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QUARTERLY REPORT FOR THE FOURTH QUARTER OF 2006

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I . M . A .    I N D U S T R I A   M A C C H I N E   A U T O M A T I C H E   S . P . A .  
H E A D   O F F I C E :   O Z Z A N O   D E L L ' E M I L I A   ( B O L O G N A )  
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**REPORT ON OPERATIONS**

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

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**DIRECTORS AND OFFICERS**

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

In addition to the powers that cannot be delegated, the Board of Directors of IMA S.p.A. 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 euros, 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 AND GENERAL MANAGER**

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

**INTERNAL CONTROL COMMITTEE AND  
REMUNERATION COMMITTEE**

Italo Giorgio Minguzzi - Independent director - Chairman

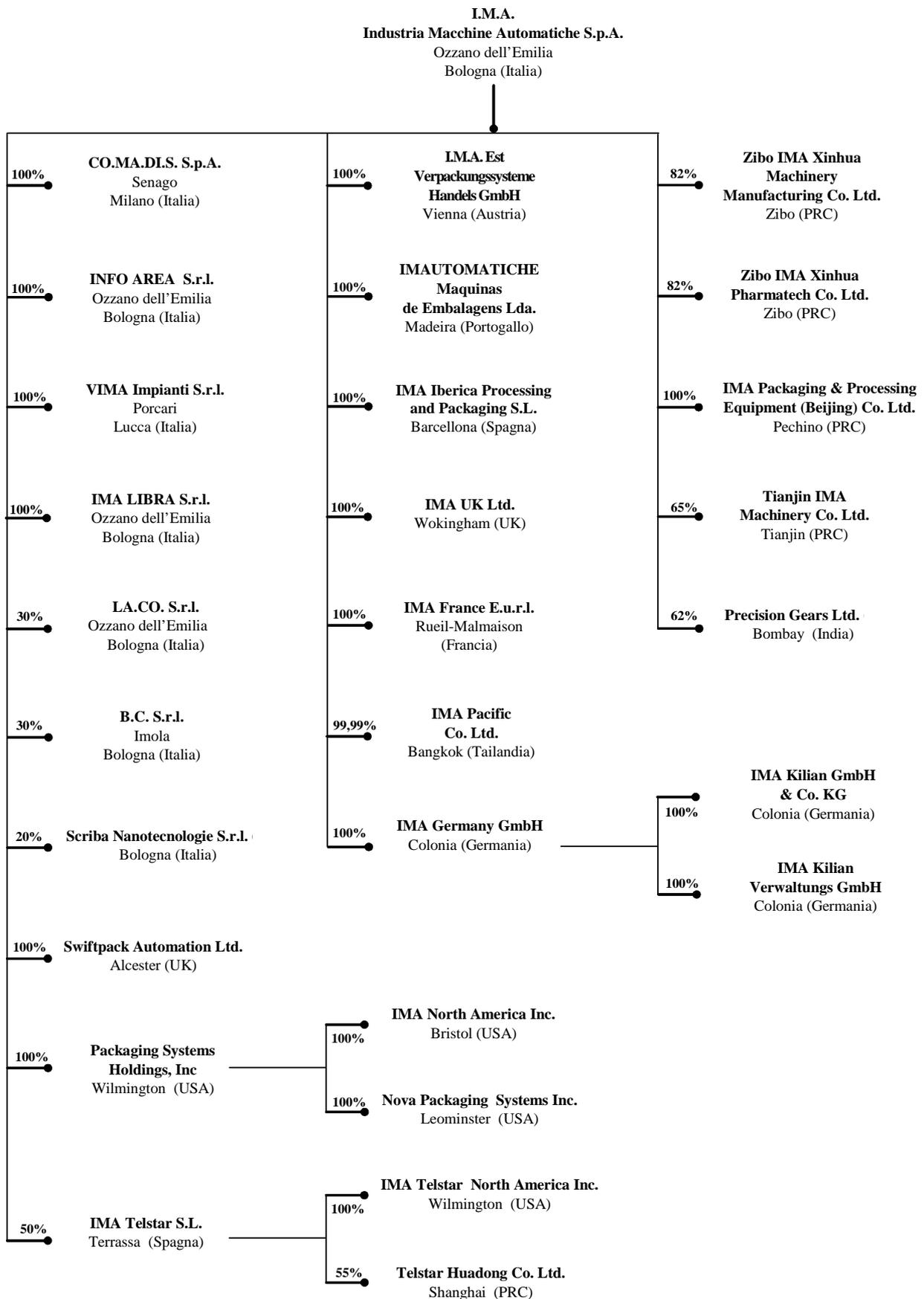
Maria Carla Schiavina - Non-executive director

Romano Volta - Independent director

**LEAD INDEPENDENT  
DIRECTOR**

Romano Volta

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.D.I.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)

**IMA Libra 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 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)

**IMA-Telstar North America Inc.**  
Wilmington (USA)

**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**

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

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## GROUP PERFORMANCE

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### GENERAL PERFORMANCE

World GDP grew considerably in 2006, although there was a slowdown in expansion during the last part of the year. The risk of a sharp brake on growth is high in the United States, in particular, although conditions for the moment are still ripe for a soft landing. There was also slightly slower growth in China during the third quarter of 2006, despite high values in absolute terms, thus reducing the likelihood that the government will introduce more restrictive economic policies. Europe now feels less dependent on the US economy and more confident in its own ability to grow, as already seen during 2006. Against this background of a moderate slowdown, the underlying picture remains good with strong growth in India and by the principal economies of Latin America. International prices for raw materials have continued their moderate upward trend, consistent with the slight slowdown in world demand.

In this context, the pharmaceuticals market grew by about 7% during 2006, with the emerging economies playing an increasingly more significant role. Indeed, the slower performance of the more industrialized nations was easily offset by that of nations such as China and India. The major change in progress is clearly demonstrated by the reduction in the weighting of the US pharmaceuticals market over the past 5 years from 54% of the total to 36% (source: IMS Health). The growth in consumption of pharmaceutical products in 2007 is expected to reflect 2006 levels. A further effect of changes has been the significant growth of both medicines deriving from the application of biotechnologies and generic products. Generic products are those which are no longer covered by patents and can be produced freely by any pharmaceutical company. The IMA Group's commercial network has aggregated new customers in this sector, becoming a point of reference for these new market segments. This contributed to a marked increase in the volume of orders taken during 2006. In particular, orders from the pharmaceutical sector were 12% higher than in 2005 at 384 million euros, compared with 343 million euros in the prior year.

Demand for tea-packaging equipment remains very strong and the slight reduction in the order backlog does not cause concern about future prospects.

### CONSOLIDATED INCOME STATEMENT

The consolidated annual revenues of the IMA Group amounted to 425.2 million euros (398.8 million euro in 2005), while the operating profit before writedowns/impairment of goodwill (EBITA) totaled 54.2 million euros, compared with 39.1 million euros in 2005, up 38.6%. Consolidated revenues in the fourth quarter of 2006 totaled 153.9 million euros, compared with 160.1 million euros in the fourth quarter of 2005. At the same time, EBITA for the quarter was 29.5 million euro compared with 33.0 million euro in the fourth quarter of 2005.

The consolidated income statement for 2006 is summarized below, with comparative figures for 2005:

millions of euros	2006		2005		Change %
	Amount	%	Amount	%	
<b>Revenues</b>	<b>425.2</b>		<b>398.8</b>		<b>6.6</b>
Cost of sales	(247.6)	58.2	(242.4)	60.8	
<b>Gross industrial income</b>	<b>177.6</b>	<b>41.8</b>	<b>156.4</b>	<b>39.2</b>	<b>13.6</b>
R&D costs	(19.6)		(18.3)		
Selling costs	(53.3)		(49.4)		
General and administrative costs	(50.5)		(49.6)		
<b>Operating profit before writedown/ impairment of goodwill (EBITA)</b>	<b>54.2</b>	<b>12.7</b>	<b>39.1</b>	<b>9.8</b>	<b>38.6</b>
Writedown/impairment of goodwill	(0.8)		(3.5)		
<b>Operating profit (E.B.I.T.)</b>	<b>53.4</b>	<b>12.6</b>	<b>35.6</b>	<b>8.9</b>	<b>50.0</b>
Net financial income (expense)	(6.9)		(7.6)		
<b>Profit (loss) before tax</b>	<b>46.5</b>	<b>10.9</b>	<b>28.0</b>	<b>7.0</b>	<b>66.1</b>
Income taxes	(21.7)		(15.0)		
<b>Profit (loss) for the period</b>	<b>24.8</b>	<b>5.8</b>	<b>13.0</b>	<b>3.3</b>	<b>90.8</b>
Attributable to minority interests	–		(0.5)		
<b>Group result</b>	<b>24.8</b>	<b>5.8</b>	<b>12.5</b>	<b>3.1</b>	<b>98.4</b>
<b>Gross operating margin (E.B.I.T.D.A.)</b>	<b>65.4</b>	<b>15.4</b>	<b>49.2</b>	<b>12.3</b>	<b>32.9</b>
<b>Order book</b>	<b>192.0</b>		<b>164.0</b>		<b>17.1</b>

## REVENUES AND ORDERS

Revenues for the whole of 2006 amounted to 425.2 million euros, up 6.6% with respect to the prior year. These numbers are essentially consistent, since the revenues of VIMA Impianti S.r.l., acquired at the start of 2006, were already processed by the Group during 2005.

The size of the order book rose by an excellent 17.1% with respect to the prior year, largely due to healthy orders from the pharmaceuticals sector which offset the essential stability of orders from the packaging sector.

## OPERATING PROFIT

The Group's operating profit amounted to 53.4 million euros, up 50% with respect to the prior year (35.6 million euros in 2005), representing 12.6% of revenues. This significant improvement reflects the combined efforts made in all areas of the income statement. Action has been taken to definitively eliminate the inefficiencies and costs arising from the technical problems experienced with new models, and the reorganization of IMA Kilian GmbH & Co. KG has been completed, with a significant return to operating profitability during 2006. Specific action was also taken to contain production costs, resulting in a jump in gross industrial income to 41.8% of revenues (from 39.2% previously), together with efforts to restrict the physiological rise in fixed costs. Many of these activities and others still in progress will produce their full effects in future, laying the groundwork for a further improvement in future results.

## PROFIT (LOSS) BEFORE TAX

The Group achieved profit before tax of 46.5 million euros in 2006, up 66.1% with respect to the prior year (28.0 million euro in 2005). In addition to the effects discussed in the previous point, this excellent result was also assisted by a reduction in net financial expenses by 0.7 million euros, principally due to lower exchange losses which more than offset the higher costs caused by the rise in interest rates.

In the light of the results achieved by the Nova Group, the Group has deemed it appropriate to write down the goodwill recorded at the time of acquisition by 0.8 million euros. The actions taken and the trend in orders suggest that there will be a marked improvement in the 2007 results of the American group.

#### PROFIT (LOSS) FOR THE PERIOD

The profit for 2006 was 24.8 million euros, compared with 12.5 million euros in the prior year. The reasons for the difference, already explained in the previous two points, include a reduction in the incidence of income taxes. 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 due to the complexity of the tax regulations in the various countries concerned; however, differences are unlikely to be significant. The lower incidence of taxation is due to the nature of the calculations, with a fixed element that carries progressively less weight as the results improve.

#### ANALYSIS OF PERFORMANCE BY SECTOR

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

millions of euros	Tea		Packaging		Process		Other	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenues	73.9	70.9	239.7	219.1	107.4	104.5	4.2	4.3
Operating profit	24.1	23.2	23.5	12.8	5.6	(0.7)	0.2	0.3
Net capital employed	19.8	13.4	101.0	93.6	87.3	75.5	(4.9)	(0.6)
R&D costs	4.6	4.1	10.8	9.9	4.2	4.3	–	–
Average personnel (*)	200	240	1,556	1,548	543	494	392	404
Order book	34.7	39.8	115.3	97.1	42.0	27.1	–	–

(\*) The personnel allocated to the various sectors are those directly employed there, 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 4.2% higher than the already good results reported last year, confirming the Group's strong leadership position in this market. The healthy level of the order book, although slightly lower than last year, indicates that the results for 2007 will be in line with those for 2006.

The rise in packaging revenues was due to higher sales for the entire range of products in this sector. The recovery of profitability was very significant following difficult times in 2005. The action taken to improve efficiency and lower production and product warranty costs made an important contribution to these results. Only the Nova Group, which is part of this sector, did not achieve the established objectives. This was due to the time needed to complete the integration with the IMA Group, as well as to technical delays in the launch of a revolutionary product, applying new technology, that penalized the sales of established products. As already mentioned, the work currently in progress and renewed commercial efforts mean that 2007 is expected to be a much better year for the Nova Group. Accordingly, we believe that the packaging sector still has ample margins for improvement which, to some extent, will be achieved during 2007.

The revenues of the process sector did not rise as much as those for packaging. This was solely due to transitory factors that caused delivery delays for a number of important contracts which, otherwise, would have increased the volume of sales. The excellent level of the order book confirms this analysis and 2007 is expected to see growth with respect to the past year. The situation regarding the profitability of the sector is radically different, having more than doubled with respect to 2005. Although still not satisfactory, this performance provides an important signal about the ability of the sector to react. The action being taken and the flow of orders suggest that there will be further improvements in profitability in the immediate future. VIMA S.r.l., acquired during 2006, was able to contribute positively to the results of the sector for a number of reasons. In particular, the aggressive commercial policy designed to capture significant market share, the fact that there is a steep learning curve for the numerous products in the range, and the inevitable effects of the premature demise of the company's founder, all mean that 2006 was not a profitable year. Nevertheless, the considerable commercial success of the products, as demonstrated by the large order book, as well as the planned strengthening of management, will return the company to profit from the coming year. Considering the plans prepared by VIMA S.r.l., the Group has decided not to write down the associated goodwill. IMA Kilian, the German company in this sector, has brilliantly overcome the difficulties faced during 2005. Planned action has paid off and the results were very positive.

## CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

The following table summarizes the Group's balance sheet at 31 December 2006:

millions of euros	31.12.2006	31.12.2005
Trade receivables	101.4	98.8
Inventories	122.2	122.1
Trade payables	(102.9)	(115.4)
Other, net	(29.2)	(28.1)
<b>Working capital</b>	<b>91.5</b>	<b>77.4</b>
Property, plant and equipment	72.7	73.3
Intangible assets	69.9	59.3
Investments in subsidiaries and associates	1.8	1.0
<b>Fixed assets</b>	<b>144.4</b>	<b>133.6</b>
Employee termination indemnities and other	(32.7)	(29.1)
<b>Net capital employed</b>	<b>203.2</b>	<b>181.9</b>

### FINANCED BY:

<b>Net debt</b>	<b>104.2</b>	<b>86.8</b>
Minority interests	1.0	3.6
<b>Equity pertaining to the Group</b>	<b>98.0</b>	<b>91.5</b>
<b>Total sources of finance</b>	<b>203.2</b>	<b>181.9</b>

Net capital employed at the end of December 2006, 203.2 million euros, is not greatly different to that at 31 December 2005 (181.9 million euros). In particular, the increase in working capital was due to a reduction in trade payables following a change in the approach to procurement, lower purchasing costs and a reduction in advances from customers, caused by adverse timing in the acquisition of orders. Trade receivables and inventories were essentially unchanged, confirming the good

work performed over time to contain working capital requirements. Fixed assets have increased by 10.8 million euros due, in the main, to the goodwill recorded on the purchase of VIMA S.r.l., the remaining 9.32% interest in Packaging Systems Holdings Inc. and a further 49% holding in Precision Gears Ltd.

The following is a breakdown of net debt:

millions of euros	31.12.2006	31.12.2005
A. Cash and cash equivalents	(60.2)	(57.8)
B. Other liquid assets	–	(4.2)
C. Investment in securities	(0.2)	(0.4)
<b>D. Liquid funds (A)+(B)+(C)</b>	<b>(60.4)</b>	<b>(62.4)</b>
<b>E. Current financial receivables</b>	<b>–</b>	<b>–</b>
F. Current bank loans	52.1	46.8
G. Current portion of long-term bank loans	22.2	20.0
H. Other current financial payables	1.6	1.2
<b>I. Current debt (F)+(G)+(H)</b>	<b>75.9</b>	<b>68.0</b>
<b>J. Net current debt (I)+(E)+(D)</b>	<b>15.5</b>	<b>5.6</b>
K. Non-current bank debt (other than loans)	85.0	79.2
L. Non-current financial assets	(3.4)	(3.6)
M. Other non-current financial payables	7.1	5.6
<b>N. Non-current debt (K)+(L)+(M)</b>	<b>88.7</b>	<b>81.2</b>
<b>O. Net debt (J)+(N)</b>	<b>104.2</b>	<b>86.8</b>

The change in net debt since 31 December 2005 is mainly attributable to:

- the purchase of treasury shares for 4.2 million euros;
- the purchase of holdings in VIMA Impianti S.r.l., SCRIBA Nanotecnologie S.r.l. and Precision Gears Ltd for about 18.6 million euros.

In June 2006, IMA-Telstar S.L. arranged a finance lease for 2.5 million euros which, in addition to the debt resulting from the operations mentioned above, raised new borrowing at 31 December 2006 to 25.3 million euros, with a net increase of 17.4 million euros.

## CAPITAL EXPENDITURE

Group investment in property, plant and equipment amounted to 7.6 million euros (6.8 million euros in 2005), of which 2.5 million euros relates to the land involved in the finance lease signed in May 2006 by IMA-Telstar S.L., a joint venture. The balance of 5.1 million euros relates principally to the charges incurred to expand and upgrade existing buildings and plant, and to the capitalisation of equipment used in production by Group companies. Capital expenditure on intangible assets amounted to 3.2 million euros (3.9 million euros in 2005) and related mainly to the capitalisation of industrial patents and to the development costs incurred on totally new products for the packaging and pharmaceutical processing sectors.

In addition, goodwill of 8.3 million euros and development costs of 1.5 million euros were recorded in 2006 on the purchase of VIMA S.r.l. and 49% of Precision Gears Ltd.

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**OTHER INFORMATION**

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**OUTLOOK  
FOR THE CURRENT  
YEAR**

As fully explained above, 2006 was a most satisfactory year. There was a sudden and important recovery in profitability, demonstrating the vitality of the Group and the appropriate nature of the action taken. Indeed, part of the profitability lost in prior years due to the rapid appreciation of the euro against the US dollar has been recovered, confirming the possibility over time to transfer to prices at least part of the exchange differences generated by the fluctuations in international currencies. The corrective action taken to reduce the inefficiencies caused by unexpected technical problems was fully effective, as was work to reorganize certain subsidiaries and divisions within the parent company.

The development of more advantageous purchasing channels has helped to contain production costs, leaving ample room for further improvements.

Lastly, the constant focus on fixed overheads has held their physiological growth in check, thus helping to obtain the benefits from operational leverage.

All this was achieved without affecting market penetration, as shown by the level of the order book at the end of 2006.

In conclusion, if there are no significant changes in the flow of orders or the level of exchange rates, and considering the actions currently in progress, 2007 is expected to confirm the good start already made with growth in comparison to 2006. Revenues are forecast to grow by about 7%. The management of the Group is strongly motivated and committed to achieving all of the above results.

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**CONSOLIDATED FINANCIAL STATEMENTS**  
**AT 31 DECEMBER 2006**

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

CONSOLIDATED BALANCE SHEET

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

ASSETS	Note	31 December 2006	31 December 2005
<b>NON-CURRENT ASSETS</b>			
<i>Property, plant and equipment</i>	2	72.7	73.3
<i>Intangible assets</i>	3	69.9	59.3
<i>Companies valued using the equity method</i>	4	1.7	1.0
<i>Investments in non-consolidated subsidiaries</i>		0.1	–
<i>Financial assets</i>	5	3.4	3.6
<i>Receivables from others</i>		0.5	0.7
<i>Derivatives</i>	6	0.2	0.1
<i>Deferred tax assets</i>	7	14.8	15.9
<b>TOTAL NON-CURRENT ASSETS</b>		<b>163.3</b>	<b>153.9</b>
<b>CURRENT ASSETS</b>			
<i>Inventories</i>	8	122.2	122.1
<i>Trade and other receivables</i>	9	110.4	108.9
<i>Income tax receivables</i>		0.4	0.8
<i>Financial assets</i>	5	0.2	4.6
<i>Derivatives</i>	6	0.7	–
<i>Cash and cash equivalents</i>	10	60.2	57.8
<b>TOTAL CURRENT ASSETS</b>		<b>294.1</b>	<b>294.2</b>
<b>TOTAL ASSETS</b>		<b>457.4</b>	<b>448.1</b>
EQUITY AND LIABILITIES	Note	31 December 2006	31 December 2005
<b>EQUITY</b>			
<i>Share capital</i>	11	18.8	18.8
<i>Share premium reserve</i>		16.4	16.4
<i>Treasury shares</i>	12	(18.9)	(14.7)
<i>Translation reserve</i>		(0.7)	1.3
<i>Fair value reserve</i>	13	0.8	(0.9)
<i>Other reserves</i>		31.0	30.5
<i>Retained earnings</i>		25.8	27.6
<i>Profit (loss) for the period</i>		24.8	12.5
<b>Total capital and reserves of the Group</b>		<b>98.0</b>	<b>91.5</b>
<i>Reserves pertaining to minority interests</i>		1.0	3.1
<i>Profit pertaining to minority interests</i>		–	0.5
<b>Total minority interests</b>		<b>1.0</b>	<b>3.6</b>
<b>EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS</b>		<b>99.0</b>	<b>95.1</b>
<b>NON-CURRENT LIABILITIES</b>			
<i>Borrowings</i>	14	92.1	84.8
<i>Severance and pension obligations</i>		25.5	25.3
<i>Provisions for risks and charges</i>	15	1.2	1.1
<i>Deferred tax liabilities</i>	7	17.4	14.7
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>136.2</b>	<b>125.9</b>
<b>CURRENT LIABILITIES</b>			
<i>Borrowings</i>	14	75.9	68.0
<i>Trade and other payables</i>	16	136.8	149.5
<i>Income tax liabilities</i>		4.0	3.0
<i>Provisions for risks and charges</i>	15	5.5	4.9
<i>Derivatives</i>	6	–	1.7
<b>TOTAL CURRENT LIABILITIES</b>		<b>222.2</b>	<b>227.1</b>
<b>TOTAL LIABILITIES</b>		<b>358.4</b>	<b>353.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>457.4</b>	<b>448.1</b>

CONSOLIDATED INCOME STATEMENT

FOR THE FOURTH QUARTER OF 2006 AND FOR THE PERIOD 01/01-31/12/2006 (MILLIONS OF EUROS)

INCOME STATEMENT	Note	4th quarter 2006	4th quarter 2005	from 01/01/2006 to 31/12/2006	from 01/01/2005 to 31/12/2005
<b>REVENUES</b>	1	153.9	160.1	425.2	398.8
<i>Other revenues</i>		2.7	4.1	6.8	7.4
<b>OPERATING COSTS</b>					
<i>Change in work in progress, semifinished and finished goods</i>		(21.8)	(22.0)	(0.2)	6.4
<i>Change in inventory of raw, ancillary and consumable materials</i>		(2.1)	(0.6)	(0.1)	2.3
<i>Cost of raw, ancillary and consumable materials</i>		(36.1)	(46.2)	(139.3)	(152.4)
<i>Services, rentals and leases</i>		(27.1)	(26.8)	(89.6)	(84.3)
<i>Personnel costs</i>	17	(35.4)	(33.4)	(132.6)	(126.4)
<i>Depreciation and amortization expense</i>	18	(3.8)	(5.9)	(13.0)	(13.7)
<i>Provisions for risks and charges</i>		–	1.2	(0.8)	0.2
<i>Other operating costs</i>		(0.8)	(1.0)	(3.0)	(2.7)
<b>TOTAL OPERATING COSTS</b>		(127.1)	(134.7)	(378.6)	(370.6)
<b>OPERATING PROFIT</b>		29.5	29.5	53.4	35.6
<b>FINANCIAL INCOME AND EXPENSE</b>					
<i>Financial income</i>	19	1.8	1.7	6.4	8.1
<i>Financial expense</i>	20	(4.3)	(4.5)	(13.3)	(15.7)
<b>TOTAL FINANCIAL INCOME AND EXPENSE</b>		(2.5)	(2.8)	(6.9)	(7.6)
<b>PROFIT (LOSS) FROM INVESTMENTS CARRIED AT EQUITY</b>		–	–	–	–
<b>PROFIT (LOSS) BEFORE TAX</b>		27.0	26.7	46.5	28.0
<b>INCOME TAXES FOR THE PERIOD</b>	21	(12.1)	(13.8)	(21.7)	(15.0)
<b>PROFIT (LOSS) FOR THE PERIOD</b>		14.9	12.9	24.8	13.0
<b>ATTRIBUTABLE TO:</b>					
<b>PARENT COMPANY SHAREHOLDERS</b>		14.8	12.5	24.8	12.5
<b>MINORITY INTERESTS</b>		0.1	0.4	–	0.5
		14.9	12.9	24.8	13.0
<b>EARNINGS PER SHARE (in euros)</b>		0.43	0.36	0.72	0.36

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2006 AND 31 DECEMBER 2005 (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
<b>Balances at 1.01.2005</b>	<b>18.8</b>	<b>16.4</b>	<b>-</b>	<b>(1.2)</b>	<b>1.1</b>	<b>28.5</b>	<b>26.8</b>	<b>16.8</b>	<b>107.2</b>	<b>2.3</b>	<b>109.5</b>
Effect of merger of Comitec S.r.l. with IMA S.p.A.	-	-	-	-	-	(0.2)	0.2	-	-	-	-
Allocation of result for 2004:											
- 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 differences on translation of foreign currency financial statements	-	-	-	2.5	-	-	-	-	2.5	0.3	2.8
Profit (loss) for the period	-	-	-	-	-	-	-	12.5	12.5	0.5	13.0
<b>Balances at 31.12.2005</b>	<b>18.8</b>	<b>16.4</b>	<b>(14.7)</b>	<b>1.3</b>	<b>(0.9)</b>	<b>30.5</b>	<b>27.6</b>	<b>12.5</b>	<b>91.5</b>	<b>3.6</b>	<b>95.1</b>
Allocation of result for 2005:											
- dividends	-	-	-	-	-	-	-	(13.8)	(13.8)	(0.5)	(14.3)
- reserves	-	-	-	-	-	0.5	(1.8)	1.3	-	-	-
Purchase of 49% of Precision Gears Ltd.	-	-	-	-	-	-	-	-	-	(2.1)	(2.1)
Purchase and sale of treasury shares	-	-	(4.2)	-	-	-	-	-	(4.2)	-	(4.2)
Gains on trading in treasury shares	-	-	-	-	-	-	-	-	-	-	-
Valuation of financial instruments at equity	-	-	-	-	1.7	-	-	-	1.7	-	1.7
Exchange differences on translation of foreign currency financial statements	-	-	-	(2.0)	-	-	-	-	(2.0)	-	(2.0)
Profit (loss) for the period	-	-	-	-	-	-	-	24.8	24.8	-	24.8
<b>Balances at 31.12.2006</b>	<b>18.8</b>	<b>16.4</b>	<b>(18.9)</b>	<b>(0.7)</b>	<b>0.8</b>	<b>31.0</b>	<b>25.8</b>	<b>24.8</b>	<b>98.0</b>	<b>1.0</b>	<b>99.0</b>

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	31 December 2006	31 December 2005
<b>OPERATIONS</b>		
<i>Profit (loss) for the period</i>	24.8	12.5
<i>Adjustments for:</i>		
- <i>Depreciation and amortization</i>	11.2	10.3
- <i>(Writebacks) or writedowns of non-current assets</i>	0.8	3.3
- <i>Capital (gains) losses on disposal of non-current assets</i>	-	(0.3)
- <i>Changes in provisions for risks and charges and staff severance obligations</i>	1.4	0.6
- <i>Unrealised losses (gains) on exchange rate differences</i>	0.1	1.0
- <i>Income taxes</i>	21.7	15.0
- <i>Minority interests</i>	-	0.5
Operating profit (loss) before changes in working capital	60.0	42.9
<i>(Increase) decrease in trade and other receivables</i>	(0.8)	(10.4)
<i>(Increase) decrease in inventories</i>	(0.1)	(12.4)
<i>Increase (decrease) in trade and other payables</i>	(18.0)	19.7
<i>Income taxes paid</i>	(17.9)	(10.2)
<b>CASH FLOW GENERATED BY OPERATIONS (A)</b>	<b>23.2</b>	<b>29.6</b>
<b>INVESTMENT ACTIVITY</b>		
<i>Investments in property, plant and equipment</i>	(5.1)	(6.8)
<i>Investments in intangible assets</i>	(3.2)	(3.9)
<i>Company acquisitions</i>	(6.2)	(5.7)
<i>Exchange rate differences on property, plant and equipment and intangible assets</i>	0.8	(1.3)
<i>Repayment of finance lease debts</i>	(1.0)	(1.1)
<i>Investments in subsidiaries and associates</i>	(0.5)	(0.4)
<i>Proceeds of sale of non-current assets</i>	0.5	0.9
<i>Net change in financial assets and other non-current receivables</i>	4.8	(4.0)
<i>Changes in reserves pertaining to minority interests</i>	(0.7)	0.8
<b>CASH FLOW ABSORBED BY INVESTMENT ACTIVITY (B)</b>	<b>(10.6)</b>	<b>(21.5)</b>
<b>FINANCE ACTIVITY</b>		
<i>New loans granted</i>	49.3	51.9
<i>Borrowings repaid</i>	(41.0)	(31.4)
<i>Increase (decrease) in other payables to banks</i>	7.0	11.8
<i>Dividends paid</i>	(13.8)	(14.0)
<i>Purchase of treasury shares</i>	(4.2)	(14.4)
<i>Translation of foreign currency financial statements</i>	(2.0)	2.5
<i>Payment/collection of interest</i>	(5.5)	(3.7)
<b>CASH FLOW GENERATED (ABSORBED) BY FINANCE ACTIVITY (C)</b>	<b>(10.2)</b>	<b>2.7</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)</b>	<b>2.4</b>	<b>10.8</b>
<b>CASH AND CASH EQUIVALENTS AT START OF PERIOD (E)</b>	<b>57.8</b>	<b>47.0</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (F=D+E)</b>	<b>60.2</b>	<b>57.8</b>

The statement of cash flows has been prepared using the indirect method, as this is considered more representative of the financial flows generated by the Group's activities.

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EXPLANATORY NOTES

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## A) OVERVIEW

The Report on Operations for the fourth quarter of 2006 was approved by the Board of Directors on 14 February 2007.

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 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.

During the first half of the year, FINVACCHI S.p.A. transferred 51% of the shares in IMA S.p.A. to SO.FI.MA. Società Finanziaria Macchine Automatiche S.p.A. At the same time, Lopam Fin. S.p.A., Interlopam Invest N.V. and Cofiva Holding S.p.A. transferred shares representing 16.55% of IMA S.p.A. to SO.FI.MA. These transfers did not have any impact on the control structure of IMA S.p.A. At 31 December 2006, SO.FI.M.A. S.p.A, which is controlled by Lopam Fin S.p.A., holds 67.55% of IMA S.p.A. No significant transactions took place during the period between IMA S.p.A. and its parent companies.

All of the figures contained in the quarterly report as of 31 December 2006 are expressed 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 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, this report contains the information that IAS 34 requires for interim financial reports.

This quarterly report has been prepared using the same accounting principles and standards adopted to prepare the annual and consolidated financial statements at 31 December 2005, where compatible, and reference should be made to them for further information.

Income taxes for the period are based on the best estimate of the tax rate expected for 2006 and calculated on a definitive basis for 2005.

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

The Parent Company IMA S.p.A. chose 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.

The reconciliations required by IFRS 1 of the impact of the Parent Company's transition to IAS/IFRS are provided in the report on operations for the first half of 2006.

## C) SCOPE OF CONSOLIDATION

The quarterly report at 31 December 2006 includes the income statements and balance sheets of I.M.A. - Industria Macchine Automatiche S.p.A. (the Parent Company) and all the companies in which it directly or indirectly holds a controlling interest.

The following changes in the Group structure took 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 combat unauthorised copying and facilitate the tracking of pharmaceutical products. In view of the agreement which provides for a further 20% increase in IMA's shareholding by means of an increase in capital, the total equity interest at 31 December 2006 is 40%;
- the entire share 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 transfer of the quotas. Given that a majority of the company's capital was held by related parties, the valuation was reviewed by Deloitte Financial Advisory Services, which issued a fairness opinion confirming that the operation was carried out at a reasonable price. The purpose of this acquisition is to expand the wide range of process sector machinery and to take advantage of VIMA's expansion potential in international markets;
- the deed for the winding up of Luxteco International S.A. (based in Luxembourg) was signed on 20 June 2006; the company's liquidation was completed without any material costs arising;
- on 11 July 2006, IMA S.p.A. acquired the residual 9.32% of the shares in Packaging Systems Holdings Inc. from the management of the American group for 4.9 million US dollars, which was paid at the time that the shares were transferred. IMA and the management agreed to terminate the contract signed between them on 29 September 2004 ahead of schedule. This contract provided a reciprocal right to purchase/sell the shares held by management, to be exercised from April 2009 onwards, at a price based on its operating results.

This contract, which provides for the interruption of all relations with the management, including their employment, was concluded by IMA S.p.A. as part of the process of managerial reorganization involving the entire structure, being well aware that the day-to-day running of the Nova Group is firmly in the hands of local resources together with IMA's supervision thanks to close production and commercial integration;

- the liquidation of Holteco B.V. was completed on 18 October 2006; no significant charges emerged from this process;
- IMA-Telstar North America Inc. was formed in October 2006. The new company, wholly owned by IMA-Telstar S.L. and not yet operational at 31 December 2006, is registered in Delaware and will produce lyophilization machinery for the US market. This market, alone, produces more than 50% of

the world's pharmaceuticals and therefore requires its equipment suppliers to maintain an ever greater local presence.

The formation of this company is part of a wider reorganization of the Group's activities in North America, involving the sale by IMA S.p.A. of IMA North America Inc. to Packaging Systems Holdings Inc. and the sale by Nova Packaging Systems Inc. of Swiftpack Ltd. to IMA S.p.A.;

- a new company known as IMA LIBRA S.r.l. was formed on 13 November 2006; it is wholly owned by IMA S.p.A. and is based in Ozzano dell'Emilia (Bologna). On 14 November 2006 the Board of Directors of IMA S.p.A. resolved to contribute the activities of the Aseptic Processing & Filling sector (machines for the packaging of liquids under sterile and non-sterile conditions) to this new company, with effect from 2 January 2007, together with the interest held in IMA-Telstar S.L., the Italo-Spanish joint-venture (lyophilization machinery).

The decision to concentrate these activities in the new company comes from the desire to make them more competitive by intensifying the synergies between the various businesses, as well as to evaluate the potential for external growth;

- on 20 December 2006, IMA signed a contract to buy 34% of the share capital of Precision Gears Ltd., in which it already held a 51% interest. The company is based in Mumbai and specialises in the production of blister and cartoning machines for emerging markets. The 34% interest will be acquired in various tranches by 30 June 2007, for a price based on the average of the results for the last three years. The first tranche of 11% of share capital was acquired by the parent company in December for 1.3 million euros, which was paid at the time of the transfer of ownership. With regard to the remaining interest, representing 15% of share capital, the parties have agreed reciprocal put & call rights on the same terms as those established for the purchase of the 34% interest. These options can be exercised in two tranches, by January 2010 at the latest. Taking the agreed interest into account, the total investment will be around 7 million euros.

The decision to purchase a further interest in the capital of this Indian company reflects the need to establish a greater presence in this expanding business, which is located in one of the world's fastest growing areas.

The companies included in the consolidation are listed below, 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
<b>Manufacturing companies:</b>					
• 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%	–
• VIMA Impianti S.r.l.	Porcari (LU)	EUR	363,940	100%	–
• Zibo IMA Xinhua Machinery Manufacturing Co. Ltd.	Zibo (PRC)	USD	820,727	82%	–
• Zibo IMA Xinhua Pharmatech Co. Ltd.	Zibo (PRC)	USD	3,343,248	82%	–
• Tianjin IMA Machinery Co. Ltd.	Tianjin (PRC)	USD	206,204	65%	–
• Swiftpack Automation Ltd.	Alcester (UK)	GBP	1,403,895	100%	–
• Precision Gears Ltd.	Mumbai (India)	RS	(*) 17,852,100	100%	– (1)
• IMA Kilian GmbH & Co. KG	Cologne (Germany)	EUR	3,600,000	–	100% (2)
• Nova Packaging Systems Inc.	Leominster (USA)	USD	8,050,000	–	100% (3)
<b>Marketing companies:</b>					
• IMA UK Ltd.	Wokingham (UK)	GBP	50,000	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 (F)	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%	–
• IMA North America Inc.	Bristol (USA)	USD	2,500	–	100% (3)
<b>Other companies:</b>					
• Info Area S.r.l.	Ozzano E. (BO)	EUR	98,800	100%	–
• IMA Kilian Verwaltungs GmbH	Cologne (Germany)	EUR	25,000	–	100% (2)
<b>Holding companies:</b>					
• Packaging Systems Holdings Inc.	Wilmington (USA)	USD	8,052,500	100%	–

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

**Notes (list of investments):**

(1) The percentage interest includes an option to purchase 15% of the share capital which, in substance, represents a form of deferred payment

(2) Held by IMA Germany GmbH

(3) Held by Packaging Systems Holdings 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 investments):**

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

The financial statements at 31 December 2006 include the Group's interest in the assets, liabilities, revenues and costs of IMA-Telstar S.L. and Telstar Huadong Co. Ltd.

## 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%	–
Scriba Nanotecnologie S.r.l.	Bologna (BO)	EUR 15,000	40%	– (5)
Consorzio Info Area	Ozzano E. (BO)	EUR(*) 50,000	25%	25% (6)
IMA-Telstar North America Inc.	Wilmington (USA)	USD 500,000	–	50% (7)

(\*) Quotas of the consortium fund

**Notes (list of indirect investments):**

(5) The ownership percentage includes an agreement for the purchase of 20% of share capital.

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

(7) 100% held by IMA-Telstar S.L.

The consolidated financial statements at 31 December 2006 include the Group's interest in the net profits and losses of companies valued using the equity method, from the date on which significant influence begins to the date that it ends. IMA-Telstar North America Inc., formed in October 2006, has been valued using the equity method since the amounts concerned are not significant.

## INVESTMENTS VALUED AT COST

	Registered offices	Share Capital fully paid-in	Direct investment	Indirect investment
IMA Libra S.r.l.	Ozzano E. (BO)	EUR 10,000	100%	–

IMA Libra S.r.l., formed in November 2006, has been valued at cost since it was not operational at 31 December 2006 and the amounts concerned are not significant.

## D) EXPLANATORY NOTES

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

### 1. SEGMENT INFORMATION

The Group's primary reporting is analyzed 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 lyophilization, 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 next table gives a breakdown of revenues with comparative figures for the same period in 2005 (in millions of euros):

	year 2006	year 2005	Change
Tea, herbal tea and coffee packaging	73.9	70.9	3.0
Pharmaceutical packaging	239.7	219.1	20.6
Pharmaceutical processing	107.4	104.5	2.9
Other	4.2	4.3	(0.1)
<b>Total</b>	<b>425.2</b>	<b>398.8</b>	<b>26.4</b>

The increases seen in all sectors of Group activity are attributable to the good level of the order book at the end of the previous year, as well as the considerable increase in orders received during 2006 from the pharmaceutical sector. Revenues from the tea sector were 4.2% higher than the good results reported last year, confirming the Group's strong leadership position in this market. The rise in revenues from the packaging sector includes 5 million euros from the inclusion of the Telstar Group within the scope of consolidation, while the remaining 15.6 million euros come from internal growth. This increase reflects the higher sales achieved across the entire range of products. The revenues of the processing sector did not rise as much as those of the packaging sector. This was due to transitory factors that caused a delay in the delivery of certain important contracts.

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

	year 2006	year 2005	Change
Tea, herbal tea and coffee packaging	24.1	23.2	0.9
Pharmaceutical packaging	23.5	12.8	10.7
Pharmaceutical processing	5.6	(0.7)	6.3
Other	0.2	0.3	(0.1)
<b>Total</b>	<b>53.4</b>	<b>35.6</b>	<b>17.8</b>

There has clearly been a generalized improvement deriving from combined efforts involving all areas of the income statement. In this context, the costs initially caused by technical problems with new models have been definitively eliminated, while specific action has also been taken to contain both production costs and the physiological rise in fixed costs. Many of these activities and others currently in progress will produce their full effects over time, providing the foundations for a further improvement in future results.

In particular, the tea sector is currently benefiting from a favourable product mix. The operating profit of the packaging sector has improved considerably with respect to the prior year, partly due to the action taken to improve efficiency and reduce both production and product warranty costs. Indeed, in the packaging sector, only the Nova Group has not yet fully expressed its potential; the time needed to complete the integration with the IMA Group, as well as technical delays in the launch of a revolutionary product, applying new technology, have in fact penalized

the sales of established products. Current actions will however lead to marked growth by the Nova Group during 2007. The notable improvement in the processing sector was mainly due to the reorganization subsequent to the relocation of IMA Kilian GmbH & Co. KG and that company's ability to overcome the price pressures that had caused a fall in orders. VIMA Impianti S.r.l. has not yet been able to make a positive contribution to results, however the company will become profitable next year due to the considerable commercial success of its products, as demonstrated by the large order book, and planned action to strengthen the management team.

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

The following is a breakdown of IMA Group revenues in 2006 by geographical and business segment (millions of euros):

*REVENUES BY GEOGRAPHICAL SEGMENT*

	year 2006	year 2005	Change
European Union (excluding Italy)	168.3	156.5	11.8
Other European countries	22.5	31.4	(8.9)
North America	105.3	86.3	19.0
Asia	53.8	50.3	3.5
Other countries	42.3	35.7	6.6
<b>Total exports</b>	<b>392.2</b>	<b>360.2</b>	<b>32.0</b>
Italy	33.0	38.6	(5.6)
<b>Total</b>	<b>425.2</b>	<b>398.8</b>	<b>26.4</b>

*REVENUES BY BUSINESS SEGMENT*

	year 2006	year 2005	Change
Machines and size parts	237.2	238.4	(1.2)
Contract work	95.8	74.7	21.1
Spare parts	55.7	51.6	4.1
Technical assistance	22.2	19.2	3.0
Other services	14.3	14.9	(0.6)
<b>Total</b>	<b>425.2</b>	<b>398.8</b>	<b>26.4</b>

## 2. PROPERTY, PLANT AND EQUIPMENT

There has been a net decrease in property, plant and equipment by 0.6 million euros. The movements in property, plant and equipment during the period are analyzed as follows (millions of euros):

	Land	Buildings & leasehold improvements	Plant & machinery	Industrial & commercial equipment	Other assets	Assets under construction & advances	Total
<b>Balances at 01.01.06</b>	<b>14.7</b>	<b>35.4</b>	<b>15.0</b>	<b>1.9</b>	<b>3.8</b>	<b>2.5</b>	<b>73.3</b>
Increases for the period	2.5	1.1	1.3	0.6	1.4	0.7	7.6
Change in scope of consolidation	–	–	0.1	0.1	0.1	–	0.3
Sales and disposals	–	(0.1)	(0.1)	(0.1)	(0.2)	–	(0.5)
Depreciation	–	(1.8)	(3.4)	(0.8)	(1.6)	–	(7.6)
Reclassifications	–	0.8	0.9	–	–	(1.7)	–
Exchange differences	(0.1)	(0.1)	(0.1)	–	(0.1)	–	(0.4)
<b>Balances at 31.12.06</b>	<b>17.1</b>	<b>35.3</b>	<b>13.7</b>	<b>1.7</b>	<b>3.4</b>	<b>1.5</b>	<b>72.7</b>

Land includes the plots owned by the Parent Company in Ozzano dell'Emilia (Bologna) and in Bentivoglio (Bologna), 10.7 million euros, and those in Calenzano (Florence) and Terrassa (Spain) being bought under finance leases. for 3.2 million euros and 2.5 million euros, respectively.

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

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

The increase in land during the period, 2.5 million euros, relates to the amount recorded by IMA-Telstar S.L. following the signature of a finance lease contract in 2006 for building land in Spain, as discussed in Note 14.

The increase of 0.7 million euros in Assets under construction and advances includes 0.5 million euro for the construction of an industrial building by Telstar Huadong Co. Ltd., which is due for completion in April 2007.

The other additions during the period mainly reflect the costs of extending and upgrading existing buildings and plant, as well as the capitalization of equipment produced internally and the purchase of electronic machines and cars.

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

### 3. INTANGIBLE ASSETS

The movements in intangible assets during the period are analysed as follows (millions of euros):

	Development costs	Industrial patents	Software, licences, trademarks	Goodwill	Assets under development & advances	Total
<b>Balances at 01.01.06</b>	<b>6.2</b>	<b>1.1</b>	<b>3.3</b>	<b>47.5</b>	<b>1.2</b>	<b>59.3</b>
Increases for the period	0.6	1.0	0.8	–	0.8	3.2
Purchase of 49% of PG Ltd.	–	–	–	4.0	–	4.0
Purchase of VIMA S.r.l.	1.5	–	–	4.3	–	5.8
Change in scope of consolidation	1.0	0.1	–	–	–	1.1
Amortization	(1.4)	(0.6)	(1.6)	–	–	(3.6)
Value increase/(decrease)	–	–	–	1.3	–	1.3
Writedown/Impairment	–	–	–	(0.8)	–	(0.8)
Reclassifications	0.8	0.1	–	–	(0.9)	–
Exchange differences	–	–	–	(0.4)	–	(0.4)
<b>Balances at 31.12.06</b>	<b>8.7</b>	<b>1.7</b>	<b>2.5</b>	<b>55.9</b>	<b>1.1</b>	<b>69.9</b>

Development costs include the costs incurred by the parent company that meet the requirements for capitalization under IAS 38, given that they relate to new products not previously available developed for entry into new market segments. Specifically, the projects capitalized by the parent company relate 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, as well

as the Perfima coating machines and the Vortex high-speed wet granulator, with optional fluid-bed integrators (Pegasus), that were included in development costs during the last quarter of 2006.

Development costs also include the know-how recorded on the purchase of the Telstar Group in the prior year, concerning lyophilization machines for the pharmaceuticals industry and the production of pharmaceuticals deriving from the application of biotechnologies. Lastly, following the inclusion of VIMA S.r.l. in the scope of consolidation, 2.5 million euros have been booked for know how regarding washing and powder handling systems for the pharmaceuticals processing sector.

Software, licences, trademarks and similar rights include applications, operating and technical software.

Goodwill comprises the following (millions of euros):

	31.12.2006	31.12.2005
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	13.3	13.2
Telstar Group	3.4	3.4
VIMA Impianti S.r.l.	4.3	–
Precision Gears Ltd.	4.0	–
<b>Total</b>	<b>55.9</b>	<b>47.5</b>

In September 2004 IMA S.p.A. acquired 90.68% of Packaging Systems Holdings Inc., at the same time signing a put&call option for the remaining 9.32% which was then acquired on 11 July 2006, as mentioned in the section entitled "Scope of consolidation". The amount of 1.3 million euros classified as a "value increase/(decrease)" represents the change in the value of goodwill paid to acquire the Nova Group as a result of settling the total purchase price.

See Note 22 for comments on the goodwill paid for the acquisition of VIMA Impianti S.r.l. and 49% of Precision Gears Ltd.

Except in the case of the Nova Group, identified as a separate cash generating unit (CGU), the impairment procedures outlined in IAS 36 did not reveal any need to write down the value of goodwill. The recoverable value of the Nova Group in the same configuration as when it was acquired was determined on the basis of its value in use. The calculation was based on a projection of cash flows according to the financial plan approved by top management, which covers a period of five years. The discount rate applied to the prospective cash flows is 8.50%, which reflects the weighted average cost of capital calculated according to the capital and financial structure of the Nova Group (higher than IMA's weighted average cost of capital).

So, based on the above, the value in use of the CGU turned out to be 0.8 million euros lower than the value of the goodwill, which meant having to write it down to this lower value by means of an impairment charge.

Assets under development and advances include 0.9 million euros for the capitalisation of development costs incurred by the Parent Company in 2005 and 2006. These mainly comprise internal planning and production and materials, and regard the development of entirely new products, mainly for the pharmaceutical and packaging sectors, that are eligible for recognition as intangible assets.

#### 4. COMPANIES VALUED USING THE EQUITY METHOD

This caption is analysed as follows (millions of euros):

	% holding	31.12.2006	31.12.2005
B.C. S.r.l.	30%	0.6	0.5
LA.CO. S.r.l.	30%	0.5	0.5
Scriba Nanotecnologie S.r.l.	40%	0.4	–
IMA-Telstar North America Inc.	50%	0.2	–
<b>Total</b>		<b>1.7</b>	<b>1.0</b>

With regard to the investments in Scriba Nanotecnologie S.r.l. and IMA Telstar North America Inc., see the comment in the section entitled “Scope of consolidation”.

Since July 2005 a consortium contract has been in operation between the Parent Company IMA S.p.A. (25% interest), Info Area S.r.l. (25%) and a third company (50%) for the purpose of providing IT services to the members of the consortium. The contract is due to expire on 31 December 2007, unless extended or terminated early following a unanimous resolution adopted by the members in general meeting.

#### 5. FINANCIAL ASSETS

Non-current financial assets, 3.4 million euros, include investments in securities totaling 3.0 million euros (3.2 million euros at 31 December 2005). These mainly comprise listed bond funds pledged as collateral for non-current loans received and classified as available for sale. They also include financial receivables of 0.3 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 of 0.2 million euros (4.6 million euros at 31 December 2005) include investments in listed bond funds held by IMA S.p.A. During the fourth quarter of 2006, term deposits totaling 4.0 million euros matured. IMA-Telstar S.L. had placed these funds with leading international banks in order to employ available liquidity in the best possible way.

#### 6. DERIVATIVES

Derivatives are analyzed as follows (millions of euros):

	Assets 31.12.2006	Liabilities 31.12.2006	Assets 31.12.2005	Liabilities 31.12.2005
Interest rate swap (non-current)				
Cash flow hedges	0.2	–	0.1	–
Exchange rate hedges (current) – Cash flow hedges	0.7	–	–	1.7
<b>Total</b>	<b>0.9</b>	<b>–</b>	<b>0.1</b>	<b>1.7</b>

##### INTEREST RATE DERIVATIVES

The amount of 0.2 million euros represents the fair value of two options, arranged in 2005 and 2006 with leading banks, to hedge the interest rate risk on two long-term loans maturing in June and October 2011.

##### CURRENCY DERIVATIVES

The notional value of exchange rate hedges has decreased from 39.4 million US dollars at 31 December 2005 to 32.1 million US dollars at 31 December 2006.

## 7. DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2006, deferred tax assets of 14.8 million euro (15.9 million euro at 31 December 2005) mainly relate to temporary differences deriving from provisions recorded by the parent company, as well as to the elimination of unrealized intercompany profits on the sale of finished products and the tax benefit of tax losses carried forward.

At 31 December 2006, deferred tax liabilities of 17.4 million euro (14.7 million euro at 31 December 2005) mainly relate to temporary differences arising from the different book value of certain tangible and intangible fixed assets with respect to their valuations for fiscal purposes.

## 8. INVENTORIES

This caption is analyzed as follows (millions of euros):

	Net value	Writedowns	Gross value at 31.12.2006	Net value at 31.12.2005
Raw, ancillary and consumable materials	20.5	(4.4)	16.1	15.6
Work in progress and semifinished goods	118.6	(16.0)	102.6	100.7
Finished products and goods	5.6	(2.1)	3.5	5.8
<b>Total</b>	<b>144.7</b>	<b>(22.5)</b>	<b>122.2</b>	<b>122.1</b>

Considering the same scope of consolidation, inventories have decreased by about 2.7 million euros since 31 December 2005 despite the significant value of the firm order book. This decrease reflects the careful policies adopted by Group management for the control of working capital.

## 9. TRADE AND OTHER RECEIVABLES

This caption is analyzed as follows (millions of euros):

	31.12.2006	31.12.2005
Trade receivables	101.4	98.8
Advances to suppliers	3.8	5.5
Tax receivables	1.7	1.6
Prepayments	1.3	1.9
Other receivables	2.2	1.1
<b>Total</b>	<b>110.4</b>	<b>108.9</b>

### TRADE RECEIVABLES

Trade receivables include amounts due from customers of 81.3 million euros (81.3 million euros at 31 December 2005), amounts due on contract work in progress of 19.1 million euros (15.8 million euros at 31 December 2005) and receivables from associates of 1.0 million euros (1.7 million euros at 31 December 2005).

Trade receivables from customers are carried net of accumulated provisions amounting to 2.5 million euros (2.0 million euros at 31 December 2005).

2006 saw the without-recourse assignment of receivables with a total nominal value of around 9.3 million euros; assigned receivables not yet due at 31 December 2006 amounted to around 9.5 million euros, of which 7.9 million euros have been assigned to factoring companies and 1.6 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.

## 10. CASH AND CASH EQUIVALENTS

This item comprises (millions of euros):

	31.12.2006	31.12.2005
Bank current accounts	57.1	55.8
Demand deposits	2.6	1.7
Cheques and cash	0.5	0.3
<b>Total</b>	<b>60.2</b>	<b>57.8</b>

The increase in liquid assets since 31 December 2005, 2.4 million euros, reflects the improved operating margins included in the normal concentration of receipts during the month of December. Reference is made to Note 14 on the analysis of borrowing for a better understanding of the changes in this caption.

## 11. SHARE CAPITAL

Share capital at 31 December 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.

## 12. TREASURY SHARES

During 2006, the Parent Company carried out transactions in treasury shares by buying 383,765 own shares for a total of 4.2 million euros.

During 2005, the Parent Company bought 2,287,340 treasury shares for a total of 22.1 million euros and sold 696,105 treasury shares for a total of 7.7 million euros, generating a capital gain of 0.5 million euros, net of the related tax effect. These transactions were recognised directly in equity in accordance with IAS 32.

The table below shows the number of shares in circulation:

<b>thousands of shares</b>	
<b>Balance at 01.01.2005</b>	<b>36,100</b>
Own shares acquired	(1,349)
Own shares sold	696
<b>Balance at 30.09.2005</b>	<b>35,447</b>
Own shares acquired	(938)
Own shares sold	–
<b>Balance at 31.12.2005</b>	<b>34,509</b>
Own shares acquired	(327)
Own shares sold	–
<b>Balance at 30.09.2006</b>	<b>34,182</b>
Own shares acquired	(57)
Own shares sold	–
<b>Balance at 31.12.2006</b>	<b>34,125</b>

A total dividend of 13.8 million euros was paid in May 2006, equal to 0.40 euros gross per ordinary share in circulation (14.0 million euros, equal to 0.40 euros gross in May 2005).

Note that a share buy-back programme was initiated on 30 June 2006 in accordance with the resolution passed at a Shareholders' Meeting of 27 April 2006, granting a mandate to UBM S.p.A. to implement the plan, with the objective of stabilising the market value of the stock in compliance with all current regulations. At 31 December 2006, 1,975,000 shares were held in the portfolio, with a total value of 19.4 million euros.

### 13. FAIR VALUE RESERVE

The changes in the fair value reserve are analyzed below (millions of euros):

<b>Balance at 01.01.2005</b>	<b>1.1</b>
<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
<b>Balance at 31.12.2005</b>	<b>(0.9)</b>
<i>Cash flow hedges/hedging instruments</i>	
Valuation at fair value	1.0
Fair value - tax effect	(0.3)
Realisation recognised in income	1.5
Realisation recognised in income - tax effect	(0.5)
<b>Balance at 31.12.2006</b>	<b>0.8</b>

### 14. BORROWINGS

This caption mainly includes amounts due to banks, 159.3 million euros (146.0 million euros at 31 December 2005), and payables to other lenders of 8.7 million euros (6.8 million euros at 31 December 2005).

PAYABLES TO BANKS

The increase in the liability to banks is mainly linked with the purchase of VIMA Impianti S.r.l. and the additional holdings in Packaging Systems Holdings Inc. and Precision Gears Ltd., as well as the purchase of treasury shares.

*Applied research and technological innovation loans*

During the period, instalments of 3.3 million euros were paid regularly as they fell due and new loans of 5.0 million euros were received.

*Other loans*

The principal changes in other loans related to repayments in accordance with contractual terms of 37.6 million euros and new loans received by the Parent Company totaling 39.1 million euros in connection with the acquisitions of VIMA Impianti S.r.l., Packaging Systems Holdings Inc. and Precision Gears Ltd. and the purchase of treasury shares. The above changes also include the consolidation of short-term loans totaling about 19.7 million euros. Lastly, in December 2006 IMA Kilian GmbH & Co. KG obtained a loan of 5.0 million euros which matures in 2011.

PAYABLES TO OTHER LENDERS

At 31 December 2006 this caption principally comprises 5.4 million euros (6.5 million euros at 31 December 2005) relating to the lease of an industrial building and the related land in Calenzano (Florence). The non-current portion concerns payables due between 1 and 5 years totaling 4.4 million euros.

Moreover, during 2006, IMA-Telstar S.L. signed a finance lease for building land in Terrassa (Spain) for an amount of 2.5 million euros.

Net debt at 31 December 2006 amounts to 104.2 million euros and is analyzed as follows:

million euros	31.12.2006	30.09.2006	31.12.2005
A. Cash and cash equivalents	(60.2)	(24.0)	(57.8)
B. Other liquid assets	–	(4.0)	(4.2)
C. Investment in securities	(0.2)	(0.7)	(0.4)
<b>D. Liquid funds (A)+(B)+(C)</b>	<b>(60.4)</b>	<b>(28.7)</b>	<b>(62.4)</b>
<b>E. Current financial receivables</b>	–	–	–
F. Current bank loans	52.1	52.7	46.8
G. Current portion of long-term bank loans	22.2	40.8	20.0
H. Other current financial payables	1.6	1.6	1.2
<b>I. Current debt (F)+(G)+(H)</b>	<b>75.9</b>	<b>95.1</b>	<b>68.0</b>
<b>J. Net current debt (I)+(E)+(D)</b>	<b>15.5</b>	<b>66.4</b>	<b>5.6</b>
K. Non-current bank debt (other than loans)	85.0	61.0	79.2
L. Non-current financial assets	(3.4)	(3.4)	(3.6)
M. Other non-current financial payables	7.1	7.5	5.6
<b>N. Non-current debt (K)+(L)+(M)</b>	<b>88.7</b>	<b>65.1</b>	<b>81.2</b>
<b>O. Net debt (J)+(N)</b>	<b>104.2</b>	<b>131.5</b>	<b>86.8</b>

The change in net debt since 31 December 2005 is mainly attributable to:

- the purchase of treasury shares for 4.2 million euros;
- the purchase of holdings in VIMA Impianti S.r.l., SCRIBA Nanotecnologie S.r.l. and Precision Gears Ltd for about 18.6 million euros.

In June 2006 IMA-Telstar S.L. entered into a finance lease for 2.5 million euros which, in addition to the debt resulting from the operations mentioned above, raised the net exposure at 31 December 2006 by 17.4 million euros to 25.3 million euros. With respect to 30 September 2006, the financing position reflects the strong level of self-financing achieved during the fourth quarter and the increase in cash collections with respect to the first nine months of the year.

## 15. PROVISIONS FOR RISKS AND CHARGES

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

	Balance at 31.12.2005	Provisions	Uses	Balance at 31.12.2006
Non-current:				
• Agency termination indemnities	1.1	–	–	1.1
• Legal disputes	–	0.1	–	0.1
	<b>1.1</b>	<b>0.1</b>	–	<b>1.2</b>
Current:				
• Product warranty provision	4.4	0.6	–	5.0
• Other	0.5	0.5	(0.5)	0.5
	<b>4.9</b>	<b>1.1</b>	<b>(0.5)</b>	<b>5.5</b>
<b>Total</b>	<b>6.0</b>	<b>1.2</b>	<b>(0.5)</b>	<b>6.7</b>

The product warranty provision reflects the estimated cost of work to be performed under warranty subsequent to 31 December 2006, in relation to machines sold prior to that date. The other provisions were recorded by the parent company to cover estimated liabilities deriving from the reorganization that mainly affects management.

A settlement agreement was reached in December 2006 following the general tax inspection, covering direct and indirect taxes for the 2003 fiscal year, carried out at the parent company by the Emilia Romagna Regional Tax Office. The tax provision recorded in the prior year was used in full to cover the charges arising from the tax assessments made.

## 16. TRADE AND OTHER PAYABLES

This caption is analysed as follows (millions of euros):

	31.12.2006	31.12.2005
Trade payables	77.6	86.4
Advances from customers	29.2	34.5
Social security payables	4.0	4.1
Tax payables	4.2	3.5
Employee payables	14.1	13.4
Acquisition payables	4.8	5.6
Other payables	2.9	2.0
<b>Total</b>	<b>136.8</b>	<b>149.5</b>

### TRADE PAYABLES

This item includes trade payables of 70.8 million euros (78.0 million euros at 31 December 2005), payables to agents of 5.0 million euros (5.5 million euros at 31 December 2005) and trade payables to associates of 1.8 million euros (2.9 million euros at 31 December 2005).

### TAX PAYABLES

Tax payables refer mostly to taxes withheld from employees.

### ACQUISITION PAYABLES

This caption includes the residual liability arising on the acquisition of a further 34% interest in Precision Gears Ltd. for 2.8 million euros, which falls due in March and June 2007. This caption also includes 1.8 million euros representing the estimated liability for the purchase of the remaining 15% of the share capital of the Indian company, in relation to which the parent company and third parties have agreed reciprocal Put&Call option rights on the same terms as those applying to the acquisition of the 34% interest. These options can be exercised in two tranches, by January 2010 at the latest.

In addition, this caption includes 0.2 million euros due in 2007 relating to the additional 20% holding acquired by IMA S.p.A. in Scriba Nanotecnologie S.r.l., as discussed in the section entitled "Scope of consolidation".

Note that an amount of 3.0 million US dollars was paid in 2006 for the purchase of Packaging Systems Holdings Inc., in accordance with the terms of the contract. Furthermore, on 11 July 2006 the Parent Company IMA S.p.A. bought the residual 9.32% of shares for 4.9 million US dollars, following the early termination of the contract, as discussed in the section entitled "Scope of consolidation".

**17. PERSONNEL COSTS**

Personnel costs are analyzed as follows (millions of euros):

	year 2006	year 2005	Change
Wages and salaries	93.4	89.2	4.2
Social security contributions	24.1	22.9	1.2
Remuneration of directors	1.7	1.1	0.6
Pensions - defined-benefit plans	3.8	4.5	(0.7)
Pensions - defined-contribution plans	1.2	1.2	-
Other personnel costs	8.4	7.5	0.9
<b>Total</b>	<b>132.6</b>	<b>126.4</b>	<b>6.2</b>

Note that the figure at 31 December 2006 includes 2.1 million euros of personnel costs attributable to VIMA Impianti S.r.l., which was not included in the scope of consolidation this time last year.

In addition, the Telstar Group contributed personnel costs of 1.9 million euros during 2006, while the contribution in the prior year was limited to the second half, with costs of 0.7 million euros.

**18. DEPRECIATION, AMORTIZATION AND WRITE-DOWNS**

This item includes depreciation of property, plant and equipment of 7.6 million euros (7.4 million euros in 2005), amortization of intangible assets of 3.6 million euros (2.8 million euros in 2005), the goodwill writedown of 0.8 million euros discussed in Note 3 (3.2 million euros in 2005) and other writedowns of 1.0 million euros (0.3 million euros in 2005).

**19. FINANCIAL INCOME**

This item comprises the following (millions of euros):

	year 2006	year 2005	Change
Interest income from banks	1.2	1.0	0.2
Interest income from investments in available for sale	0.1	-	0.1
Interest income on receivables from customers and other financial income	0.3	0.2	0.1
Income on derivatives	0.1	1.4	(1.3)
Exchange rate gains	4.7	5.5	(0.8)
<b>Total</b>	<b>6.4</b>	<b>8.1</b>	<b>(1.7)</b>

**20. FINANCIAL EXPENSE**

This item comprises the following (millions of euros):

	year 2006	year 2005	Change
Interest expense on bank payables	6.8	5.1	1.7
Interest expense on discounting	0.2	0.2	-
Interest expense on finance leases	0.3	0.2	0.1
Expense on derivatives	0.6	1.8	(1.2)
Other financial expense	0.5	0.6	(0.1)
Exchange rate losses	4.9	7.8	(2.9)
<b>Total</b>	<b>13.3</b>	<b>15.7</b>	<b>(2.4)</b>

The increase in interest expense on bank payables reflects both the higher cost of money incurred during 2006 (particularly on the US dollar exposure) and increased debt compared with the same period of the previous year.

Exchange gains and losses in the period to 31 December 2006 included, respectively, unrealised gains of 0.9 million euros and unrealised losses of 1.0 million euros (1.5 million euros and 2.5 million euros respectively in the same period last year).

## 21. INCOME TAX FOR THE PERIOD

Income tax for the period is calculated using the best estimate of the tax rate for 2006, as envisaged by IAS 34.

The amount of tax that will actually be paid in March 2007, based on a definitive calculation, may well differ from this estimate given the complexity of the tax regulations in the various countries; however, the differences are unlikely to be significant. The reduction in the percentage incidence of estimated taxation on the results before tax, with respect to the actual tax rate for the prior year, is mainly due to the lower impact of IRAP taxation and the different distribution of profits between the Group companies included in the consolidation.

## 22. BUSINESS COMBINATIONS

The entire capital of VIMA Impianti S.r.l., which produces plant for the movement of powders and the de-powdering of tablets (see "Scope of consolidation"), was acquired on 30 March 2006.

The main asset and liability figures at 31 December 2005, the valuation date of the company acquired, were as follows (in millions of euros):

	Book value	Fair value
Property, plant and equipment	0.3	0.3
Know how	1.0	2.5
Inventories	2.1	2.1
Due to banks	(2.6)	(2.6)
Other assets/liabilities	0.1	(0.5)
<b>Total</b>	<b>0.9</b>	<b>1.8</b>
Carrying value of the investment		6.1
<b>Goodwill</b>		<b>4.3</b>

Note that the difference in the fair value of "Other assets/liabilities" relates to the tax effects of booking know how.

On 20 December 2006, IMA signed a contract to buy 34% of the share capital of Precision Gears Ltd., in which it already held a 51% interest. The 34% interest will be acquired in various tranches by 30 June 2007, for a price based on the average of the results for the last three years. The first tranche of 11% of share capital was acquired by the parent company in December for 1.3 million euros, which was paid at the time of the transfer of ownership. With regard to the remaining interest, representing 15% of share capital, the parties have agreed reciprocal put & call rights on the same terms as those established for the purchase of the 34% interest. This agreement effectively represents the deferral of the price for purchasing 100%

of the shares and, accordingly, the value of the exercise price has been recorded as a liability to the minority shareholder, with a matching increase in the value of goodwill. These options can be exercised in two tranches, by January 2010 at the latest.

Goodwill, representing the excess of the purchase cost of 49% of the company over the fair value of the assets and liabilities acquired, amounts to 4.0 million euros.

### 23. GUARANTEES GRANTED

At 31 December 2006, the Group has granted sureties to customers of 8.1 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 (Bologna) for 0.7 million euros to secure the performance of contracts and sureties to others totaling 0.6 million euros to secure leases, sundry utilities and customs duties.

Sureties granted against advances received from customers amount to about 23.8 million euros (23.5 million euros at 31 December 2005).

### 24. COMMITMENTS

At 31 December 2006, commitments for the purchase of fixed assets are not significant (0.1 million euros at 31 December 2005).

The Group also has commitments in respect of minimum lease payments for non-cancellable operating leases totaling 1.6 million euros (1.9 million euros at 31 December 2005) and rentals totaling 28.4 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 Parent Company or Group companies) or commercial and/or supplementary production agreements. None is of special economic or strategic interest to the Parent Company or Group companies, and they are arranged 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 linked with the directors of the Parent Company, at 31 December 2006 (millions of euros):

	Receivables	Payables	Revenues	Costs
Datasensor S.p.A.	–	0.1	–	0.2
Italbe S.r.l.	–	–	–	0.1
Lopam S.r.l.	–	–	–	0.3
Morosina S.p.A.	–	–	–	0.2
Naturapack S.r.l.	0.3	–	1.1	0.2
Luca Poggi	–	0.1	–	0.3
Sporting Club Gira S.r.l.	–	–	–	0.3
Viaggi Nuova Era S.r.l.	–	1.3	–	3.4

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

	Receivables	Payables	Revenues	Costs
B.C. S.r.l.	–	0.4	–	2.4
LA.CO. S.r.l.	–	0.7	–	1.1
Consorzio Info Area	1.0	0.7	3.0	2.8

The above transactions primarily relate to the Parent Company.

## 26. SIGNIFICANT EVENTS AFTER THE END OF THE FOURTH QUARTER

The contribution by IMA S.p.A., at book value, of the activities of the Aseptic Processing & Filling sector (machines for the packaging of liquids under sterile and non-sterile conditions) to the newly-formed IMA Libra S.r.l., together with the interest held in IMA-Telstar S.L., the Italo-Spanish joint-venture (lyophilization machinery) took effect on 2 January 2007.