Iberica Processing and Packaging S.L. | Barcelona (Spain) | EUR | 590,000 | 100% | – |
| Other companies: | | | | | |
| • Info Area S.r.l. | Ozzano E. (BO) | EUR | 98,800 | 100% | – |
| • IMA Kilian Verwaltungs GmbH | Cologne (Germany) | EUR | 25,000 | – | 100% (1) |
| Holding companies: | | | | | |
| • Luxteco International S.A. | Luxembourg | EUR | 2,400,000 | 99.99% | – |
| • Holteco B.V. | Amsterdam (Netherlands) | EUR | 184,000 | 100% | – |
| • Packaging Systems Holdings LLC | Wilmington (USA) | USD | (**) 8,050,000 | 90.68% | – |

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

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

Notes (list of indirect investments):

- (1) Held by IMA Germany GmbH
- (2) Held by Packaging Systems Holdings LLC
- (3) Held by Nova Packaging Systems Inc.
- (4) Sold to third parties during fourth quarter 2005

COMPANIES CONSOLIDATED ON A PROPORTIONAL BASIS

| | Registered offices | Share capital fully paid-in | Direct investment | Indirect investment |
|--------------------------|--------------------|--------------------------------|----------------------|------------------------|
| IMA-Telstar S.L. | Terrassa (Spain) | EUR 4,946,400 | 50% | – |
| Telstar Huadong Co. Ltd. | Shanghai (PRC) | USD 2,152,143 | – | 27.5% ⁽⁵⁾ |

Notes (list of indirect investments):

⁽⁵⁾ 55% held by IMA-Telstar S.L.

The consolidated financial statements at 31 December 2005 include the Group's quota of IMA-Telstar S.L. and Telstar Huadong Co. Ltd., both consolidated on a proportional basis.

COMPANIES VALUED USING THE EQUITY METHOD

| | Registered offices | Share capital fully paid-in | Direct investment | Indirect investment |
|---------------------|--------------------|--------------------------------|----------------------|------------------------|
| B.C. S.r.l. | Imola (BO) | EUR 36,400 | 30% | – |
| LA.CO. S.r.l. | Ozzano E. (BO) | EUR 30,000 | 30% | – |
| Consorzio Info Area | Ozzano E. (BO) | EUR(*)50,000 | 25% | 25% ⁽⁶⁾ |

^(*) Quotas of the consortium fund

Notes (list of indirect investments): ⁽⁶⁾ Held by Info Area S.r.l.

The consolidated financial statements at 31 December 2005 include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which the significant influence begins to the date that it ends. Equity investments in associates are initially recorded at purchase cost. Any excess in the purchase cost with respect to the Group's proportional share of the current value of the investee company's net assets is included in the value of the investment.

F) COMMENTS ON THE MAIN ASSET CAPTIONS

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

NON-CURRENT ASSETS

1. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment show a net increase of 0.3 million euros. Movements in property, plant and equipment during the period can be analysed as follows (millions of euros):

| | Land | Buildings and leasehold improvem. | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and advances | Total |
|-------------------------------------|-------------|--|------------------------|--|-----------------|--|-------------|
| Balances at 1.1.05 | 14.4 | 34.6 | 16.6 | 1.9 | 4.2 | 1.3 | 73.0 |
| Increases for the period | – | 1.5 | 1.4 | 0.6 | 1.1 | 2.2 | 6.8 |
| Sales and disposals | – | (0.1) | (0.4) | – | – | – | (0.5) |
| Change in scope of consolidation | 0.3 | 0.4 | 0.2 | – | 0.1 | – | 1.0 |
| Depreciation | – | (1.5) | (3.3) | (0.8) | (1.8) | – | (7.4) |
| Reclassifications | – | 0.3 | 0.4 | 0.2 | 0.1 | (1.0) | – |
| Exchange differences | – | 0.2 | 0.1 | – | 0.1 | – | 0.4 |
| Balances at 31.12.05 | 14.7 | 35.4 | 15.0 | 1.9 | 3.8 | 2.5 | 73.3 |

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

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

Some assets under land and buildings have been recognised at fair value at the transition date. This value has been used as the deemed cost. The effect of this was to increase the value of land by 6.3 million euros and buildings by 6.5 million euros.

Assets under construction and advances mainly regard urban development works on the land in Via Tolara, Ozzano dell'Emilia, incurred by the Parent Company, and machines produced internally by the subsidiary IMA Kilian GmbH & Co. KG, due to be used long term for demonstration and testing purposes.

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

The change in the scope of consolidation reflects the acquisition of IMA-Telstar S.L. and Telstar Huadong Co. as mentioned previously.

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

2. INTANGIBLE ASSETS

Movements in intangible assets during the period can be analysed as follows (millions of euros):

| | Development costs | Indust. trademarks patents and similar | Software, licences, develop. and similar | Goodwill | Assets under and advances | Total |
|------------------------------|-------------------|--|--|-------------|---------------------------|-------------|
| Balances at 01.01.05 | 1.5 | 0.7 | 4.2 | 48.5 | 2.4 | 57.3 |
| Increases for the period | 1.1 | 0.7 | 0.9 | – | 1.2 | 3.9 |
| Acquisition of Telstar Group | 2.0 | – | – | 3.4 | – | 5.4 |
| Amortization | (0.5) | (0.6) | (1.7) | – | – | (2.8) |
| Value increase/(decrease) | – | – | (0.1) | (1.9) | – | (2.0) |
| Writedown/Impairment | – | – | – | (3.2) | – | (3.2) |
| Reclassifications | 2.1 | 0.3 | – | – | (2.4) | – |
| Exchange differences | – | – | – | 0.7 | – | 0.7 |
| Balances at 31.12.05 | 6.2 | 1.1 | 3.3 | 47.5 | 1.2 | 59.3 |

The 6.2 million euros in development costs (1.5 million euros at 31 December 2004) include costs incurred in previous years by the Parent Company on projects that were eligible under IAS 38 for capitalisation as assets. Specifically, capitalised projects refer to the filling machines Sterifill F200 and F2000 and the Impresa 130, which were considered new products since they were not available previously and are targeted at new market segments. The amount of 2.0 million euros on the Acquisition of the Telstar Group line refers to know-how acquired in the field of lyophilization machines for the pharmaceutical industry and the production of pharmaceuticals deriving from biotechnologies. This amount has been assigned a useful life of 7 years as it is considered similar to development costs.

Software, licences, trademarks and similar rights, which amount to 3.3 million euros (4.2 million euros at 31 December 2004), include applications, management and technical software.

Goodwill comprises the following (millions of euros):

| | 31.12.2005 | 31.12.2004 |
|--|-------------|-------------|
| Acquisition of G.S. S.r.l. Coating System division | 7.4 | 7.4 |
| Acquisition of ICO OLEODINAMICI S.p.A. division | 3.1 | 3.1 |
| Acquisition of CO.MA.DI.S. S.p.A. | 3.8 | 3.8 |
| B.F.B. S.p.A | 1.8 | 1.8 |
| IMA Kilian GmbH & Co. KG | 14.8 | 18.0 |
| Nova Group | 13.2 | 14.4 |
| Telstar Group | 3.4 | – |
| Total | 47.5 | 48.5 |

In September 2004 the Company bought 90.68% of Packaging Systems Holdings LLC at the same time signing a put & call option for the residual 9.32% to be exercised by the end of May 2009. The 1.9 million euros under "value increase/(decrease)" represents the change in the value of goodwill in the Nova Group acquisition as a result of estimating the strike price of the put & call option.

As regards the impairment testing of goodwill shown in the balance sheet, we wrote down the value of the goodwill relating to IMA Kilian GmbH & Co. KG by 3.2 million euros. In fact, based on the same approach as before and in light of the actual results and forecasts prepared by management in a competitive scenario that is still uncertain, it proved necessary to align the value of the goodwill to the value in use of the cash generating unit resulting from the impairment test.

Of the 1.2 million euros (2.4 million euros at 31 December 2004) in assets under development and advances, 1.1 million euros relate to the capitalisation of development costs incurred by the Parent Company in 2004 and 2005. These mainly comprise internal planning and production and materials, and regard entirely new products for the pharmaceutical and packaging sectors, eligible for recognition as intangible assets.

3. INTERESTS IN ASSOCIATES

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

| | % holding | 31.12.2005 | 31.12.2004 |
|---------------|-----------|------------|------------|
| B.C. S.r.l. | 30% | 0.5 | 0.5 |
| LA.CO. S.r.l. | 30% | 0.5 | – |
| Total | | 1.0 | 0.5 |

In this case, the increase reflects the acquisition of 30% of LA.CO. S.r.l. during the second quarter of 2005. Moreover, since July 2005 there is a consortium contract in operation between the Parent Company IMA S.p.A. (25% interest), Info Area S.r.l. (25%) and a third company (50%) to provide IT services to the members of the consortium. The contract is due to expire on 31 December 2007, subject to extension or early winding-up to be resolved unanimously by the members in general meeting.

4. FINANCIAL ASSETS

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

assets. This section also includes financial receivables (0.3 million euro) and investments in other companies (0.1 million euro).

5. DEFERRED TAX ASSETS

At 31 December 2005, deferred tax assets amounted to 5.3 million euros (2.9 million euros at 31 December 2004). They mainly regard temporary differences in respect of the elimination of unrealised intra-group profits on sales of finished goods and the fiscal benefit of carry-forward tax losses.

CURRENT ASSETS

6. INVENTORIES

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

| | Net value | Writedowns | Gross value at 31.12.2005 | Net value at 31.12.2004 |
|--|--------------|---------------|---------------------------------|-------------------------------|
| Raw, ancillary and consumable materials | 20.4 | (4.8) | 15.6 | 13.2 |
| Work in progress and semifinished goods | 115.7 | (15.0) | 100.7 | 92.9 |
| Finished products and goods | 8.0 | (2.2) | 5.8 | 3.6 |
| Total | 144.1 | (22.0) | 122.1 | 109.7 |

The increase in inventories compared with 31 December 2004 is for the most part related to the significant amount of the order book already acquired at the end of the year and enlargement of the scope of consolidation to include IMA-Telstar S.L. and Telstar Huadong Co. Ltd. (2.0 million euros at 31 December 2005).

7. TRADE AND OTHER RECEIVABLES

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

| | 31.12.2005 | 31.12.2004 |
|-----------------------|--------------|-------------|
| Trade receivables | 98.8 | 88.1 |
| Advances to suppliers | 5.5 | 4.3 |
| Tax receivables | 1.6 | 2.9 |
| Prepayments | 1.9 | 1.7 |
| Other receivables | 1.1 | 1.4 |
| Total | 108.9 | 98.4 |

TRADE RECEIVABLES

Trade receivables include customer receivables of 81.3 million euros (75.3 million euros at 31 December 2004), amounts due on contract work in progress of 15.8 million euros (12.8 million euros at 31 December 2004) and receivables from associates of 1.7 million euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 2.0 million euros (2.1 million euros at 31 December 2004).

The increase with respect to the previous year is mainly due to higher revenues in the last quarter of the year compared with the same period in 2004.

2005 saw the non-recourse assignment of receivables with an overall nominal value of around 13.1 million euros; assigned receivables that had not yet fallen due at 31 December 2005 amounted to around 11.9 million euros, of which 7.8 million euros are assigned to factoring companies and 4.1 million euros to other financial institutions.

TAX RECEIVABLES

Tax receivables mainly consist of VAT receivables.

8. FINANCIAL ASSETS

This item, amounting to 4.6 million euros, mainly includes investments in government securities and corporate bonds for 0.4 million euros (0.6 million euros at 31 December 2004) and deposits of 4.2 million euros, made by IMA-Telstar S.L. with leading international banks, maturing in fourth quarter 2006, in order to invest in the best way possible the funds made available as a result of the increase in capital by IMA S.p.A. for the acquisition.

9. DERIVATIVES

The amount of 0.1 million euros represents the fair value of an option contract hedging the interest rate risk on a medium-term loan. This contract complies with the rules on hedge accounting. At 31 December 2004 this item amounted to 1.6 million euros and represented the fair value of derivatives hedging the exchange risk on 37.2 million US dollars and 120.0 million yen.

10. CASH AND CASH EQUIVALENTS

This item comprises (millions of euros):

| | 31.12.2005 | 31.12.2004 |
|-----------------------|-------------|-------------|
| Bank current accounts | 55.8 | 45.5 |
| Demand deposits | 1.7 | 1.4 |
| Cheques and cash | 0.3 | 0.1 |
| Total | 57.8 | 47.0 |

The increase in cash and cash equivalents compared with 31 December 2004, of 10.8 million euros, is due to the particular concentration of collections in the month of December.

G) COMMENTS ON THE MAIN LIABILITY CAPTIONS

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

CONSOLIDATED EQUITY

The individual items making up equity are shown in the table of changes in consolidated equity.

11. SHARE CAPITAL

The share capital reported in the consolidated financial statements at 31 December 2005 refers to share capital issued (fully subscribed and fully paid-in) by the Parent Company, IMA S.p.A., made up of 36,100,000 ordinary shares with a par value of 0.52 euros each.

12. TREASURY SHARES

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

- purchases of 2,287,340 treasury shares for 22.1 million euros;

- sales of 696,105 treasury shares for 7.7 million euros, between May and September 2005; these sales generated a capital gain of 0.5 million euros, net of tax effects.

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

The table below shows the number of shares in circulation:

| Thousands of shares | 31.12.2005 | 30.09.2005 | 31.12.2004 |
|------------------------------|---------------|---------------|---------------|
| Number of shares | 36,100 | 36,100 | 36,100 |
| Own shares acquired | (2,287) | (1,349) | – |
| Own shares sold | 696 | 696 | – |
| Shares in circulation | 34,509 | 35,447 | 36,100 |

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

13. FAIR VALUE RESERVE

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

| | |
|---|--------------|
| Balance at 01.01.2004 | 1.5 |
| <i>Cash flow hedges/hedging instruments</i> | |
| Valuation at fair value | 1.7 |
| Fair value - tax effect | (0.5) |
| Realisation recognised in income | (2.4) |
| Realisation recognised in income - tax effect | 0.8 |
| Balance at 31.12.2004 | 1.1 |
| <i>Available for sale</i> | |
| Valuation at fair value | 0.1 |
| <i>Cash flow hedges/hedging instruments</i> | |
| Valuation at fair value | (1.5) |
| Fair value - tax effect | 0.5 |
| Realisation recognised in income | (1.6) |
| Realisation recognised in income - tax effect | 0.5 |
| Balance at 31.12.2005 | (0.9) |

NON-CURRENT AND CURRENT LIABILITIES

14. BORROWINGS

This item mainly includes amounts payables to banks for 146.0 million euros (117.4 million euros at 31 December 2004) and payables to other lenders for 6.8 million euros (7.6 million euros at 31 December 2004).

PAYABLES TO BANKS

The increase in the exposure to banks compared with 31 December 2004 is related mainly to the capital injection at IMA-Telstar S.L. and to the purchase of treasury shares.

Applied research and technological innovation loans

Over the period, maturing instalments were paid regularly for an overall amount of 4.0 million euro; in addition, the Parent Company received new loans of 4.9 million euros.

Other

The main changes in this item relate to contractual repayments for a total of 27.0 million euros and new loans to the Parent Company of 44.6 million euros and to the subsidiary IMA Kilian GmbH & Co. KG of 1.7 million euros.

PAYABLES TO OTHER LENDERS

At 31 December 2005, this item included 6.5 million euros in respect of a lease held by Libra P.T. S.r.l. (merged into IMA S.p.A. with effect from 1 January 2004) for land and an industrial building on the property, which became available in August 2003. The non-current portion regards payables due after 5 years totalling 1.5 million euros.

Net debt at 31 December 2005 amounts to 86.8 million euros and is made up as follows:

| millions of euros | 31.12.2005 | 30.09.2005 | 31.12.2004 | 30.09.2004 |
|-------------------------------------|------------|------------|------------|------------|
| Net debt | 86.8 * | 128.9** | 74.0 | 103.8 |
| Of which: | | | | |
| • Cash and current financial assets | (62.4) | (24.3) | (47.7) | (18.5) |
| • Non-current financial assets | (3.6) | (3.7) | (3.3) | (3.7) |
| • Current financial liabilities | 68.0 | 100.3 | 71.3 | 79.6 |
| • Non-current financial liabilities | 84.8 | 56.6 | 53.7 | 46.4 |

(*) *The net debt reflects the outlay of 14.4 million euros to buy the treasury shares held at 31 December 2005.*

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

The increase in net debt compared with 31 December 2004 is largely due to the outlay for treasury shares, an item that did not form part of the previous year's exposure. Moreover, our investment in IMA-Telstar S.L. was completed during September 2005 with the payment of 10.5 million euros to this newly incorporated company. At this date, the Spanish affiliate had consolidated net financial assets of 11.6 million euros. To finance this acquisition, the Parent Company took out a non-current loan of 12.0 million euros in October 2005, with maturity October 2011. The impact of this acquisition on net debt at 31 December 2005 amounts to some 5.9 million euros.

Compared with 30 September 2005, the financial situation shows a substantial improvement thanks to positive cash flow in the fourth quarter and higher collections compared with the first nine months of the year.

15. PROVISIONS FOR RISKS AND CHARGES

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

| | Balance at 31.12.2004 | Provisions | Uses | Change in the scope of cons. | Balance at 31.12.2005 |
|----------------------------------|--------------------------|------------|--------------|---------------------------------|--------------------------|
| Non-current: | | | | | |
| • Agency termination indemnities | 0.9 | 0.2 | – | – | 1.1 |
| | 0.9 | 0.2 | – | – | 1.1 |
| Current | | | | | |
| • Product guarantee provision | 4.2 | 0.9 | (0.8) | 0.1 | 4.4 |
| • Other | 0.9 | 0.5 | (0.9) | – | 0.5 |
| | 5.1 | 1.4 | (1.7) | 0.1 | 4.9 |
| Total | 6.0 | 1.6 | (1.7) | 0.1 | 6.0 |

The other risk provisions are mainly tax provisions to cover possible liabilities that may emerge as a result of various tax audits that were carried out during the year.

16. DEFERRED TAX LIABILITIES

At 31 December 2005, deferred tax liabilities amount to 4.1 million euros (3.6 million euros at 31 December 2004) and relate mainly to temporary differences between the book values of certain tangible and intangible assets in the balance sheet and their values recognised for tax purposes.

17. TRADE AND OTHER PAYABLES

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

| | 31.12.2005 | 31.12.2004 |
|--------------------------|--------------|--------------|
| Trade payables | 86.4 | 74.1 |
| Advances from customers | 34.5 | 30.6 |
| Social security payables | 4.1 | 4.2 |
| Tax payables | 3.5 | 2.7 |
| Employee payables | 13.4 | 9.9 |
| Acquisition payables | 5.6 | 6.5 |
| Other | 2.0 | 2.8 |
| Total | 149.5 | 130.8 |

TRADE PAYABLES

This item includes trade payables of 78.0 million euros (67.9 million euros at 31 December 2004), payables to agents of 5.5 million euros (5.7 million euros at 31 December 2004) and trade payables to associates of 29 million euros (0.5 million euros at 31 December 2004). The increase with respect to the previous year is mainly linked to the higher level of inventories at the end of the period.

ADVANCES FROM CUSTOMERS

The increase in advances from customers for future deliveries compared with 31 December 2004 is mainly due to the steps taken over the last three years to negotiate better payment terms with customers.

TAX PAYABLES

Tax payables refer mostly to withholding taxes for employees.

DUE TO EMPLOYEES

The increase in this item with respect to 31 December 2004 principally reflects a one-off amount due to employees under the new national labour contract for metalworkers and certain severance indemnities that are to be paid.

ACQUISITION PAYABLES

This item includes the residual liability for the acquisition of 90.68% of Packaging Systems Holdings LLC, for 3.3 million US dollars (2.8 million euro), falling due for 3 million US dollars in May 2006 and the rest in May 2009. In connection with this acquisition, the Parent Company has signed an agreement under which it has granted a put option for the remaining shares in exchange for a call option for them. Both of these options can be exercised by the end of May 2009, at a price index-linked to the gross operating profit achieved by the Nova Group between 1 January 2005 and 31 December 2008. The estimated payable to acquire the remaining shares is 2.6 million euros (4.1 million euros at 31 December 2004).

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

18. DERIVATIVES

At 31 December 2005 financial derivatives amounted to 1.7 million euros. Exchange rate hedges have changed from 37.2 million US dollars and 120.0 million yen at 31 December 2004 to 39.4 million US dollars at 31 December. In the meantime, their fair value went from a positive 1.6 million euros at 31 December 2004 to a negative 1.7 million euros at 31 December 2005.

CASH FLOW HEDGES

Cash flow hedges include forward foreign exchange sales and options to hedge exchange rate risk. In the period, an interest rate swap (IRS) entered into by the Parent Company in 2000 with a leading bank expired. This contract was eligible for hedge accounting and was used to hedge part of borrowings.

FAIR VALUE HEDGES

An IRS with a leading bank entered into by the Parent Company in 2000 also expired during 2005.

H) COMMENTS ON THE MAIN INCOME STATEMENT CAPTIONS**19. REVENUES**

The following is a breakdown of IMA Group revenues in 2005 by geographical and business segment (millions of euros):

REVENUES BY GEOGRAPHICAL SEGMENT

| | Year 2005 | Year 2004 | Change |
|----------------------------------|--------------|--------------|-------------|
| European Union (excluding Italy) | 156.5 | 151.5 | 5.0 |
| Other European countries | 31.4 | 26.8 | 4.6 |
| North America | 86.3 | 74.0 | 12.3 |
| Asia | 50.3 | 53.3 | (3.0) |
| Other countries | 35.7 | 34.9 | 0.8 |
| Total exports | 360.2 | 340.5 | 19.7 |
| Italy | 38.6 | 31.5 | 7.1 |
| Total | 398.8 | 372.0 | 26.8 |

REVENUES BY BUSINESS SEGMENT

| | Year 2005 | Year 2004 | Change |
|-------------------------|--------------|--------------|-------------|
| Machines and size parts | 238.4 | 248.6 | (10.2) |
| Contract work | 74.7 | 40.4 | 34.3 |
| Spare parts | 51.6 | 48.7 | 2.9 |
| Technical assistance | 19.2 | 19.7 | (0.5) |
| Other services | 14.9 | 14.6 | 0.3 |
| Total | 398.8 | 372.0 | 26.8 |

20. PERSONNEL COSTS

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

| | Year 2005 | Year 2004 | Change |
|---------------------------------------|--------------|--------------|-------------|
| Wages and salaries | 89.2 | 80.9 | 8.3 |
| Social security contributions | 22.9 | 22.9 | – |
| Remuneration of directors | 1.1 | 1.2 | (0.1) |
| Pensions - defined-benefit plans | 4.5 | 4.8 | (0.3) |
| Pensions - defined-contribution plans | 1.2 | 0.7 | 0.5 |
| Other personnel costs | 7.5 | 4.5 | 3.0 |
| Total | 126.4 | 115.0 | 11.4 |

It should be noted that the figure at 31 December 2005 contains 8.4 million euros of personnel costs for the Nova Group, which has been included in the scope of consolidation since the fourth quarter of 2004 (2.1 million euros in 2004).

The 2005 figure also includes 0.7 million euros related to the Telstar Group.

21. DEPRECIATION AND AMORTIZATION

This item includes depreciation of property, plant and equipment of 7.4 million euros (7.5 million euros in 2004), amortization di intangible assets of 2.8 million euros (3.4 million euros), goodwill writedown of 3.2 million euros as discussed in note 2 and other writedowns of 0.3 million euros (0.5 million euros).

22. FINANCIAL INCOME

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

| | Year 2005 | Year 2004 | Change |
|--|------------|------------|--------------|
| Interest income from banks | 1.0 | 1.2 | (0.2) |
| Interest income on receivables from customers and other financial income | 0.2 | 0.4 | (0.2) |
| Income on derivatives | 1.4 | 1.2 | 0.2 |
| Exchange rate gains | 5.5 | 5.9 | (0.4) |
| Total | 8.1 | 8.7 | (0.6) |

23. FINANCIAL EXPENSE

This item comprises the following (millions of euros):

| | Year 2005 | Year 2004 | Change |
|------------------------------------|-------------|-------------|------------|
| Interest expense on bank payables | 5.1 | 4.0 | 1.1 |
| Interest expense on discounting | 0.2 | 0.5 | (0.3) |
| Interest expense on finance leases | 0.2 | 0.3 | (0.1) |
| Expense on derivatives | 1.8 | 1.6 | 0.2 |
| Other financial expense | 0.6 | 0.9 | (0.3) |
| Exchange rate losses | 7.8 | 5.6 | 2.2 |
| Total | 15.7 | 12.9 | 2.8 |

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

At 31 December 2005, exchange gains and losses included, respectively, an unrealised gain of 1.5 million euros and an unrealised loss of 2.5 million euros.

24. INCOME TAX FOR THE PERIOD

Income tax for the period is calculated on the best estimate of the tax rate expected for 2005, as envisaged by IAS 34.

The amount of tax that will actually be paid in March 2006, based on a definitive calculation, may well differ from this estimate as various countries' tax regulations are involved; however, differences are unlikely to be significant. The increased incidence of income taxes as a percentage of the pre-tax result, compared with last year, is principally due to non-deductible charges and subsidiaries' losses that do not have the requisites for booking deferred tax assets.

Note that at 31 December 2005, this item also includes a provision of 0.8 million euros for the estimated liability that could arise from tax audits on various Group companies.

I) SEGMENT INFORMATION

ANALYSIS OF PERFORMANCE BY SECTOR

The following table gives a breakdown of revenues by sector during the period, compared with the corresponding period in 2004 (millions of euros):

| | year 2005 | year 2004 | Change |
|--------------------------------------|--------------|--------------|-------------|
| Tea, herbal tea and coffee packaging | 70.9 | 67.2 | 3.7 |
| Pharmaceutical packaging and other | 223.4 | 202.0 | 21.4 |
| Pharmaceutical processing | 104.5 | 102.8 | 1.7 |
| Total revenues | 398.8 | 372.0 | 26.8 |

Revenues in the tea, herbal tea and coffee packaging segment rose by 5.5% compared with the previous year's record level, confirming the Group's strong leadership position in that market.

The growth in packaging revenues is largely to do with the enlarged scope of consolidation following the Nova Group's inclusion for the whole of year (in 2004 it had only been consolidated for the last quarter of the year) and consolidation of the Telstar Group for the second half.

Lastly, the pharmaceutical processing segment turned in higher revenues despite very weak demand.

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

| | Year 2005 | Year 2004 | Change |
|--------------------------------------|-------------|-------------|--------------|
| Tea, herbal tea and coffee packaging | 23.2 | 21.7 | 1.5 |
| Pharmaceutical packaging and other | 13.1 | 8.6 | 4.5 |
| Pharmaceutical processing | (0.7) | 6.4 | (7.1) |
| Total operating profit | 35.6 | 36.7 | (1.1) |

Analysing the above changes compared with the previous year shows an important increase in operating profit on the part of the tea sector. And despite heavy investment in the development of new products and strengthening the sales and marketing structures, operating profit as a percentage of sales has remained more or less the same as last year.

The figure for the divisions that make up the pharmaceutical packaging sector is better than in 2004, but still unsatisfactory, being affected by the strong pressure on prices that is a current feature of the pharmaceutical market, given that it is not yet able to benefit from the US dollar's increased stability. However, elements that emerged during the last quarter seem to confirm a significant improvement in margins.

The pharmaceutical processing sector is showing a further squeeze on margins compared with last year's already poor results. The results were also affected by the undoubtedly non-recurring costs incurred to transfer IMA-Kilian GmbH & Co. KG to its new Cologne plant, inefficiencies caused by the transfer and reorganisation costs.

J) OTHER INFORMATION

GUARANTEES GRANTED

At 31 December 2005, the Group had granted sureties to customers of 9.7 million euros for the proper operation of machinery, bid bonds and advances not yet received, sureties in favour of the municipality of Ozzano dell'Emilia (BO) for 0.7 million euros to secure performance of contracts, sureties of 1.5 million euros to guarantee the proper exercise of the options to acquire the remainder of the Nova Group and sureties to others totalling 0.5 million euros to secure leases, sundry utilities and customs duties.

Sureties granted against advances received amounted to about 23.5 million euros (17.3 million euros at 31 December 2004).

COMMITMENTS

At 31 December 2005 commitments to purchase property, plant and equipment came to 0.1 million euros.

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

RELATED-PARTY TRANSACTIONS

Related-party transactions are mainly real estate operations (leased premises used by the Company or the Group) or commercial and/or supplementary production

agreements. None is of special economic or strategic interest to the Company or the Group, and they are conducted on an arm's length basis.

The following table details the main transactions carried out by IMA S.p.A. and other Group companies with related parties, primarily the directors of the Parent Company, at 31 December 2005 (millions of euros):

| | Receivables | Payables | Revenues | Costs |
|---------------------------|-------------|----------|----------|-------|
| Advantech S.r.l. | – | – | – | 1.0 |
| Datasensor S.p.A. | – | 0.1 | – | 0.1 |
| Ferretti S.p.A. | – | – | 0.4 | – |
| Fondazione Ramazzini | – | – | – | 0.1 |
| Italbe S.r.l. | – | – | – | 0.1 |
| Lopam S.r.l. | – | – | – | 0.3 |
| Naturapack S.r.l. | 0.7 | – | 1.3 | 0.8 |
| Luca Poggi | – | 0.2 | – | 0.2 |
| Sporting Club Gira S.r.l. | – | – | – | 0.3 |
| Viaggi Nuova Era S.r.l. | – | 1.2 | – | 3.2 |
| Vima S.r.l. | 0.4 | 3.1 | – | 7.6 |

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

| | Receivables | Payables | Revenues | Costs |
|---------------------|-------------|----------|----------|-------|
| B.C. S.r.l. | – | 0.6 | – | 2.6 |
| LA.CO. S.r.l. | – | 0.8 | – | 1.6 |
| Consorzio Info Area | 1.7 | 1.5 | 1.4 | 1.3 |

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

The above positions are primarily held by the Parent Company.

SIGNIFICANT EVENTS AFTER THE END OF THE FOURTH QUARTER

No significant events have taken place after the end of the fourth quarter.

K) IFRS RECONCILIATIONS AT 31 DECEMBER 2004

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

The following schedules provide the reconciliation between equity according to Italian GAAP and equity according to IFRS at 31 December 2004, as well as the reconciliation between the consolidated net result according to Italian GAAP and the result according to IFRS for 2004, as required by "IFRS 1: First-Time Adoption of International Financial Reporting Standards", together with explanatory notes.

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

RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2004

(MILLIONS OF EUROS)

| Notes | ASSETS | Italian GAAP | IFRS transition effects | IFRS |
|-------|--|-----------------|----------------------------|--------------|
| | Non-current assets | | | |
| 1. | <i>Property, plant and equipment</i> | 59.5 | 13.5 | 73.0 |
| 2. | <i>Intangible assets</i> | 50.4 | 6.9 | 57.3 |
| | <i>Investments in associates</i> | 0.5 | – | 0.5 |
| | <i>Financial assets</i> | 3.3 | – | 3.3 |
| | <i>Receivables from others</i> | 0.8 | – | 0.8 |
| 3. | <i>Deferred tax assets</i> | 6.5 | (3.6) | 2.9 |
| | TOTAL NON-CURRENT ASSETS | 121.0 | 16.8 | 137.8 |
| | CURRENT ASSETS | | | |
| 4. | <i>Inventories</i> | 128.7 | (19.0) | 109.7 |
| | <i>Trade and other receivables</i> | | | |
| 5. | - Trade receivables | 75.3 | 12.7 | 88.0 |
| 6. | - Advances, tax credits and other receivables | 12.2 | (1.8) | 10.4 |
| | <i>Total trade and other receivables</i> | 87.5 | 10.9 | 98.4 |
| | <i>Income tax receivables</i> | 5.3 | – | 5.3 |
| | <i>Financial assets</i> | 0.7 | – | 0.7 |
| 7. | <i>Derivative financial instruments</i> | – | 1.6 | 1.6 |
| 8. | <i>Cash and cash equivalents</i> | 50.3 | (3.3) | 47.0 |
| | TOTAL CURRENT ASSETS | 272.5 | (9.8) | 262.7 |
| | TOTAL ASSETS | 393.5 | 7.0 | 400.5 |
| | EQUITY AND LIABILITIES | | | |
| | EQUITY | | | |
| | <i>Share capital</i> | 18.8 | – | 18.8 |
| | <i>Share premium reserve</i> | 16.4 | – | 16.4 |
| 9. | <i>Other reserves</i> | 28.9 | (0.4) | 28.5 |
| 10. | <i>Translation adjustment</i> | (2.6) | 1.4 | (1.2) |
| 11. | <i>Fair value reserve</i> | – | 1.1 | 1.1 |
| 12. | <i>Retained earnings</i> | 18.8 | 8.0 | 26.8 |
| 13. | <i>Profit (loss) for the period</i> | 13.3 | 3.5 | 16.8 |
| | <i>Total capital and reserves of the Group</i> | 93.6 | 13.6 | 107.2 |
| 14. | <i>Minority interests</i> | 2.9 | (0.6) | 2.3 |
| | EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS | 96.5 | 13.0 | 109.5 |
| | NON-CURRENT LIABILITIES | | | |
| 15. | <i>Borrowings</i> | 54.4 | (0.7) | 53.7 |
| 16. | <i>Severance and pension obligations</i> | 22.5 | 1.7 | 24.2 |
| 17. | <i>Provisions for risks and charges</i> | 1.8 | (0.9) | 0.9 |
| 18. | <i>Deferred tax liabilities</i> | – | 3.6 | 3.6 |
| | TOTAL NON-CURRENT LIABILITIES | 78.7 | 3.7 | 82.4 |
| | CURRENT LIABILITIES | | | |
| | <i>Borrowings</i> | 71.4 | (0.1) | 71.3 |
| | <i>Trade and other payables</i> | | | |
| 19. | - Trade payables | 74.0 | 0.2 | 74.2 |
| 20. | - Advances received | 40.2 | (9.5) | 30.7 |
| 21. | - Tax and other payables | 26.3 | (0.4) | 25.9 |
| | <i>Total trade and other payables</i> | 140.5 | (9.7) | 130.8 |
| | <i>Income tax liabilities</i> | 1.3 | – | 1.3 |
| | <i>Provisions for risks and charges</i> | 5.1 | – | 5.1 |
| | <i>Derivative financial instruments</i> | – | 0.1 | 0.1 |
| | TOTAL CURRENT LIABILITIES | 218.3 | (9.7) | 208.6 |
| | TOTAL LIABILITIES | 297.0 | (6.0) | 291.0 |
| | TOTAL EQUITY AND LIABILITIES | 393.5 | 7.0 | 400.5 |

NOTES TO RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2004

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

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

| | |
|--|-------|
| 1. The impact on property, plant and equipment is mainly due to the valuation at fair value at the transition date of certain assets in the categories land and buildings as permitted by IFRS 1; the impact of this valuation was 12.8 million euros at the transition date, from which have to be deducted higher depreciation in 2004 of 0.2 million euros. To this has to be added 0.9 million euros due to the reclassification of costs incurred on assets not owned by the company, as mentioned in note 2. | |
| 2. Intangible assets: | |
| i. capitalisation of development costs recognised in previous years in the income statement as permitted under Italian GAAP | 1.5 |
| ii. elimination of start-up and expansion costs | (0.6) |
| iii. elimination of amortization of goodwill and goodwill arising on consolidation recognised in 2004 | 4.9 |
| iv. reclassification to property, plant and equipment of costs incurred on assets not owned by the company | (0.9) |
| v. recalculation of goodwill relating to the acquisition of Nova in compliance with IFRS 3 (see Note A below) | 3.3 |
| vi. elimination of costs included in other intangible assets (see Note B below) | (1.3) |
| Total impact | 6.9 |

(Note A)

In September 2008 the Company bought 90.68% of Packaging Systems Holdings LLC, at the same time signing a put & call option for the residual 9.32% to be exercised by the end of May 2009, at a price that has a pre-established minimum amount and a variable component based on the meeting certain income statement and balance sheet objectives. Under IFRS, this option contract represents extended payment terms for the remainder of the company's share capital; the estimated value of the discounted strike price of the put & call option has therefore been included in the acquisition cost, contributing towards total goodwill.

(Note B)

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

| | |
|---|-----|
| 3. The amount refers to the tax effects of the adjustments made for the transition to IFRS at 31 December 2004. | |
| 4. The impact on inventories is due to: | |
| i. higher value of inventories due to their valuation at weighted average cost compared with LIFO | 0.4 |

| | |
|---|--------|
| ii. construction contracts valued in accordance with the completed contract method under Italian GAAP and under the percentage of completion method according to IAS 11 | (5.1) |
| iii. reclassification to trade receivables of construction contracts in progress previously recognised on a percentage of completion basis | (14.3) |
| Total impact | (19.0) |
| 5. Trade receivables: | |
| i. amount due to customers for contract work based on accrued revenues (see note 4 ii.) | 8.0 |
| ii. reclassification of construction contracts (see note 4 iii.) | 14.3 |
| iii. advances from customers for contract work mentioned in points ID 2057 0 1. and ii. above. | (9.0) |
| iv. trade receivables in respect of construction contracts for which the amount of advances received exceeded accrued and recognised revenues | (0.5) |
| v. reclassification of deferred income on machinery installation | (3.4) |
| vi. different method of accounting for with-recourse assignment of receivables to factoring companies (note 8) | 3.3 |
| Total impact | 12.7 |
| 6. The impact refers to accrued income and prepayments as the amounts contained therein have been reclassified to trade receivables, other receivables and cash at banks based on their nature. | |
| 7. The amount refers to the fair value of the exchange risk hedging instruments used to protect sales represented by forward sales of foreign exchange and options. | |
| 8. The amount refers to the different method of accounting for with-recourse assignment of receivables to factoring companies as IFRS apply more restrictive criteria for the recognition of definitive credit assignments than the previous accounting principles. | |
| 9. The amount refers to the revaluations carried out in accordance with the law on assets included in land and buildings valued at fair value at the transition date as permitted by IFRS 1. | |
| 10. The amount refers to the cumulative translation differences that are assumed to net out to zero at the transition date as permitted by IFRS 1. | |
| 11. The fair value reserve refers to the intrinsic fair value of forward foreign exchange sales and options to hedge the exchange risk on sales for 1.6 million euros; the amount of the fair value reserve comes to 1.1 million euros (1.6 million euros less the tax effect of 0.5 million euro). | |
| 12. The changes in retained earnings are the same as those in the reconciliation of equity at the transition date. | |
| 13. The changes in net profit for the period are the same as those in the reconciliation of the 2004 income statement. | |

14. As mentioned previously in point 2 of Note A, under IFRS the acquisition of a majority interest in Packaging Systems Holdings has in effect meant accounting for 100% of it; for IFRS purposes, the portion pertaining to minority interests has therefore been reversed.
15. The amount refers to the different value of borrowings valued at amortized cost using the effective interest rate method; as mentioned in note 2, the advisory fees relating to R&D loans have been eliminated from intangible assets, where they had been recognised under Italian GAAP, and included in the calculation of amortised cost.
16. The amount refers to the adjustment of the value of post-retirement benefit obligations, represented mainly by the employee termination indemnities of the Italian companies and the reclassification explained in the following note.
17. The impacts on provisions for risks and charges are as follows:
- | | |
|--|-------|
| i. Reversal of provisions for losses on IRS contracts | (0.1) |
| ii. Reclassification of provision for personnel charges of the German company | (0.8) |
| Total impact | (0.9) |
18. The effect on deferred tax liabilities consists of the tax effects of the adjustments made for the transition to IFRS at 31 December 2004.
19. The amount refers to the costs and related commissions payable booked according to the stage of completion of the contract; as mentioned in note 4, part of the contract work in progress used to be valued on a completed contract basis under the previous accounting principles.
20. Of the total, 9.0 million euros regard the reduction through reclassification of receivables (see note 5) for advances received from customers on contracts for which the revenues recognised on a percentage of completion basis exceeded the advances, while 0.5 million euros regard the reduction through reclassification of advances from customers for contracts on which advances exceed accrued and recognised revenues.
21. Tax and other payables
- | | |
|--|-------|
| i. Reclassification of accrued liabilities and deferred income | (4.5) |
| ii. Payables for the acquisition of Packaging Systems Holdings (see point 2 note A) | 4.1 |
| Total impact | (0.4) |

RECONCILIATION OF THE 2004 INCOME STATEMENT

(MILLIONS OF EUROS)

| Notes | INCOME STATEMENT | Italian GAAP | IFRS transition effects | IFRS |
|-------|---|--------------|-------------------------|--------|
| 1. | REVENUES | 371.1 | 0.9 | 372.0 |
| | OPERATING COSTS | | | |
| | <i>Other revenues</i> | (4.0) | 0.1 | (3.9) |
| | <i>Change in work in progress, semifinished and finished goods</i> | (0.1) | (0.1) | (0.2) |
| 2. | <i>Change in inventory of raw, ancillary and consumable materials</i> | 2.0 | 0.3 | 2.3 |
| | <i>Cost of raw, ancillary and consumable materials</i> | 128.0 | – | 128.0 |
| 3. | <i>Services, rentals and leases</i> | 84.6 | (5.7) | 78.9 |
| 4. | <i>Personnel costs</i> | 108.5 | 6.5 | 115.0 |
| 5. | <i>Depreciation and amortization</i> | 16.3 | (4.9) | 11.4 |
| | <i>Provisions for risks and charges</i> | 0.5 | – | 0.5 |
| | <i>Other operating costs</i> | 3.3 | – | 3.3 |
| | TOTAL OPERATING COSTS | 339.1 | (3.8) | 335.3 |
| | OPERATING PROFIT | 32.0 | 4.7 | 36.7 |
| | FINANCIAL INCOME AND CHARGES | (4.2) | – | (4.2) |
| | PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES | 0.1 | – | 0.1 |
| | RESULT BEFORE TAX | 27.9 | 4.7 | 32.6 |
| 6. | INCOME TAXES FOR THE PERIOD | (14.2) | (1.3) | (15.5) |
| | PROFIT (LOSS) AFTER TAXES | 13.7 | 3.4 | 17.1 |
| | PROFIT (LOSS) PERTAINING TO MINORITY INTERESTS | (0.4) | 0.1 | (0.3) |
| | Profit (loss) for the period | 13.3 | 3.5 | 16.8 |

NOTES TO THE RECONCILIATION OF THE 2004 INCOME STATEMENT

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

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

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

| | |
|--|-----|
| Reclassification from services (see note 3) | 5.9 |
| Higher charges for defined-benefit plans (severance indemnities) | 0.6 |
| Total impact | 6.5 |
5. This effect refers principally to the lower costs for amortization of goodwill and consolidation differences as IFRS do not envisage the systematic amortization of goodwill, but only a periodic impairment test.
6. The amount refers to the tax effects of the adjustments explained in notes 1 to 5.