QUARTERLY REPORT FOR THE FIRST QUARTER OF 2006

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
HEAD OFFICE: OZZANO DELL'EMILIA
SHARE CAPITAL FULLY PAID-IN.: € 18,772,000
REGISTERED WITH THE BOLOGNA COMPANIES REGISTER AT NO.0307140376

CONTENTS

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 cannot be delegated, the Board of Directors acting together has exclusive powers to approve:

- the Company's and the Group's strategic, business and financial plans and any decisions relating to the corporate governance of IMA S.p.A. and the Group structure;
- the adequacy of the way the Company and its subsidiaries are organised and administered, with particular reference to the system of internal control and the management of conflicts of interest;
- the results of operations;
- all transactions of economic or financial significance to the Company and, in any case, all transactions with a value in excess of 10 million euro, except for the renewal or extension of bank lines of credit already granted to the Company, the powers for which can be delegated;
- all transactions in which one or more directors have an interest on own account or on behalf of third parties, and all transactions with related parties, including intercompany transactions, unless they relate to routine operations carried out on market terms;
- the size, membership and functioning of the Board of Directors and its committees;
- the decisions about future significant transactions by subsidiaries of IMA S.p.A. that will affect IMA S.p.A.

BOARD OF DIRECTORS

(in office until approval of the financial statements as of 31 December 2008)

CHAIRMAN

Marco Vacchi

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

Delegated powers: only if the Managing Director is absent or unavailable, all powers for the ordinary and extraordinary administration of the company, with the sole exception of 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, 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

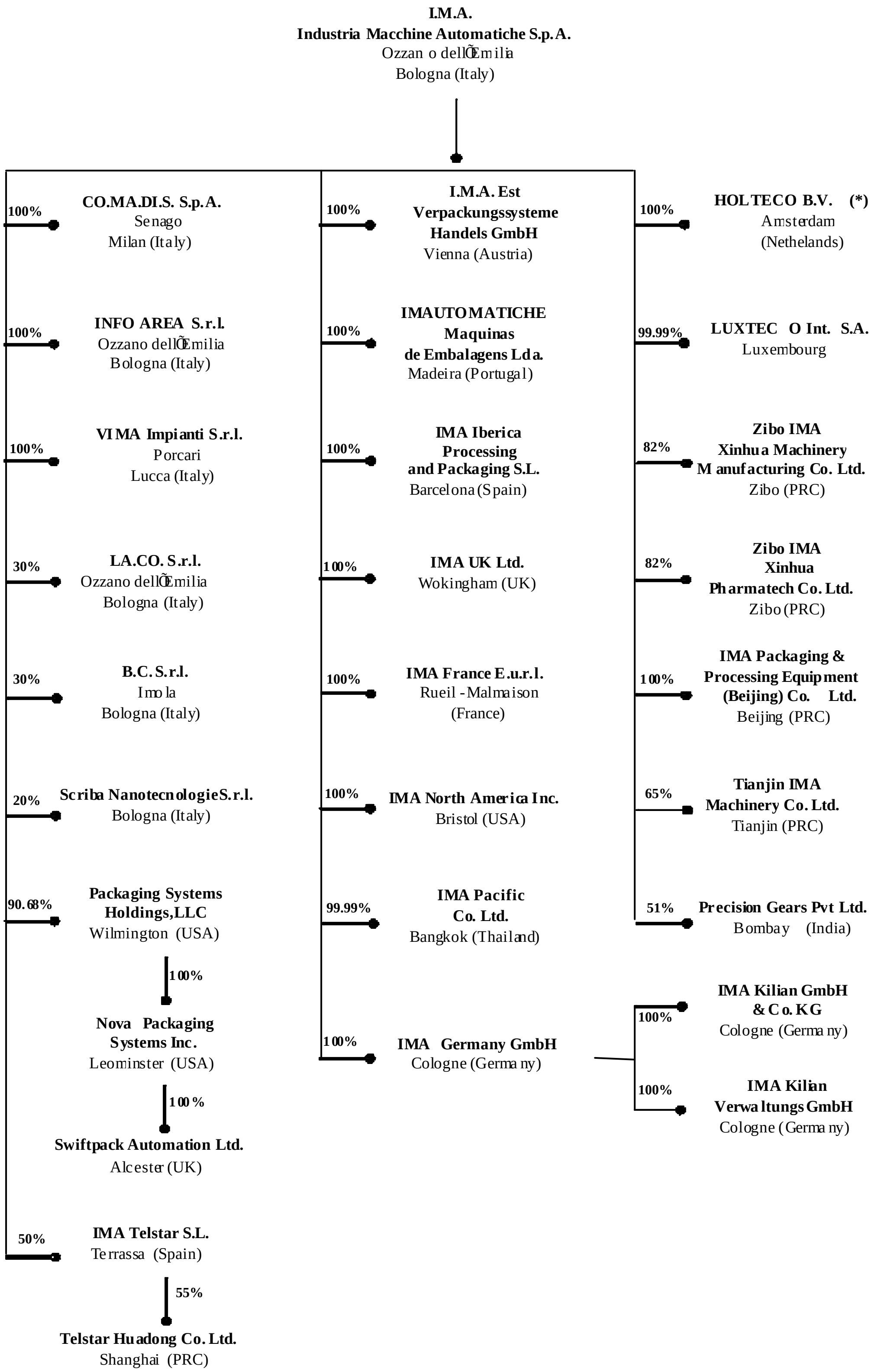
ALTERNATE AUDITORS

Vittorio Coraducci - Auditor

Chiara Gallina - Auditor

Antonella Grassigli - Auditor

GROUP STRUCTURE



(*) Company in liquidation

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)

VIMA Impianti S.r.l.
Porcari – Lucca (Italy)

B.C. S.r.l.
Imola – Bologna (Italy)

IMA Kilian GmbH & Co. KG
Cologne (Germany)

Precision Gears Pvt Ltd.
Bombay (India)

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

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

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

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

Swiftpack Automation Ltd.
Alcester (UK)

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

Telstar Huadong Co. Ltd.
Shanghai (PRC)

COMMERCIAL ACTIVITIES

IMA Germany GmbH
Cologne (Germany)

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

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

IMA UK Ltd.
Wokingham (UK)

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

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

IMA North America Inc.
Bristol (USA)

**IMA 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)

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

FINANCIAL ACTIVITIES

Luxteco International S.A.
Luxembourg

HOLTECO B.V. (*)
Amsterdam (Netherlands)

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

(*) Company in liquidation

GROUP PERFORMANCE

GENERAL PERFORMANCE

World GDP grew strongly again (4.4%) in 2005 due, above all, to the buoyancy of the Asian economies and those of the nations that produce raw materials. The rally of commodity prices has continued into 2006 and, although there has not yet been any significant impact on inflation or production, there remains some cause for concern in the near future.

Growth in GDP is forecast to remain high in the coming years, averaging 4%, given the expansion of the Chinese and Indian economies. A slight slowdown in the United States should be offset by the growth of the European economies. This scenario is subject to a number of risk factors, such as the rise in commodity prices mentioned above and a traumatic adjustment of the imbalances in the US economy, if the real estate bubble is burst.

Against this international background, the pharmaceuticals market grew in real terms by 7% in 2005 and is now worth more than 600 billion dollars. 5.2% of this rise was attributable to western markets, while the balance came from double digit growth in the emerging markets (source: IMS Health). For the future, the world market for pharmaceutical products is expected to grow on average by between 5% and 8% per annum. These forecasts are backed by the fact that more than 2,300 new products are under development (+31% with respect to three years ago). In addition, the market for generic products is also expanding fast, sustained by national health systems seeking to achieve cost reductions.

These considerations suggest that the sales of machinery for the pharmaceutical industry will benefit from the positive outlook for the sector. The situation is confirmed by early, timid signs of lower resistance to prices, as well as by an increase in the number of quotations requested.

The tea-bagging machinery sector has continued to perform very well.

CONSOLIDATED INCOME STATEMENT

Group revenues in first quarter 2006 amounted to 77.3 million euros, compared with 64.9 million euros in the same period of 2005. The operating profit for the quarter was 3.3 million euros, compared with 4.6 million euros in the first quarter of 2005.

The following is a summarized version of the consolidated income statement for the period under review, with comparative figures for the corresponding period in 2005:

	1st quarter 2006		1st quarter 2005		
millions of euros	**Amount**	**%**	**Amount**	**%**	**Change %**
Revenues	**77.3**		**64.9**		***19.1***
Cost of sales	(44.0)	*56.9*	(42.0)	*64.7*	
Industrial gross profit	**33.3**	*43.1*	**22.9**	*35.3*	***45.4***
R&D Costs	(5.4)		(4.6)		
Selling costs	(12.1)		(10.3)		
General and administrative costs	(12.5)		(12.6)		
Operating profit (E.B.I.T.)	**3.3**	*4.3*	**(4.6)**	*(7.1)*	***n.a.***
Net financial income (expense)	(0.9)		(1.3)		
Result before tax	**2.4**	*3.1*	**(5.9)**	*(9.1)*	***n.a.***
Income taxes	(1.1)		2.7		
Profit (loss) for the period	**1.3**	*1.7*	**(3.2)**	*(4.9)*	***n.a.***
Profit (loss) for the period attributable to minority interests	(0.1)		–		
Parent Company shareholders	**1.4**	*1.8*	**(3.2)**	*(4.9)*	***n.a.***
Gross operating profit (E.B.I.T.D.A.)	**5.9**	*7.6*	**(1.9)**	*(2.9)*	***n.a.***
Order book	**202.1**		**170.1**		***18.8***

REVENUES AND ORDERS

Consolidated revenues for first quarter 2006 totalled 77.3 million euros, up 19.1% with respect to the comparative period of last year. IMA-Telstar, consolidated from final quarter 2005, contributed 1.7 million euros of this rise; accordingly, growth was about 17% on a consistent comparative basis. This result was made possible by the strength of the order book at the end of last year, with contributions from all divisions without exception. The sector in which the Group operates is affected by the strong seasonality of deliveries, such that the early quarters of the year are never truly indicative of the results achievable for the full year.

The level of orders received during first quarter 2006 was also good, raising the backlog by 18.8% from the start of the year (170.1 million euros) to 202.1 million euros. New orders during the quarter totalled 114.7 million euros, compared with 84.2 million euros in the comparative period of 2005, up 36%, including a contribution from IMA-Telstar of 2.0 million euro. As in the second half of 2005, the numerous projects in progress and the renewed investment demand from customers indicate that the Group's objectives for revenue growth (in excess of 6% with respect to 2005) are highly credible; furthermore, there is also lower price resistance compared with experience over the past two years.

OPERATING PROFIT

Industrial gross profit rose to 43.1% of sales in first quarter 2006, compared with 35.3% in the same period of 2005. This represents a further improvement over the good results reported for last quarter 2005.

There are many reasons for this marked increase, both structural and cyclical. In particular, the steps taken in recent months to improve product costs have started to take effect, as have the repeated increases made to the US dollar price lists, which now also benefit from a more favourable exchange rate and lower price resistance. Performance was strongly penalised in 2005 by inefficiencies caused by the transfer of IMA Kilian to a new factory, as well as by technical problems and delays in learning about how to manufacture new products encountered by a number of divisions in the pharmaceutical sector. All these adverse factors have now been completely resolved.

Lastly, the sales mix of products was favourable and there was an increased incidence of spares and size parts with respect to machinery.

As a consequence, operating profit amounted to 3.3 million euros, compared with a loss of 4.6 million euros in the comparative period, after a modest increase in overheads. These were essentially linked with the preparation of prototypes for the forthcoming Achema trade fair and various related expenses. Naturally enough, these increases will be absorbed over the rest of the year.

RESULT BEFORE TAX

Net financial expense amounted to 0.9 million euros compared with 1.3 million euros at 31 March 2005. This improvement was largely due to exchange differences, which more than offset the greater cost of borrowing dues to increased rates and higher indebtedness. The profit before tax was therefore 2.4 million euros, compared with a loss of 5.9 million euros at 31 March 2005.

PROFIT (LOSS) FOR THE PERIOD

The profit for the period of 1.3 million euros compares with a loss of 3.2 million euros in the comparative period of the previous year. The main reasons for the difference have already been explained in the previous two sections.

ANALYSIS OF PERFORMANCE BY SECTOR

The following table provides summary balance sheet and income statement figures for the various sectors of Group activity:

millions of euros	Tea 1st quarter 2006	Tea 1st quarter 2005	Packaging 1st quarter 2006	Packaging 1st quarter 2005	Process 1st quarter 2006	Process 1st quarter 2005	Other 1st quarter 2006	Other 1st quarter 2005
Revenues	18.5	15.2	42.8	39.0	14.7	9.6	1.3	1.1
Operating profit (EBIT)	7.0	4.0	(1.5)	(3.3)	(2.2)	(5.4)	–	0.1
Net capital employed	20.2	18.6	98.2	89.6	87.5	79.2	0.6	5.3
R&D costs	1.3	1.2	2.9	2.5	1.2	0.9	–	–
Average personnel (*)	200	236	1,574	1,482	479	485	405	400
Order book	38.1	40.3	117.1	90.4	46.9	39.4	–	–

(*) 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 from the tea sector were 21.7% higher than the good results reported last year, confirming the Group's strong leadership position in this market. The further improvement in industrial gross profit and the containment of overheads gave a strong boost to the level of operating profit. The reduction in the size of the order book at the end of the period, compared with last year, should not deceive; current negotiations and orders obtained subsequent to the end of March indicate that progress over the year will be much the same as in 2005.

The rise in revenues from the packaging sector includes 1.7 million euro from the inclusion of IMA-Telstar within the scope of consolidation, while the remaining 2.1 million euro comes from internal growth. There has been a marked improvement in the size of the operating loss reported with respect to last year, which was affected by both the instability of the US currency and internal inefficiencies regarding certain lines, due to delays in learning how to manufacture new products. However, the elements that have emerged confirm a significant improvement in margins, although these are still not yet satisfactory; in addition, the flows of orders has improved, making it possible to close the period with a good backlog.

Compared with last year, there was also a significant improvement in the results from the sector that makes process machinery for the pharmaceutical industry. In particular, both revenues and margins were higher, although a loss was reported due to the seasonal nature of deliveries. IMA Kilian has returned to growth following both the inefficiencies suffered last year, due to the relocation of the factory, and the drop in orders which put price levels under pressure; this upward trend is backed by the effects of the reorganisation back in 2004, which helped to squeeze overheads and improve the efficiency of production.

The entire equity interest in VIMA Impianti S.r.l. was acquired at the end of March. This company makes process machinery for the pharmaceutical industry. Previously represented by the Group, VIMA - based in the province of Lucca - makes machines for the processing and movement of pharmaceutical powders, as well as cleansing stations for the decontamination of machinery used for the production of medicines. This purchase represents yet another step in the broader Group strategy for the supply of vertically integrated solutions to the pharmaceuticals industry.

This company and its results have not been consolidated. Revenues in 2005 amounted to about 9 million euro.

The Group is working hard to rationalize expenditure, both by reducing production costs and by the "re-engineering" of processes to eliminate possible duplications of effort. This drive has affected the internal organisation of the Group, with the combination of functions and/or product lines with a view to maximising efficiency. The benefits from this change are expected to show through by the end of this year, with further consolidation during 2007.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

The following table summarises the Group's balance sheet as at 31 March 2006:

millions of euros	03.31.2006	12.31.2005
Trade receivables	83.9	98.8
Inventories	138.9	122.1
Trade payables	(103.9)	(115.4)
Other, net	(23.5)	(28.1)
Working capital	**95.4**	**77.4**
Property, plant and equipment	72.2	73.3
Intangible assets	59.0	59.3
Investments	7.9	1.0
Fixed assets	**139.1**	**133.6**
Employee severance obligations and other	(28.0)	(29.1)
Net capital employed	**206.5**	**181.9**
FINANCED BY:		
Net debt	**110.6**	**86.8**
Minority interests	3.1	3.6
Equity pertaining to the Group	**92.8**	**91.5**
Total sources of finance	**206.5**	**181.9**

The net capital employed at the end of the first quarter of 2006 was 24.6 million euros higher than at the end of 2005. This change was mainly due to the increase in inventories (16.8 million euros), ahead of the deliveries planned in the coming months, and to the investment required to purchase VIMA S.r.l. in March (5.9 million euros).

Analysing the changes in working capital, the significant reduction in trade receivables reflects the collection of amounts due in relation to deliveries made in final quarter 2005, which offset the rise in inventories which was not accompanied by an increase in trade payables. This reflects the timing of payments for purchases, which occurs prior to the shipping of finished products.

The changes in fixed assets largely reflect the purchase of the entire equity interest in VIMA S.r.l. which, at 31 March, is reported in the "Investments" caption. The depreciation charge for property, plant and equipment and intangible assets exceeds the additions made during the period, with a slight contraction in the related net balances.

The following is a breakdown of net debt:

millions of euros	03.31.2006	12.31.2005
Net debt	110.6	86.8
Including:		
• Cash and current financial assets	(34.2)	(62.4)
• Non-current financial assets	(3.7)	(3.6)
• Current financial liabilities	63.2	68.0
• Non-current financial liabilities	85.3	84.8

Net debt at 31 March 2006 amounts to 110.6 million euros versus 86.8 million euros at 31 December 2005. An increase in debt is normal during the first part of the year, while working on the deliveries scheduled for the second half of the year. In addition, a total of 6.1 million euros was invested in the acquisitions of VIMA S.r.l. and Scriba Nanotecnologie S.r.l. during first quarter 2006. Overall, on a consistent comparative basis, excluding the above extraordinary transactions and the consolidation of IMA-Telstar from second quarter 2005 (with an adverse effect on debt of about 7 million euros), the level of net debt has improved by about 6 million euros with respect to first quarter 2005 (103.5 million euros).

The level of borrowing is expected to improve in the last part of the year.

CAPITAL EXPENDITURE

Group capital expenditure amounted to 1.0 million euros, broadly unchanged with respect to first quarter 2005, and mainly related to costs incurred to extend and upgrade existing buildings and plant, as well as to the capitalisation of internal-produced equipment and the purchase of electronic equipment. The investment in intangible assets amounted to 0.4 million euros (0.9 million euros in first quarter 2005). The depreciation and amortization charge for the period, 2.6 million euros, was much the same as in the comparative period of last year (2.7 million euros).

OTHER INFORMATION

SIGNIFICANT EVENTS AFTER THE END OF THE FIRST QUARTER

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

OUTLOOK FOR THE REST OF THE YEAR

The progress made during last quarter 2005 together with the result for first quarter 2006 bode well for the year as a whole. Lower pressure on prices, the US dollar up from the minimum levels recorded last year, the efforts made by the Group to contain costs and improve the effectiveness of commercial activity, and renewed investment demand from customers all contribute to the positive outlook for the year. The Group intends to use this as the starting point for achieving the recovery of profitability that is its priority objective over the short term. The purchase of VIMA S.r.l., a company operating the pharmaceuticals processing sector that was already represented by the Group, is a further indication of our confidence in the pharmaceuticals market. If these signs are confirmed over the next few months, forecast sales growth of more than 6%, with an operating profit of about 10% of sales, might not be difficult to achieve.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 MARCH 2006

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

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2006 AND 31 DECEMBER 2005 (MILLIONS OF EUROS)

ASSETS	Note	31 March 2006	31 December 2005
NON-CURRENT ASSETS			
Property, plant and equipment	2	72.2	73.3
Intangible assets	3	59.0	59.3
Investments in non-consolidated subsidiaries	4	6.7	–
Investments in associates	5	1.2	1.0
Financial assets	6	3.7	3.6
Receivables from others		0.7	0.7
Derivatives	7	0.1	0.1
Deferred tax assets	8	6.1	5.3
TOTAL NON-CURRENT ASSETS		149.7	143.3
CURRENT ASSETS			
Inventories	9	138.9	122.1
Trade and other receivables	10	96.2	108.9
Income tax receivables		1.6	0.8
Financial assets	6	4.6	4.6
Derivatives	7	0.1	–
Cash and cash equivalents	11	29.5	57.8
TOTAL CURRENT ASSETS		270.9	294.2
TOTAL ASSETS		**420.6**	**437.5**

EQUITY AND LIABILITIES	Note	31 March 2006	31 December 2005
EQUITY			
Share capital	12	18.8	18.8
Share premium reserve		16.4	16.4
Treasury shares	13	(14.7)	(14.7)
Translation reserve		0.4	1.3
Fair value reserve	14	(0.1)	(0.9)
Other reserves		30.5	30.5
Retained earning		40.1	27.6
Profit (loss) for the period		1.4	12.5
Total capital and reserves of the Group		92.8	91.5
Reserves pertaining to minority interests		3.2	3.1
Profit pertaining to minority interests		(0.1)	0.5
Total minority interests		3.1	3.6
GROUP EQUITY AND MINORITY INTERESTS		95.9	95.1
NON-CURRENT LIABILITIES			
Borrowings	15	85.3	84.8
Severance and pension obligations		24.6	25.3
Provisions for risks and charges	16	1.1	1.1
Deferred tax liabilities	8	4.4	4.1
TOTAL NON-CURRENT LIABILITIES		115.4	115.3
CURRENT LIABILITIES			
Borrowings	15	63.2	68.0
Trade and other payables	17	135.0	149.5
Income tax liabilities		5.5	3.0
Provisions for risks and charges	16	5.1	4.9
Derivatives	7	0.5	1.7
TOTAL CURRENT LIABILITIES		209.3	227.1
TOTAL LIABILITIES		324.7	342.4
TOTAL EQUITY AND LIABILITIES		**420.6**	**437.5**

CONSOLIDATED INCOME STATEMENT

FOR FIRST QUARTER 2006 AND FIRST QUARTER 2005 (MILLIONS OF EUROS)

INCOME STATEMENT	Note	1st quarter 2006	1st quarter 2005
REVENUES	1	77.3	64.9
Other revenues		1.4	0.9
OPERATING COSTS			
Change in work in progress, semifinished and finished goods		17.7	13.6
Change in inventory of raw, ancillary and consumable materials		(0.6)	1.0
Cost of raw, ancillary and consumable materials		(36.1)	(33.3)
Services, rentals and leases		(19.8)	(17.1)
Personnel costs	18	(32.8)	(30.9)
Depreciation and amortization expense	19	(2.7)	(2.8)
Provision for risks and charges		(0.2)	(0.3)
Other operating costs		(0.9)	(0.6)
TOTAL OPERATING COSTS		(75.4)	(70.4)
OPERATING PROFIT		3.3	(4.6)
FINANCIAL INCOME AND EXPENSE			
Financial income	20	1.9	3.5
Financial expense	21	(2.8)	(4.8)
TOTAL FINANCIAL INCOME AND EXPENSE		(0.9)	(1.3)
PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES		–	–
RESULT BEFORE TAX		2.4	(5.9)
INCOME TAXES FOR THE PERIOD	22	(1.1)	2.7
PROFIT (LOSS) FOR THE PERIOD		**1.3**	**(3.2)**
ATTRIBUTABLE TO:			
PARENT COMPANY SHAREHOLDERS		1.4	(3.2)
MINORITY INTERESTS		(0.1)	–
		1.3	**(3.2)**
EARNINGS PER SHARE (in euros)		**0.04**	**(0.09)**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the periods ended 31 March 2006 and 31 March 2005 - basis: financial statements at 1 January 2005 and 1 January 2006 (millions of euros)

Description	Share capital	Share premium reserve	Treasury shares	Translation reserve	Fair value reserve	Other reserves	Retained earnings	Net profit (loss) of Group	Total Group equity	Minority interests	Total equity
Balances at 01.01.2005	**18.8**	**16.4**	**–**	**(1.2)**	**1.1**	**28.5**	**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 2004:	–	–	–	–	–	–	16.8	(16.8)	–	(0.2)	(0.2)
Purchase and sale of treasury shares	–	–	(13.3)	–	–	–	–	–	(13.3)	–	(13.3)
Valuation of financial instruments at equity	–	–	–	–	(1.7)	–	–	–	(1.7)	–	(1.7)
Exchange rate differences on translation of financial statements in foreign currency	–	–	–	0.8	–	–	–	–	0.8	0.1	0.9
Profit (loss) for the period	–	–	–	–	–	–	–	(3.2)	(3.2)	–	(3.2)
Balances at 03.31.2005	**18.8**	**16.4**	**(13.3)**	**(0.4)**	**(0.6)**	**28.3**	**43.8**	**(3.2)**	**89.8**	**2.2**	**92.0**
Balances at 01.01.2006	**18.8**	**16.4**	**(14.7)**	**1.3**	**(0.9)**	**30.5**	**27.6**	**12.5**	**91.5**	**3.6**	**95.1**
Allocation of result for 2005:	–	–	–	–	–	–	12.5	(12.5)	–	(0.3)	(0.3)
Purchase and sale of treasury shares	–	–	–	–	–	–	–	–	–	–	–
Valuation of financial instruments at equity	–	–	–	–	0.8	–	–	–	0.8	–	0.8
Exchange rate differences on translation of financial statements in foreign currency	–	–	–	(0.9)	–	–	–	–	(0.9)	(0.1)	(1.0)
Profit (loss) for the period	–	–	–	–	–	–	–	1.4	1.4	(0.1)	1.3
Balances at 03.31.2006	**18.8**	**16.4**	**(14.7)**	**0.4**	**(0.1)**	**30.5**	**40.1**	**1.4**	**92.8**	**3.1**	**95.9**

CONSOLIDATED STATEMENT OF CASH FLOWS

AT 31 MARCH 2006 AND 31 MARCH 2005 (MILLIONS OF EUROS)

	31 March 2006	31 March 2005
OPERATIONS		
Profit (loss) for the period	1.4	(3.2)
Adjustments for:		
- Depreciation and amortization	2.6	2.7
- Changes in provisions for risks and charges and staff severance obligations	(0.5)	–
- Unrealised losses (gains) on exchange rate differences	(0.2)	0.2
- Income taxes	1.1	(2.7)
- Minority interests	(0.1)	–
Operating profit (loss) before changes in working capital	4.3	(3.0)
(Increase) decrease in trade and other receivables	12.7	11.5
(Increase) decrease in inventories	(16.8)	(15.4)
Increase (decrease) in trade and other payables	(14.4)	(7.1)
Income taxes paid	(0.3)	(0.5)
CASH FLOW GENERATED (ABSORBED) BY OPERATIONS (A)	(14.5)	(14.5)
INVESTMENT ACTIVITY		
Investments in intangible assets	(0.4)	(0.9)
Investments in property, plant and equipment	(1.0)	(1.0)
Exchange rate differences on property, plant and equipment and intangible assets	0.1	(0.4)
Repayment of finance lease debts	(0.4)	(0.2)
Investments in non-consolidated subsidiaries and associates	(6.3)	–
Proceeds from sale of non-current assets	0.1	–
Net change in financial assets including those deriving from acquisitions	(0.1)	–
Changes in reserves pertaining to minority interests	(0.4)	(0.1)
Payment/collection of interest	(1.5)	(1.1)
CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITY (B)	(9.9)	(3.7)
FINANCE ACTIVITY		
New loans granted	6.0	0.4
Borrowings repaid	(3.5)	(3.4)
Increase (decrease) in other payables to banks	(5.5)	12.1
Purchase of treasury shares	–	(13.3)
Translation of financial statements in foreign currency	(0.9)	0.8
CASH FLOW GENERATED (ABSORBED) BY FINANCE ACTIVITY ('C)	(3.9)	(3.4)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)	**(28.3)**	**(21.6)**
CASH AND CASH EQUIVALENTS AT START OF PERIOD (E)	**57.8**	**47.0**
CASH AND CASH EQUIVALENTS AT END OF PERIOD (F=D+E)	**29.5**	**25.4**

EXPLANATORY NOTES

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

A) OVERVIEW

The Report on Operations for first quarter 2006 was approved by the Board of Directors on 12 May 2006.

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

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

In the market segment in which the IMA Group operates, interim results cannot be considered representative of the year as a whole, as activity tends to intensify in the second half of the year.

All of the figures in the quarterly report at 31 March 2006 are reported in millions of euros, unless stated otherwise.

B) BASIS OF PREPARATION

The quarterly financial statements were prepared in conformity with the international accounting standards issued by the International Accounting Standards Board (IASB) now in force and the interpretations issued to date by the Standing Interpretations Committee and 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, this report contains the information that IAS 34 requires for interim financial reports.

The IMA Group adopted international accounting standards during 2005. The consolidated financial statements as of 31 December 2005, the first prepared under IAS/IFRS, were audited in full and include as attachments the reconciliations statements required by IFRS 1, together with the related explanatory notes.

In order to prepare this report, the parent company and its Italian and foreign subsidiaries prepared interim balance sheets and income statements in accordance with international standards.

The Parent Company IMA S.p.A. has opted to adopt IFRS for the preparation of its statutory financial statements as 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, or at their deemed cost represented by their market value at the IFRS transition date..

Property, plant and equipment are depreciated each year on a straight-line basis over their estimated useful lives, 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 lives or until such time as they require further extraordinary maintenance, whichever occurs first.

Financial expenses 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 the 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 lives; 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 finite useful life are amortized each year on a straight-line basis over their estimated useful lives, as follows:

• Industrial patents and intellectual property rights	3-10 years
• Software, licences and similar rights	5 years
• Trademarks	10 years
• Development costs	7-10 years

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

Research costs are charged to the income statement as soon as they are incurred. 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 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 Group's interest in 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 or their value in use.

Value in use represents the present value of the 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 market estimate of the time value of money having regard for the specific risks associated with the asset.

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

Impairment tests are carried out when factors internal or external to the business suggest that the value of an asset may have been impaired. In the case of goodwill or other intangible assets with indefinite useful lives, 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 must not exceed its depreciated historical cost had impairment not been identified previously. Write-backs are booked through the income statement.

International accounting standards prohibit the write-back 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 their 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 or their 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

Contract work is defined in IAS 11 as contracts arranged specifically for the construction of an asset or a combination of assets that are closely related or interdependent with regard to their design, technology, function or end use. Contract costs are recognised in the period in which they are incurred. If the outcome of a construction contract can be estimated reliably, the related revenues are recognised at period end on a stage-of-completion basis.

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

Expected losses on construction contracts are recognised as an expense as soon as such losses become probable.

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

Contract work in progress is reported in the balance sheet as follows:

- the amount due from customers for contract work is classified as an asset among trade receivables if the costs incurred plus recognised margins (less recognised losses) exceed the advances received;
- the amount due to customers for contract work is classified as a liability among 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. Rather, they are shown at their original face value, net of any writedowns, in order to report them at their estimated recoverable value.

Receivables falling due beyond the period considered normal commercial practice are stated at amortized cost determined using the effective interest method, net of any writedowns.

CASH AND CASH EQUIVALENTS

This item includes cash, demand and short-term bank deposits 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 is classified separately as a deduction 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, although adequate information is provided in the notes to the financial statements.

PERSONNEL BENEFITS

Personnel benefits mainly comprise the provisions for severance indemnities and retirement benefits of Italian Group companies. These post-employment benefits and are valued by independent actuaries as “defined benefit plans” in accordance with IAS 19, using the project unit cost method.

This calculation consists in estimating the benefit that an employee will receive at the forecast termination date using demographic assumptions (mortality rate, rate of employee turnover etc.) and financial assumptions (the discount rate, the rate of pay increases etc.). The amount determined is discounted and multiplied by current seniority as a proportion to the total expected length of service, which represents a reasonable estimate of the benefits already accrued by each employee based on the work performed to date.

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

BORROWINGS

Borrowings are initially recorded at cost which, at the time of arrangement, is represented by the fair value of the amount received, net of any related arrangement expenses. Subsequently, borrowings are valued at amortized cost using the effective interest method.

FINANCIAL RISK MANAGEMENT

Financial risk factors

The current business activities of the Group, which operates actively 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 arranging floating-rate loans which expose it 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 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 in relation to 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 for the payment of interest on such loans.

Hedges are arranged 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 mainly uses 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 arranged and the hedging relationship is documented;
- the hedge is expected to be highly effective;
- the effectiveness can be reliably measured (prospectively and retrospectively) and the hedge remains highly effective for the duration of the periods designated.

The Group therefore uses the cash flow hedge method when 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.

Hedging instruments are stated at their fair value at period end, as estimated by independent parties.

The fair value of exchange rate derivatives 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 period end, as estimated by independent parties. The fair value is recognised in the relevant reserve in equity and reversed to income as soon as the underlying financial expense/income manifests itself.

TAXES

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

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

REVENUE RECOGNITION

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

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

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

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

Transactions and balances

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

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

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

Group companies

The translation to 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 using 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 recognised as a liability in the consolidated financial statements in the period in which the dividend is approved.

EARNINGS PER SHARE

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

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 unrealised 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 joint control was held.

E) SCOPE OF CONSOLIDATION

The quarterly report at 31 March 2006 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 have taken place during 2006:

- A 20% interest in Scriba Nanotecnologie S.r.l. was acquired on 16 February 2006. This acquisition is aimed at joint research into highly technological approaches to unauthorised copying and the tracking of pharmaceutical products. The agreement envisages an increase in IMA's holding by a further 20% in 2007 via a capital increase, together with an option to acquire a further 11% in 2008, if specific technical results are achieved.

- As part of the process of rationalising the Group, Holteco B.V. was put into liquidation on 28 February 2006. No significant charges are expected to emerge from this process.
- The entire quota capital of VIMA Impianti S.r.l., which produces plant for the movement of powders and the de-powdering of tablets, was acquired on 30 March 2006. The purchase price of 5.9 million euros was paid on the transfer of the quotas. The purpose of this acquisition is to expand the wide range of process sector machinery, and to benefit from the further expansion of VIMA Impianti S.r.l. in international markets.

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 (GB)	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 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%	–	
• 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.

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% (4)

Notes (list of indirect investments):

(4) 55% held by IMA-Telstar S.L.

The consolidated financial statements at 31 March 2006 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% (5)
Scriba Nanotecnologie S.r.l.	Bologna (BO)	EUR 15,000	20%	–

(*) Quotas of the consortium fund

Notes (list of indirect investments):

(5) Held by Info Area S.r.l.

The consolidated financial statements at 31 March 2006 include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which significant influence begins 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.

INVESTMENTS VALUED AT COST

	Registered office	Share capital fully paid-in	Direct investment	Indirect investment
VIMA Impianti S.r.l.	Porcari (LU)	EUR 363,940	100%	–
Holteco B.V.	Amsterdam (Netherlands)	EUR 184,000	100%	–

The investment in VIMA Impianti S.r.l. is valued at cost because of the time needed to bring this company into line with the Group's consolidation procedures.

Holteco B.V. is valued at cost since the company was put into liquidation during the first quarter of 2006 and in view of the insignificance of the amounts concerned.

F) EXPLANATORY NOTES

The changes reported below were determined with respect to the amounts at 31 December 2005 for balance sheet items and the amounts for first quarter 2005 for income statement items.

1. SEGMENT INFORMATION

The following table gives a breakdown of revenues by sector during the period, compared with the corresponding period in 2005 (millions of euros):

	from 01.01.2006 to 03.31.2006	from 01.01.2005 to 03.31.2005	Change
Tea, herbal tea and coffee packaging	18.5	15.2	3.3
Pharmaceutical packaging	42.8	39.0	3.8
Pharmaceutical processing	14.7	9.6	5.1
Other	1.3	1.1	0.2
Total	**77.3**	**64.9**	**12.4**

Revenues in the tea, herbal tea and coffee packaging segment were 21.7% higher than the strong results reported for the comparative quarter of last year, confirming the Group's strong leadership position in that market.

The increase in the revenues of the packaging sector includes 1.7 million euros deriving from the expansion of the scope of consolidation on the entry of the Telstar group, while the remaining 2.1 million euros came from internal growth.

Lastly, revenues in the sector that makes process machinery for the pharmaceutical industry rose significantly, due to the strong recovery in the volume of sales made by IMA Kilian GmbH & Co. KG.

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

	from 01.01.2006 to 03.31.2006	from 01.01.2005 to 03.31.2005	Change
Tea, herbal tea and coffee packaging	7.0	4.0	3.0
Pharmaceutical packaging	(1.5)	(3.3)	1.8
Pharmaceutical processing	(2.2)	(5.4)	3.2
Other	–	0.1	(0.1)
Total	**3.3**	**(4.6)**	**7.9**

Analysing the above changes with respect to the comparative period of last year highlights a significant improvement in the operating results of the tea sector, with a further improvement in the gross margin and the containment of overheads.

Despite continuing losses, the results of the divisions comprising the pharmaceutical packaging sector have improved considerably with respect to 2005, which was affected by both the instability of the US currency and internal inefficiencies regarding certain lines, due to delays in learning how to manufacture new products. The elements that have emerged confirm a significant improvement in margins, although these are still not yet satisfactory.

Compared with last year, there has been a significant improvement in the results of the sector that makes process machinery for the pharmaceutical industry. Margins were higher, although a loss was reported due to the seasonal nature of deliveries. IMA Kilian GmbH & Co. KG has returned to growth following both the inefficiencies suffered last year, due to the relocation of the factory, and the drop in orders which put price levels under pressure; this upward trend is backed by the effects of the reorganisation back in 2004, which helped to squeeze overheads and improve the efficiency of production.

The following is a breakdown of IMA Group revenues for the period to 31 March 2006 by geographical and business segment (millions of euros):

REVENUES BY GEOGRAPHICAL SEGMENT

	from 01.01.2006 to 03.31.2006	from 01.01.2005 to 03.31.2005	Change
European Union (excluding Italy)	36.1	28.4	7.7
Other European countries	4.2	4.1	0.1
North America	17.9	15.0	2.9
Asia	7.6	7.6	–
Other countries	6.6	3.9	2.7
Total expo rts	**72.4**	**59.0**	**13.4**
Italy	4.9	5.9	(1.0)
Total	**77.3**	**64.9**	**12.4**

REVENUES BY BUSINESS SEGMENT

	from 01.01.2006 to 03.31.2006	from 01.01.2005 to 03.31.2005	Change
Machines and size parts	40.5	34.3	6.2
Contract work	15.7	12.6	3.1
Spare parts	13.2	11.3	1.9
Technical assistance	5.1	4.0	1.1
Other services	2.8	2.7	0.1
Total	**77.3**	**64.9**	**12.4**

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment show a net decrease of 1.1 million euros. Movements in property, plant and equipment during the period can be analysed as follows (millions of euros):

	Land	Buildings and leasehold improv.	Plant and machinery	Indust. & comm. equip.	Other assets	Assets under construct. and advan.	Total
Balances at 01.01.06	**14.7**	**35.4**	**15.0**	**1.9**	**3.8**	**2.5**	**73.3**
Additions in the period	–	0.2	0.2	0.1	0.3	0.2	1.0
Sales and disposals	–	(0.1)	–	–	–	–	(0.1)
Depreciation	–	(0.5)	(0.8)	(0.2)	(0.4)	–	(1.9)
Reclassifications	–	0.8	0.8	–	–	(1.6)	–
Exchange differences	–	–	–	–	(0.1)	–	(0.1)
Balances at 03.31.06	**14.7**	**35.8**	**15.2**	**1.8**	**3.6**	**1.1**	**72.2**

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.

Assets under construction and advances, mainly relating to the parent company, principally comprise urbanisation costs incurred in respect on the land in Via Tolara, Ozzano dell'Emilia, and the capitalisation of equipment produced internally for use in the production process.

Additions during the period mainly related to costs incurred to extend and upgrade existing buildings and plant, as well as to the capitalisation of internal-produced equipment and the purchase of electronic machines.

The reclassifications principally relate to the renewal of plant and machinery by IMA Kilian GmbH & Co. KG, as well as to the improvements made to the new factory in Cologne.

3. INTANGIBLE ASSETS

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

	Development costs	Industrial patent rights	Software, lic., trade marks & similar	Goodwill	Assets under dev. & advances	Total
Balances at 01.01.06	**6.2**	**1.1**	**3.3**	**47.5**	**1.2**	**59.3**
Increases in the period	–	0.1	–	–	0.3	0.4
Amortization	(0.2)	(0.1)	(0.4)	–	–	(0.7)
Exchange differences	–	–	–	–	–	–
Balances at 03.31.06	**6.0**	**1.1**	**2.9**	**47.5**	**1.5**	**59.0**

The 6.0 million euros in development costs (6.2 million euros at 31 December 2005) mainly include the costs incurred in previous years by the Parent Company on projects that were eligible capitalisation as assets under IAS 38. Specifically, capitalised projects refer to the CA1 machine for the packaging of coffee pods in filter paper, the Sterifill F200 and F2000 filling machines, the Impressa 130, and the C300 anti-error pill-counting machine, which were considered to be new products since they were not available previously and are targeted at new market segments. In addition, following the acquisition of the Telstar group in the prior year, this caption includes know how for the production of freeze-drying plant used by the pharmaceuticals industry and the production of pharmaceuticals deriving from biotechnological research, with a useful life of 7 years.

Software, licences, trademarks and similar rights, which amount to 2.9 million euros (3.3 million euros at 31 December 2005), include applications, management and technical software.

Goodwill comprises the following (millions of euros):

	03.31.2006	12.31.2005
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	14.8
Nova Group	13.2	13.2
Telstar Group	3.4	3.4
Total	**47.5**	**47.5**

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 valuation of the goodwill arising on the acquisition of the Nova Group, considering the estimated strike price of the put & call option, did not change.

In particular, the impairment testing procedures adopted in relation to goodwill did not identify, based on current forecasts, the need to record any loss of value. Performance over the coming quarters will provide more a meaningful picture of the prospects for the various Cash Generating Units.

Of the 1.5 million euros (1.2 million euros at 31 December 2005) in assets under construction and advances, 1.4 million euros (1.1 million euros at 31 December 2005) relate to the capitalisation of development costs incurred by the Parent Company in 2004, 2005 and first quarter 2006. These mainly comprise internal design work and production and materials, and regard entirely new products for the pharmaceutical process and packaging sectors, eligible for recognition as intangible assets.

4. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

This caption includes 6.1 million euros relating to the acquisition of VIMA Impianti S.r.l. in March 2006, inclusive of direct transaction costs, as described in the section on the scope of consolidation.

The caption also includes the investment in Holteco B.V., 0.6 million euro, which was put into liquidation during the first quarter and has been deconsolidated since the amounts concerned are not significant.

5. INTERESTS IN ASSOCIATES

This item comprises (millions of euros):

	% holding	03.31.2006	12.31.2005
B.C. S.r.l.	30%	0.5	0.5
LA.CO. S.r.l.	30%	0.5	0.5
Scriba Nanotecnologie S.r.l.	20%	0.2	–
Total		**1.2**	**1.0**

The increase reflects the acquisition of 20% of Scriba Nanotecnologie S.r.l. in February 2006.

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.

6. FINANCIAL ASSETS

Non-current financial assets, 3.7 million euros, include investments in securities totalling 3.1 million euros (3.2 million euros at 31 December 2005). These mainly comprise listed bond funds pledged as collateral for loans received and classified as available for sale. They also include financial receivables of 0.5 million euros (0.3

million euros at 31 December 2005) and investments in other companies of 0.1 million euros (0.1 million euros at 31 December 2005).

Current financial assets, 4.6 million euros, mainly include investments held by IMA S.p.A. in government securities, 0.4 million euros (0.4 million euros at 31 December 2005) and deposits of 4.2 million euros (4.2 million euros at 31 December 2005) made by IMA-Telstar S.L. with leading international banks, maturing in last quarter 2006, to employ effectively the liquidity deriving from the capital increase of IMA-Telstar S.L. subscribed by IMA S.p.A. at the time of the acquisition.

7. DERIVATIVES

Derivatives are made up as follows (millions of euros):

	Assets 03.31.2006	Liabilities 03.31.2006	Assets 12.31.2005	Liabilities 12.31.2005
Interest rate swap (non-current) Cash flow hedges	0.1	–	0.1	–
Exchange rate hedges (current) – Cash flow hedges	0.1	0.5	–	1.7
Total	**0.2**	**0.5**	**0.1**	**1.7**

INTEREST RATE DERIVATIVES

The amount of 0.1 million euros represents the fair value of an option, arranged in 2005 with a leading bank, to the hedge rate risk in relation to a long-term loan maturing in October 2011.

CURRENCY DERIVATIVES

The notional value of exchange rate hedges has decreased from 39.4 million US dollars at 31 December 2005 to 32.3 million US dollars at 31 March 2006.

8. DEFERRED TAX ASSETS AND LIABILITIES

At 31 March 2006, deferred tax assets amount to 6.1 million euros (5.3 million euros at 31 December 2005). 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.

At 31 March 2006, deferred tax liabilities amount to 4.4 million euros (4.1 million euros at 31 December 2005) 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.

9. INVENTORIES

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

	Net values	Reserve for obsolete and low-moving goods	Net value at 03.31.2006	Net value at 12.31.2005
Raw, ancillary and consumable materials	20.2	(5.2)	15.0	15.6
Work in progress and semifinished goods	133.7	(15.1)	118.6	100.7
Finished products and goods	7.6	(2.3)	5.3	5.8
Total	**161.5**	**(22.6)**	**138.9**	**122.1**

The increase in inventories since 31 December 2005 reflects the preparation of machines for delivery to customers in subsequent quarters, as well as the substantial order backlog at the end of March.

10. TRADE AND OTHER RECEIVABLES

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

	03.31.2006	12.31.2005
Trade receivables	84.2	98.8
Advances to suppliers	4.4	5.5
Tax receivables	2.0	1.6
Prepayments	3.4	1.9
Other receivables	2.2	1.1
Total	**96.2**	**108.9**

TRADE RECEIVABLES

Trade receivables include amounts due from customers of 66.8 million euros (81.3 million euros at 31 December 2005), amounts due on contract work in progress of 16.1 million euros (15.8 million euros at 31 December 2005) and receivables from associates and non-consolidated subsidiaries of 1.3 million euros (1.7 million euros at 31 December 2005).

Receivables from customers have decreased by 14.5 million euros. This trend, which can also be seen in the same quarter of last year, is the result of collections during the period, demonstrating the effectiveness of the Group's credit management policy.

Trade receivables from customers are stated net of accumulated provisions amounting to 2.0 million euros (2.0 million euros at 31 December 2005).

No receivables were assigned without recourse during first quarter 2006; assigned receivables not yet due at 31 March 2006 amount to around 5.3 million euros, of which 2.9 million euros are assigned to factoring companies and 2.4 million euros to other financial institutions.

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

PREPAYMENTS

This caption mainly includes prepaid insurance premiums, maintenance fees and consultancy.

OTHER RECEIVABLES

Other receivables principally include amounts due from social security institutions and advances to employees.

11. CASH AND CASH EQUIVALENTS

This item comprises (millions of euros):

	03.31.2006	12.31.2005
Bank current accounts	27.7	55.8
Demand deposits	1.7	1.7
Cheques and cash	0.1	0.3
Total	**29.5**	**57.8**

Liquid assets have decreased by 28.3 million euros due to the normal reduction in collections and the increase in inventories since 31 December 2005. Reference is made to Note 15 on the analysis of borrowing for a better understanding of the changes in this caption.

12. SHARE CAPITAL

The share capital reported in the consolidated financial statements at 31 March 2006 is represented by the share capital issued (fully subscribed and paid up) by the Parent Company, IMA S.p.A., comprising 36,100,000 ordinary shares with a par value of 0.52 euros each.

13. TREASURY SHARES

No transactions in treasury shares took place during the first quarter of 2006.

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 effect.

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	
Balance at 01.01.2005	**36,100**
Own shares acquired	(1,349)
Own shares sold	–
Balance at 03.31.2005	**34,751**
Own shares acquired	(938)
Own shares sold	696
Balance at 12.31.2005	**34,509**
Own shares acquired	–
Own shares sold	–
Balance at 03.31.2006	**34,509**

14. FAIR VALUE RESERVE

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

Balance at 01.01.2005	**1.1**
Cash flow hedges/hedging instruments	
Valuation at fair value	(1.5)
Fair value - tax effect	0.4
Realisation recognised in income	(0.8)
Realisation recognised in income - tax effect	0.2
Balance at 03.31.2005	**(0.6)**
Balance at 01.01.2006	**(0.9)**
Cash flow hedges/hedging instruments	
Valuation at fair value	0.7
Fair value - tax effect	(0.2)
Realisation recognised in income	0.5
Realisation recognised in income - tax effect	(0.2)
Balance at 12.31.2005	**(0.1)**

15. BORROWING

This item mainly includes amounts due to bank, 141.2 million euros (146.0 million euros at 31 December 2005). and amounts due to other lenders, 7.3 million euros (6.8 million euros at 31 December 2005).

PAYABLES TO BANKS

The decrease in the amounts due to banks since 31 December 2005 mainly reflects the repayment of short-term loans, with a reduction in the level of liquid assets.

Applied research and technological innovation loans

Maturing instalments totalling 1.2 million euros were paid regularly during the period.

Other

The changes in Other loans relate to the parent company and reflect scheduled payments of 2.2 million euros and new borrowing of 6.0 million euros to finance the purchase of VIMA Impianti S.r.l.

PAYABLES TO OTHER LENDERS

At 31 March 2006 this caption mainly comprises 6.1 million euros (6.5 million euros at 31 December 2005) in relation to the finance leases arranged by Libra P.T. S.r.l., absorbed by IMA S.p.A. with effect from 1 January 2004, for the use of land and an industrial building thereon that was handed over in August 2003. The non-current portion regards payables due after 5 years totalling 1.0 million euros.

Net debt at 31 March 2006 amounts to 110.6 million euros and comprises:

million euros	03.31.2006	12.31.2005	03.31.2005
Net debt	110.6	86.8	103.5
Including:			
• Cash and			
current financial assets	(34.2)	(62.4)	(26.0)
• Non-current financial assets	(3.7)	(3.6)	(3.4)
• Current financial liabilities	63.2	68.0	82.4
• Non-current financial liabilities	85.3	84.8	50.5

With reference to 31 December 2005, the change in net debt is mainly attributable, as in previous years, to the substantial inventories needed to cope with scheduled deliveries, as well as to the payments made, totalling 6.1 million euros, on the acquisitions of VIMA Impianti S.r.l. and Scriba Nanotecnologie S.r.l. during first quarter 2006.

Compared with 31 March 2005, the financial situation reflects the payments made during first quarter 2006, mentioned above, and the effect of acquiring the Telstar Group in 2005, as partly offset by the substantial addition self-financing generated in first quarter 2006 with respect to the comparative period in 2005.

16. Provisions for risks and charges

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

	Balance at 12.31.2005	Provisions	Uses	Exchange difference	Balance at 03.31.2006
Non-current:					
• Agency termination indemnities	1.1	–	–	–	1.1
	1.1	**–**	**–**	**–**	**1.1**
Current					
• Product guarantee provision	4.4	0.2	–	–	4.6
• Other	0.5	–	–	–	0.5
	4.9	**0.2**	**–**	**–**	**5.1**
Total	**6.0**	**0.2**	**–**	**–**	**6.2**

The product guarantee provision reflects the estimated cost of work to be performed under warranty subsequent to 31 March 2006, in relation to machines sold prior to that date. The other risk provisions mainly comprise tax provisions to cover possible liabilities that may emerge as a result of various tax audits that were carried out during the previous year.

17. TRADE AND OTHER PAYABLES

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

	03.31.2006	12.31.2005
Trade payables	72.5	86.4
Advances from customers	36.1	34.5
Social security payables	2.9	4.1
Tax payables	2.1	3.5
Employee payables	14.3	13.4
Acquisition payables	5.5	5.6
Other payables	1.6	2.0
Total	**135.0**	**149.5**

TRADE PAYABLES

This item includes trade payables of 65.9 million euros (78.0 million euros at 31 December 2005), payables to agents of 4.3 million euros (5.5 million euros at 31 December 2005) and trade payables to associates and non-consolidated subsidiaries of 2.3 million euros (2.9 million euros at 31 December 2005).

ADVANCES FROM CUSTOMERS

The increase since 31 December 2005 in advances from customers for future supplies mainly reflects the substantial volume of orders to be completed in the coming quarters.

TAX PAYABLES

Tax payables refer mostly to taxes withheld from employees.

EMPLOYEE PAYABLES

The increase in this caption since 31 December 2005 mainly reflects deferred payroll and accumulated holidays, which will mostly be taken during the second half of the year.

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 (2.7 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 (2.6 million euros at 31 December 2005).

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. PERSONNEL COSTS

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

	from 01.01.2006 to 03.31.2006	from 01.01.2005 to 03.31.2005	Change
Wages and salaries	23.6	22.0	1.6
Social security contributions	6.1	6.0	0.1
Remuneration of directors	0.3	0.3	–
Pensions defined-benefit plans	0.7	0.9	(0.2)
Pensions defined-contribution plans	0.3	0.2	0.1
Other personnel costs	1.8	1.5	0.3
Total	**32.8**	**30.9**	**1.9**

The amount at 31 March 2006 includes 0.5 million euros of personnel costs relating to the Telstar Group, which is included within the scope of consolidation since the second half of 2005.

19. DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

This caption includes depreciation of property, plant and equipment of 1.9 million euros (2.0 million euros in first quarter 2005), amortization of intangible assets of 0.7 million euros (0.7 million euros in first quarter 2005) and other writedowns of 0.1 million euros (0.1 million euros in first quarter 2005).

20. FINANCIAL INCOME

This item comprises the following (millions of euros):

	from 01.01.2006 to 03.31.2006	from 01.01.2005 to 03.31.2005	Change
Interest income from banks	0.3	0.3	–
Interest income on receivables from customers and other financial income	–	0.3	(0.3)
Income on derivatives	0.1	1.1	(1.0)
Exchange gains	1.5	1.8	(0.3)
Total	**1.9**	**3.5**	**(1.6)**

21. FINANCIAL EXPENSE

This item comprises the following (millions of euros):

	from 01.01.2006 to 03.31.2006	from 01.01.2005 to 03.31.2005	Change
Interest expense on bank payables	1.4	1.2	0.2
Interest expense on finance leases	0.1	0.1	–
Expense on derivatives	0.1	1.3	(1.2)
Other financial expense	0.1	0.1	–
Exchange losses	1.1	2.1	(1.0)
Total	**2.8**	**4.8**	**(2.0)**

Exchange gains and losses in the period to 31 March 2006 included, respectively, an unrealised gain of 0.9 million euros and an unrealised loss of 0.7 million euros (1.2 million euros and 1.4 million euros respectively in first quarter 2005).

22. INCOME TAX FOR THE PERIOD

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

23. GUARANTEES GRANTED

At 31 March 2006, the Group had granted sureties to customers of 7.2 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 1.4 million euros to guarantee the proper exercise of the options to acquire the remainder of the Nova Group and sureties to others totalling 0.6 million euros to secure leases, sundry utilities and customs duties.

Sureties granted against advances received from customers amounted to about 20.3 million euros (23.5 million euros at 31 December 2005).

24. COMMITMENTS

Commitments at 31 March 2006 relating to the purchase of property, plant and equipment total 0.5 million euros (0.1 million euros at 31 December 2005).

The Group also has commitments in respect of minimum lease payments for non-cancellable operating leases totalling 1.8 million euros (1.9 million euros at 31 December 2005) and rentals totalling 29.5 million euros (30.1 million euros at 31 December 2005).

25. RELATED-PARTY TRANSACTIONS

Related-party transactions mainly comprise 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 March 2006 (millions of euros):

	Receivables	Payables	Revenues	Costs
Datasensor S.p.A.	–	0.1	–	0.1
Fondazione Ramazzini	–	–	–	0.1
Lopam S.r.l.	–	–	–	0.1
Naturapack S.r.l.	0.6	0.2	0.3	0.2
Luca Poggi	–	0.1	–	0.1
Sporting Club Gira S.r.l.	–	–	–	0.1
Viaggi Nuova Era S.r.l.	–	1.4	–	0.9

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

	Receivables	Payables	Revenues	Costs
B.C. S.r.l.	–	0.6	–	0.8
LA.CO. S.r.l.	–	0.6	–	0.4
Consorzio Info Area	1.0	0.7	0.7	0.7

Lastly, at 31 March 2006 there are receivables of 0.3 million euros and payables of 0.4 million euros in relation to VIMA Impianti S.r.l., a non-consolidated subsidiary, while relates costs incurred during the first quarter amounted to 0.6 million euros.

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.

26. SIGNIFICANT EVENTS AFTER THE END OF THE FIRST QUARTER

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