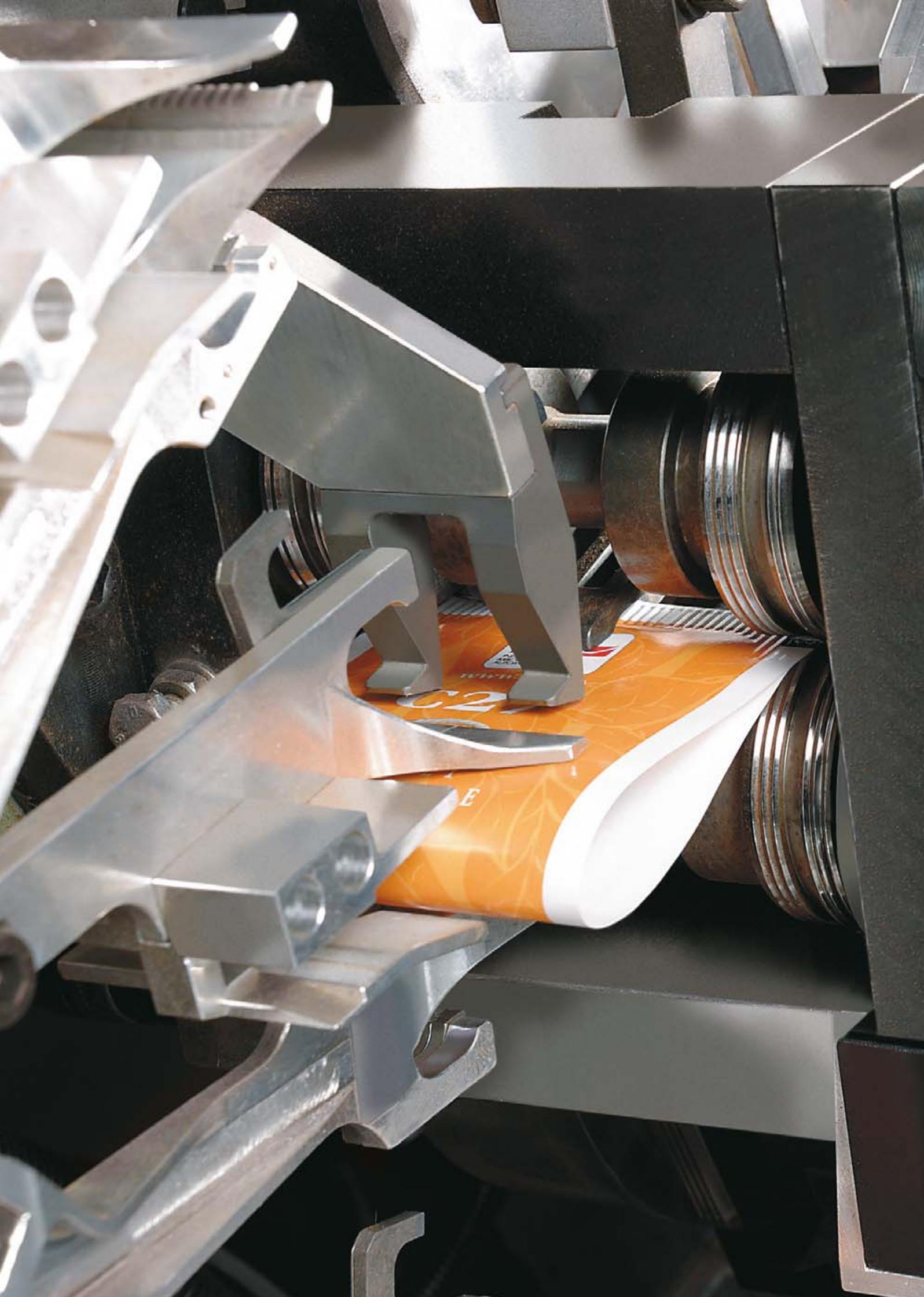


ANNUAL REPORT

AS OF 31 DECEMBER 2006



CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2006

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE
BEEN TRANSLATED FROM THOSE ISSUED IN ITALY FROM
THE ITALIAN INTO ENGLISH LANGUAGE SOLELY FOR
THE CONVENIENCE OF INTERNATIONAL READERS)

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NOTICE OF CALL

This was published in *Il Sole-24 Ore* of 24 March 2007 to convene the Shareholders' Meeting on first call on 27 April 2007, at 11:00 a.m., in Ozzano dell'Emilia - Bologna, Via Emilia no. 237, at the offices of I.M.A. Industria Macchine Automatiche Società per Azioni and, if necessary, on second call on 28 April 2007 (at the same time and place), to resolve on the following:

AGENDA

1. Directors' Report on operations for the 2006 financial year. Auditors' Report. Financial Statements as of 31 December 2006. Allocation of net profits. Related and consequent resolutions;
2. Proposed purchase, sale and/or disposal of treasury shares. Related and consequent resolutions;
3. Appointment of the Board of Auditors and its Chairman; determination of the related fees.
4. Decisions following the termination of the audit task already assigned to PricewaterHouseCoopers S.p.A..
5. Appointment of a Director upon prior increase, if any, in the number of Board Members.

Pursuant to law, shareholders who, alone or together with other Shareholders, represent at least one-fortieth of the voting shares, may request for an addition to be made to the list of items on the agenda within five days of the publication of this notice, specifying in their request the further issues they propose. It should be pointed out that additional items on the agenda, however, may not be submitted if they concern issues for which the law authorizes the Shareholders' Meeting to resolve upon proposal of the directors or based on a project or a report prepared by them.

Any list of additional items on the agenda will be published in the same way as this notice.

Pursuant to the articles of association, shareholders are entitled to attend the Shareholders' Meeting if they have been authorized by an intermediary who is a member of the Monte Titoli S.p.A. centralized management system, at least two days before the meeting, according to the procedures under Article 34-*bis* of the Markets' Regulations adopted by CONSOB by resolution no. 11768 of 23 December 1998, as amended.

In relation to item 3 on the agenda, it should be noted that the auditors will be appointed by list vote according to the procedures and within the deadlines laid down by law and by the articles of association.

It should be noted that, in compliance with the provisions under the current relevant regulations, the documentation related to the items on the agenda may be found at the registered office located in Ozzano dell'Emilia (BO) - Via Emilia no. 428/442, as well as at the administrative office located in Castenaso (BO) - Via Tosarelli no. 184, and at Borsa Italiana S.p.A. fifteen days before the Shareholders' Meeting, and the shareholders will be entitled to get a copy thereof.

The same documentation may also be found on the web site www.ima.it, under the section Investor Relations.

PREMISES

In accordance with Commission Regulation (EC) no. 1725/2003 and with the provisions under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, the European companies whose shares are traded on a regulated market are required to adopt the IFRS accounting standards effective from the preparation of the 2005 consolidated financial statements.

On 28 February 2005, the Government passed Legislative Decree no. 38 setting out the options for applying the new international standards to annual accounts as well, on a voluntary basis in 2005 and on a mandatory basis effective from 2006.

The transposition of these regulations entailed the following:

IMA Group's consolidated financial statements

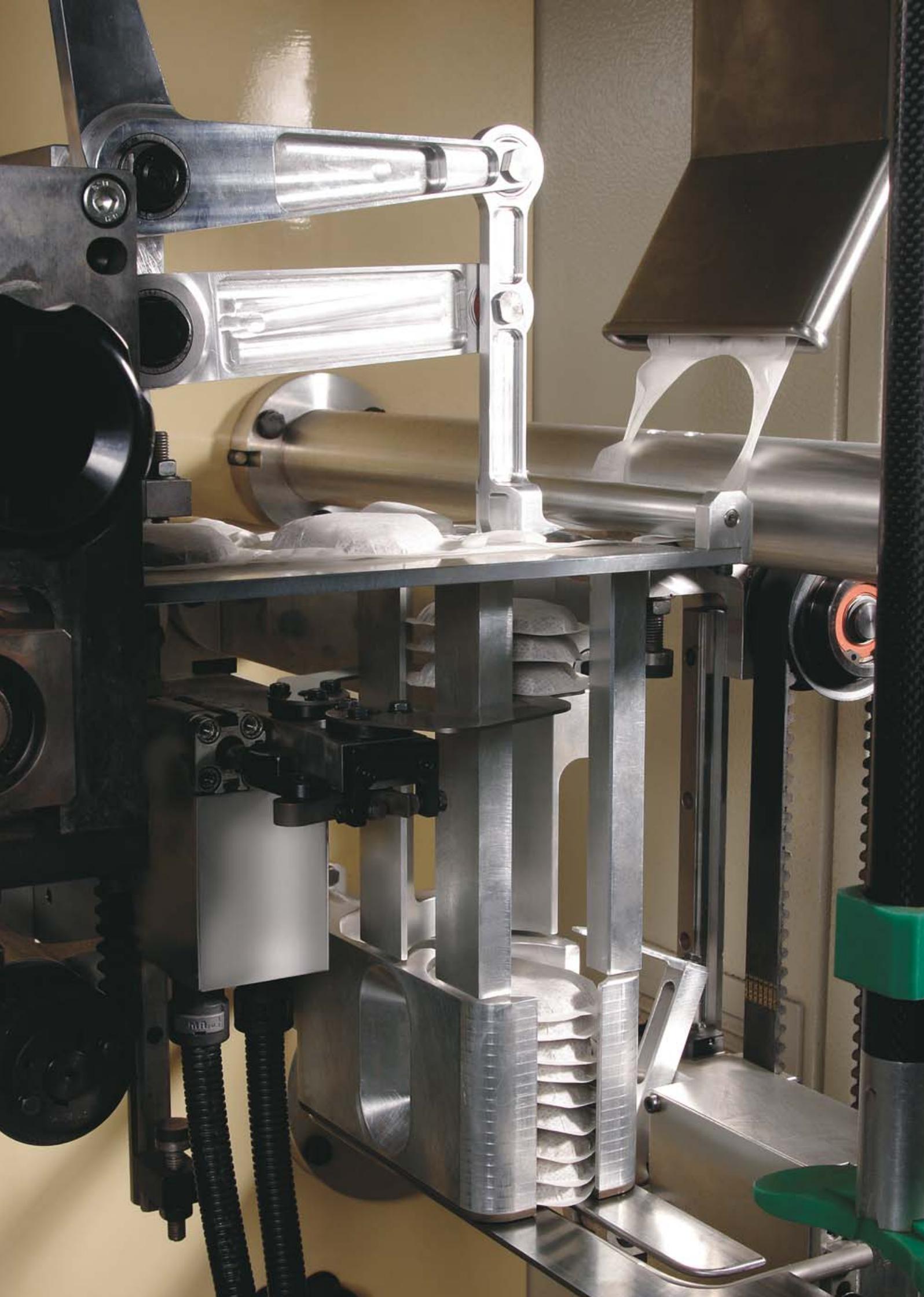
During 2005, the IMA Group already applied the current IAS/IFRS International Accounting Standards issued by the I.A.S.B. - International Accounting Standards Board and the related SIC/IFRIC interpretations issued by the International Financial Reporting Interpretations Committee.

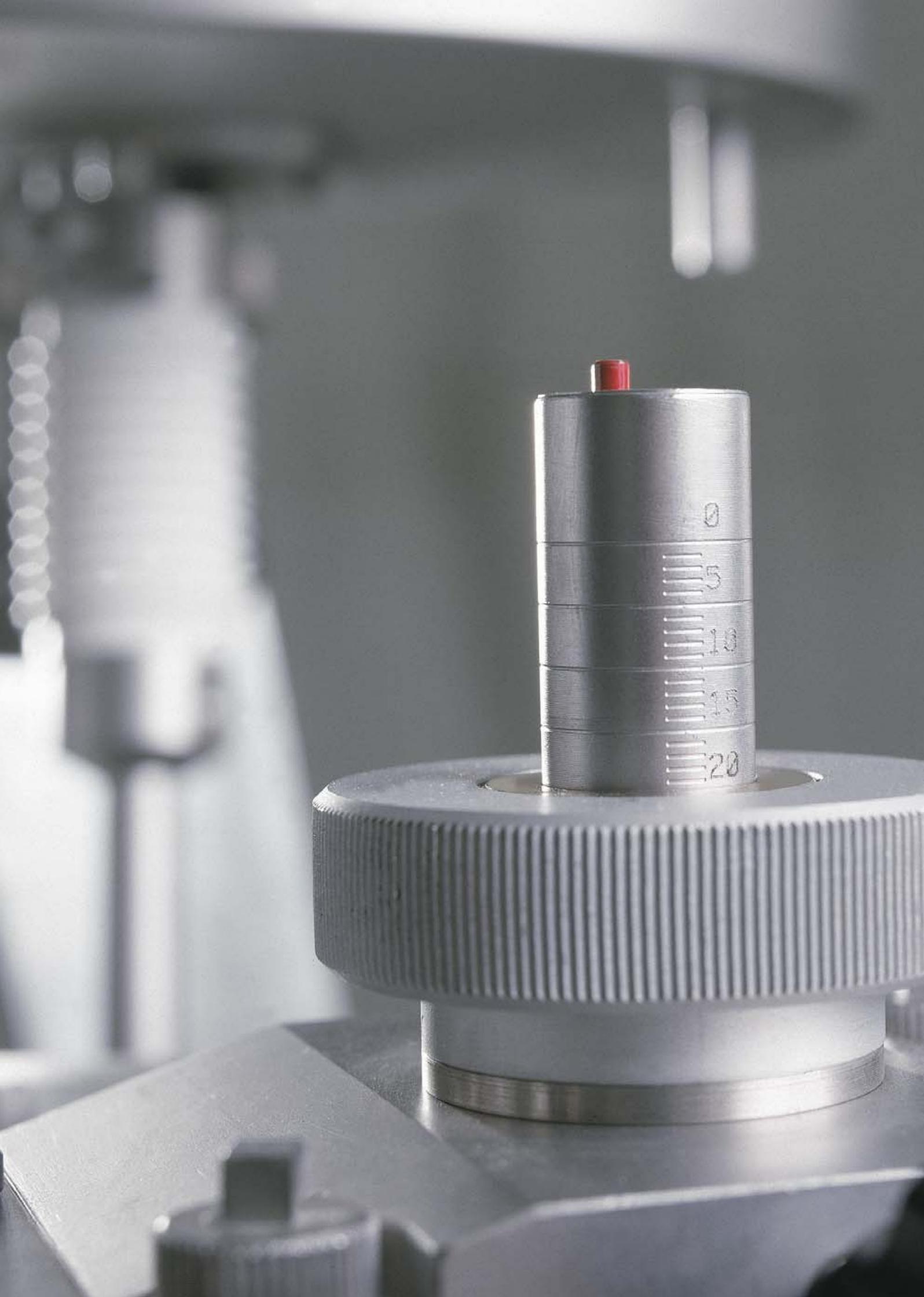
IMA S.p.A. annual report

IMA S.p.A. annual accounts as of 31 December 2006 are the first financial statements prepared in accordance with the IAS/IFRS International Accounting Standards issued by the I.A.S.B. - International Accounting Standards Board currently in force and with the related SIC/IFRIC interpretations issued to date by the Standing Interpretations Committee and by the International Financial Reporting Interpretations Committee.

The comparative data in the financial statements have been duly adjusted to take account of the IAS/IFRS international accounting standards. The Company then determined the effects of the transition to IFRS, preparing the reconciliation statements required by paragraphs no. 39 and no. 40 under the international accounting standard "IFRS 1: First-time adoption of International Financial Reporting Standards" accompanied by explanatory notes on accounting policies and the items in the reconciliation statements.

The independent auditors of PricewaterhouseCoopers S.p.A. were duly appointed to conduct a full audit of the IAS/IFRS reconciliation statements as of 1 January 2005 and 31 December 2005. Their report was made available within the deadlines and according to the procedures laid down by the relevant regulations.





REPORT ON OPERATIONS
TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

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

DIRECTORS AND OFFICERS

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

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

- the strategic, business and financial plans of Company and the Group, the corporate governance system of IMA S.p.A. and any decisions relating to the Group structure;
- the adequacy of the organizational, administrative and accounting arrangements of the Company and its subsidiaries, with special reference to the internal control system and management of conflicts of interest;
- the general conduct of operations;
- any transaction likely to have a significant impact on the Company's results, assets and liabilities or financial situation and, in any case, any transaction that exceeds a value of 10,000,000.00 euros, except for the power to renew or extend the credit lines already granted to the Company, which can be delegated;
- any transactions in which even one director has a personal interest or represents the interests of a third party and any transactions with related parties, including intercompany transactions, except for ordinary transactions carried out on standard terms and conditions;
- the size, composition and operation of the Board of Directors and its committees;
- decisions involving the subsidiaries of IMA S.p.A. regarding operations with a significant impact for IMA S.p.A.

BOARD OF DIRECTORS

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

CHAIRMAN

Marco Vacchi

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

Delegated powers: in the absence or impediment of the Managing Director, all powers of ordinary and extraordinary administration, 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, business units, 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, business units, 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 insurance policies 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)

STANDING AUDITORS

Giorgio Comini - Chairman - Auditor

Amedeo Cazzola - Auditor

Piero Aicardi - Auditor

ALTERNATE AUDITORS

Vittorio Coraducci - Auditor

Chiara Gallina - Auditor

Antonella Grassigli - Auditor

**INTERNAL CONTROL
AND COMPENSATION
COMMITTEE**

Italo Giorgio Minguzzi - Independent director - Chairman

Maria Carla Schiavina - Non-executive director

Romano Volta - Independent director

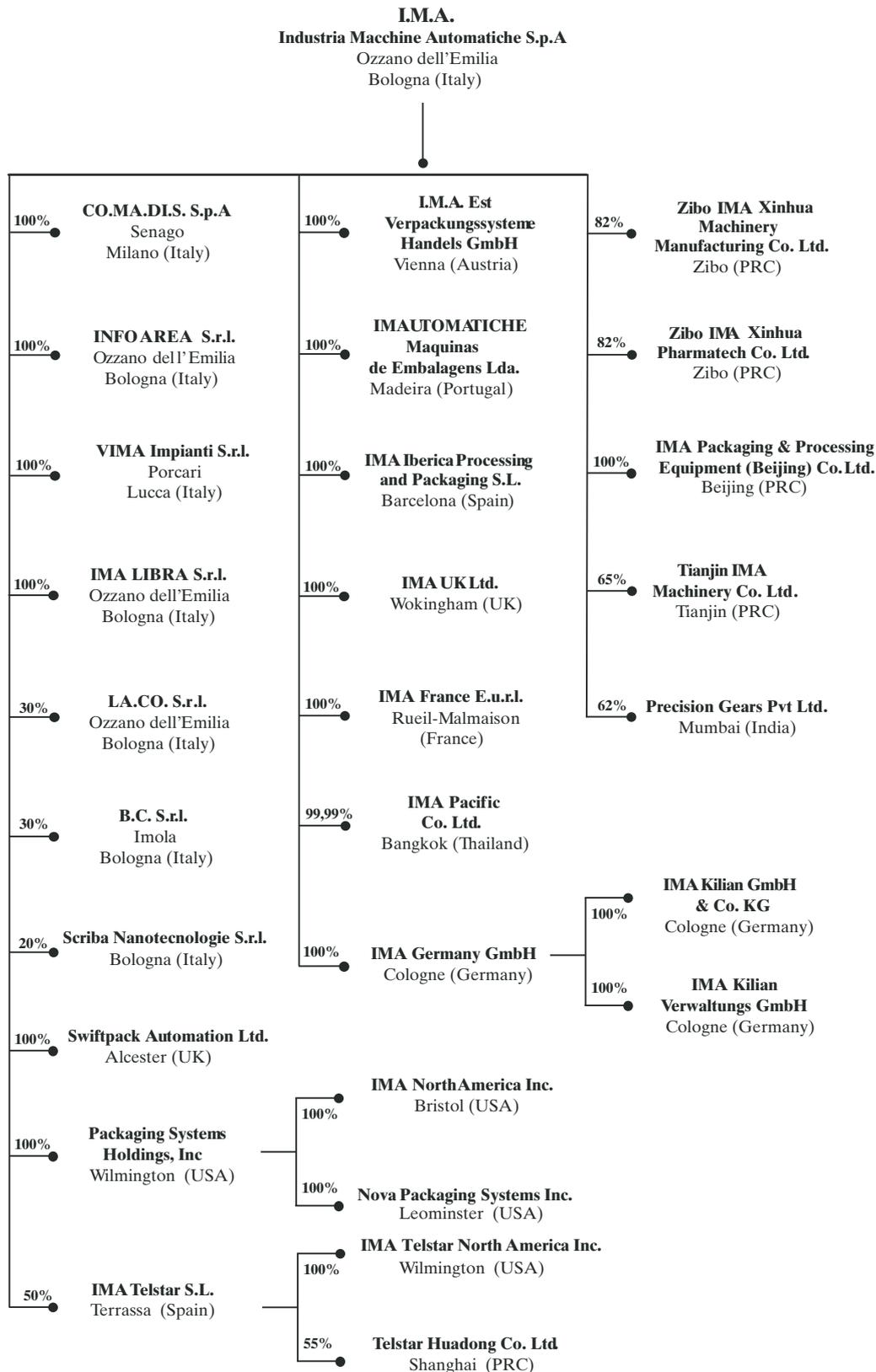
**LEAD INDEPENDENT
DIRECTOR**

Romano Volta

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

GROUP STRUCTURE



GROUP COMPANIES BY BUSINESS ACTIVITY

**MANUFACTURING
ACTIVITIES**

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

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

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

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.
Mumbai (India)

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

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

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

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

Swiftpack Automation Ltd.
Alcester (UK)

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

Telstar Huadong Co. Ltd.
Shanghai (PRC)

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)

GROUP PERFORMANCE

THE ECONOMIC SCENARIO

Shareholders,

2006 came to an end with a high increase in world GDP, even if expansion slowed down in the last part of the year. In the United States in particular, there is a high risk of a sharp halt in the economy, even if the conditions for a soft landing appear to hold good up till now. China also recorded a slight slowdown in its growth in the third quarter of 2006, even if the absolute figure was high, thus staving off the possibility of more restrictive economic policy measures being adopted by the government. Europe feels less dependent on the US economy and more confident in its capacity to continue the growth already seen during 2006. In this scenario of a moderate deceleration, there is a favorable background of good growth in India and in the bigger Latin American economies. International raw materials prices continue their trend of moderate growth consistently with the marginal slowdown in global demand.

In this scenario, the pharmaceuticals market grew by about 7% during 2006, with a steadily increasing contribution from emerging economies. In fact growth was slower in the more industrialized countries, but this was abundantly set off by countries such as China and India. To show the profound change in progress, it is enough to say in the last 5 years the weight of the US pharmaceuticals market has fallen from 54% of the whole to 36% (source: IMS Health). In 2007, growth in pharmaceutical product consumption is expected to remain at the same level as in 2006. Another important effect that has been noted is the substantial increase in medicinal products derived from biotechnology and generic products. Generic products are all those no longer protected by patents, which any pharmaceutical company is free to start producing. By virtue of its sales network, the IMA Group has gathered new customers in this segment, also becoming the leading partner in these new market niches. This contributed to a significant increase in orders during 2006. In particular, the orders acquired in the pharmaceutical sector totaled 384 million euros compared to 343 million euros in the previous period, up 12% compared to 2005.

The tea packaging sector continues to record very good performance and the slight reduction in the portfolio is no cause for concern regarding future prospects.

As usual we have opened our Report with a brief summary of the global economy. Given that the IMA Group has a significant presence throughout the world, the Group's performance can be influenced by global macroeconomic developments, even if, as we have often noted before, the sectors in which the Group operates tend not to follow the normal business cycle.

CONSOLIDATED INCOME STATEMENT

The income statement classified by use as shown below was prepared according to the following criteria:

- cost of sales: represents costs incurred directly by the Group to produce revenues. This item includes, for example, the costs of materials, labor, the cost of technical offices for customizing products as well as production overheads;
- research and development costs include, for each use, costs associated with developing new products or maintaining existing products. This also includes costs

related to technical personnel, materials used for experiments and overheads for technical offices;

- sales costs: include, for each use, costs connected with commercial operations such as staff, commissions paid to agents, promotional and advertising costs and associated overheads;
- general and administrative costs: this includes all costs associated with general operations such as administrative offices in general, the management of sectors or divisions, production planning and all amortization and depreciation not directly connected with the previous uses;
- gross operating margin: corresponds to the sum of operating profit and amortization and depreciation for the period.

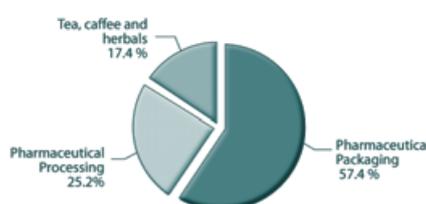
The following principal items in the reclassified income statement are equivalent to the corresponding items in the table for the consolidated net income contained in the section entitled "Consolidated financial statements": revenues, operating profit, financial income and expense, result before tax, tax and profit/loss for the period.

Net profit for the IMA Group in 2006 came to 24.84 million euros, compared to 12.46 million euros in 2005.

The table below reports the key figures for the reclassified consolidated income statement for 2006, with comparative figures for the previous year:

millions of euros	2006		2005		Change %
	Amount	%	Amount	%	
Revenues	425.20		398.79		6.6
Cost of sales	(247.61)	58.2	(242.40)	60.8	
Gross industrial income	177.59	41.8	156.39	39.2	13.6
R&D costs	(19.61)		(18.27)		
Sales costs	(53.30)		(49.44)		
General and administrative costs	(50.47)		(49.62)		
Operating profit before writedowns / impairment of goodwill (E.B.I.T.A.)	54.21	12.7	39.06	9.8	38.8
Writedowns/impairment of goodwill	(0.76)		(3.48)		
Operating profit (E.B.I.T.)	53.45	12.6	35.58	8.9	50.2
Net financial income (expense)	(6.96)		(7.54)		
Profits (losses) from investments in associates	0.04		(0.05)		
Result before tax	46.53	10.9	27.99	7.0	66.2
Income taxes	(21.67)		(15.01)		
Profit (loss) for the period	24.86	5.8	12.98	3.3	91.5
Profit (loss) pertaining to minority interests	(0.02)		(0.52)		
Group profit (loss)	24.84	5.8	12.46	3.1	99.4
Gross operating margin (E.B.I.T.D.A.)	65.47	15.4	49.18	12.3	33.1
Order book	192.04		163.97		17.1

REVENUES BY SECTOR



millions of euros	2006		2005		Change %
	Amount	%	Amount	%	
Tea, coffee and herbal tea packaging	73.91	17.4	70.88	17.8	4.3
Pharmaceutical packaging	239.70	56.4	219.06	54.9	9.4
Pharmaceutical processing	107.43	25.2	104.48	26.2	2.8
Other	4.16	1.0	4.37	1.1	(4.8)
Total	425.20	100.0	398.79	100.0	6.6

Revenues increased by 6.6% compared with 2005. All the Group's business segments made a positive contribution to the increase. Revenues did not suffer either from the change in the scope of consolidation that was carried out in 2006 with the acquisition of VIMA Impianti S.r.l., because its revenues had already started being recognized in 2005 as commissions, or from a higher average US Dollar exchange rate than that in the hedging transactions carried out.

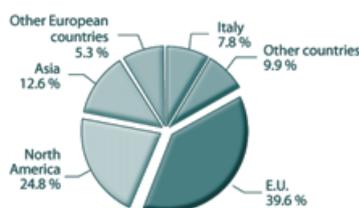
Developments in revenues by sector is discussed in detail in the section "Analysis of performance by sector". However, in this regard:

- revenues in the tea, herbal tea and coffee packaging division grew by 4.3% after an excellent performance in 2005, thanks to an expansion of market share within the European Union and continued robust demand from Central and Eastern Europe;
- the pharmaceutical and cosmetics packaging sector saw revenues rise by 9.4%, which was entirely attributable to the good sales performance. Sales were strong in the cosmetics division, accounting for about 10% of sector revenues, with major installations in leading Groups within the sector;
- the pharmaceutical processing sector expanded by a further 2.8% increasing its market penetration, particularly in the segment for the processing and handling of pharmaceutical powder. The sector has had two years of strong increase in revenues as a result of the acquisitions policy that has been carried through.

The following table shows a breakdown of the order book at 31 December 2006:

millions of euros	31 Dec. 2006		31 Dec. 2005		Change %
	Amount	%	Amount	%	
Tea, coffee and herbal tea packaging	34.72	18.1	39.76	24.2	(12.7)
Pharmaceutical packaging	115.28	60.0	97.08	59.2	18.7
Pharmaceutical processing	42.04	21.9	27.13	16.6	55.0
Total order book	192.04	100.0	163.97	100.0	17.1

REVENUES BY GEOGRAPHICAL AREA



millions of euros	2006		2005		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	168.29	39.6	156.51	39.2	7.5
Other European countries	22.47	5.3	31.38	7.9	(28.4)
North America	105.33	24.8	86.25	21.6	22.1
Asia and the Middle East	53.85	12.6	50.28	12.6	7.1
Other countries	42.29	9.9	35.77	9.0	18.2
Total foreign markets	392.23	92.2	360.19	90.3	8.9
Italy	32.97	7.8	38.60	9.7	(14.6)
Total	425.20	100.0	398.79	100.0	6.6

Of the total, 92.2% of revenues came from outside of Italy (in 2005 this figure was 90.3%). Around 65% of revenues came from machinery and plant while 35% from after-sales activities (assistance, spare parts, kit, etc.).

Specifically:

- revenues from countries in the enlarged European Union (25 countries), excluding Italy, increased by 11.78 million euros, thanks to the good performances of countries like Austria, Belgium and France. Revenues from other countries were substantially in line, excluding revenues from Germany which recorded a slight drop;

- sales in other European countries went down because of the return to usual volumes of countries like Switzerland and Serbia, which had been involved in big, but unrepeatable, projects in 2005. Sales in the Russian Federation stayed at a satisfactory level, driven by the economic growth in its member countries;
- in the North American market, revenues were up over 19 million euros compared to the corresponding period in the previous year. The excellent performance of sales in this market reflects the positioning of the products that the Group offers, substantially without any significant local competition but considered technologically advanced by the main pharmaceutical product market;
- in the Asia and the Middle East area, developments in different countries and areas varied sharply. In particular, sales in the Far East represent 12% of the entire Group's sales; this level should further increase in the future, even if this market is currently the most price sensitive and the least sensitive to the products' quality and technological level. However, the progress of the local economies will necessarily entail the bringing of production standards up to Western levels, and thus demand for machinery appropriate to the products we shall be offering.

The Group is quickly responding to these problems, in particular by strengthening of its own production capacity in China and India and the strengthening of our investment in Precision Gears Ltd. Must be interpreted as such;

- the pattern of revenues from other countries also varied showing a growth in the African area, while growth in the South America countries substantially held up;
- the fall in Italy is to be attributed solely to the fact that there were fewer projects than in the previous period. This variability from one year to another appears to be recurrent, inasmuch as it is conditioned by pharmaceutical companies' investment projects, which do not follow a stable pattern, above all in a market as small as the Italian one.

GROSS INDUSTRIAL INCOME

Gross industrial income as a percentage of revenues increased by around 2.6 percentage points, from 39.2% in 2005 to 41.8% in 2006.

There are a number of explanations for the good increase, from a favorable mix to the improvement in efficiency that took place as a result of measures adopted by the management. The tea packaging sector in particular confirmed its contribution to total Group revenues. Nevertheless, the most important results were the result of the improvement in efficiency recorded in the pharmaceuticals sector, both in processing and in packaging. As regards the first, the unfavorable effects of the costs connected with the transfer of subsidiary IMA Kilian to the new plant came to an end, and the margins for the new products rose as a result of the learning curve. As regards the second, the technical problems were settled that had arisen for some supplies which had required massive warranty costs. All the Company's sectors, however, felt the favorable effects of the previous repeated increases in US dollar lists, accompanied by the greater stability of this currency. Also to be considered are the efforts that were made to lower the costs of procuring manufacturing components, by resorting to foreign production channels.

Many of the actions described above, and others that are being implemented, lead us to consider that a further increase in gross industrial income could be possible in the next future.

R&D EXPENDITURE

R&D expenditure in the period came to 19.61 million euros, a slight increase compared with 18.27 million euros in 2005, representing 4.6% of revenues. This item includes research costs and, above all, costs to upgrade and revamp the technology of products already in distribution. It does not include spending on development conducted at the request of specific customers or the cost of customizing existing products, which is included in the cost of sales since it is invoiced to the customers concerned. The scale of this commitment is a concrete confirmation of our strong orientation to be seen as a solution provider rather than a mere vendor of products. This approach has always been a distinguishing characteristic of our Group and, over the years, has resulted in a strong market leadership position.

During the year we continued working on three new product lines that are completely different from anything the Group had produced before and which therefore expand our range of products. Specifically, these are an innovative line of perforated coating pans, a continuous production line for biotechnology sector, as well as the implementation of new machinery for the freeze-drying sector. The costs incurred on these projects during the year amounted to about 1.29 million euros (compared with 2.23 million euros in 2005), and have been capitalized as intangible assets. Amortization begins from the moment the products become available for economic use.

At divisional level, R&D costs were also essentially unchanged with respect to the previous year. Design work focused on the extension and completion of the range for each line of products, in order to better meet the needs of our customers, who have extremely diverse price/performance requirements.

SALES COSTS

Sales costs, including commissions paid to agents and intermediaries, totaled 53.30 million euros, an increase of 7.8% compared with 2005.

Sales costs as a percentage of revenues remained unchanged from 2005 at 12.5%. Since commissions paid to commercial intermediaries increased by 0.79 million euros (from 7.38 million euros to 8.17 million euros) net of this amount sales costs grew by 3.07 million euros.

Of this increase, 0.55 million euros were due to the change in the scope of consolidation (VIMA S.r.l.), while the remainder came from increased promotional and exhibition costs as well as developments in unit labor costs.

**GENERAL AND
ADMINISTRATIVE COSTS**

General and administrative costs rose by 0.85 million euros, from 49.62 million euros in 2005 to 50.47 million euros in 2006, an increase of 1.7%. This item includes differential costs for VIMA S.r.l. of 1.39 million euros. In conclusion, on a comparable scope of consolidation basis, general costs declined in 2006 in spite of a rise in unit labor costs. This confirms the effectiveness of actions undertaken in the past years aimed at reducing costs.

OPERATING PROFIT

Consolidated EBITA totaled 54.21 million euros, equal to 12.7% of revenues, a growth clearly exceeding the level recorded in the previous year equal to 9.8% of revenues. Both the increase in the gross industrial income and the modest rise in overheads contributed to the good result in 2006.

In line with the new accounting standards applied in drawing up the financial statements, we conducted an analytical valuation of the “sustainability” of the goodwill relating to the Group’s cash generating units. Based on impairment testing, it was decided to reduce goodwill for the Nova Group by 0.76 million euros. The US group’s results were affected by the delay in the launching of the new counting machine on the market, together with the inefficiencies connected with the replacement of the former sales network by that of the IMA Group. There is no doubt that the Nova Group’s future prospects appear to be brighter, as confirmed by the early data in 2007.

Net of these costs, the operating profit for the period comes to 53.45 million euros, as compared with 35.58 million euros at the end of 2005.

**NET FINANCIAL
(EXPENSE) AND INCOME**

Net financial expense, which is detailed in the notes to the financial statements, came to 6.96 million euros (compared with net expenses of 7.54 million euros in 2005). The improvement, which is mainly due to exchange rate differences, has more than offset the increased financial expenses due to higher interest rates and a greater average debt compared with the previous year.

NET PROFIT

Group’s profit came to 24.84 million euros in 2006, compared with 12.46 million euros in the previous year, net of income tax of 21.67 million euros.

The lower incidence of taxation on the pre-tax result compared with the previous year is mainly due to some taxes that have a lower incidence on the increase in gross results because they are calculated on amounts other than the income generated.

**CONSOLIDATED BALANCE
SHEET AND FINANCIAL
POSITION**

The following table provides an overview of the balance sheet and financial situation of the Group at 31 December 2006:

millions of euros	31 Dec. 2006		31 Dec. 2005		change %
	Amount	%	Amount	%	
Trade receivables	101.40	49.9	98.79	54.3	2.6
Inventories	122.20	60.1	122.11	67.1	0.1
Trade payables	(102.91)	(50.6)	(115.39)	(63.4)	(10.8)
Other, net (*)	(29.16)	(14.3)	(28.11)	(15.5)	3.7
Working capital	91.53	45.1	77.40	42.5	18.3
Property, plant and equipment	72.73	35.8	73.25	40.3	(0.7)
Intangible assets	69.87	34.4	59.31	32.6	17.8
Investments in subsidiaries and associated companies	1.76	0.8	1.01	0.6	74.3
Non-current assets	144.36	71.0	133.57	73.5	8.1
Provision for severance indemnities and other provisions (**)	(32.66)	(16.1)	(29.07)	(16.0)	12.3
Net capital employed	203.23	100.0	181.90	100.0	11.7
FINANCED BY :					
Net debt	104.20	51.3	86.84	47.7	20.0
Minority interests	0.99	0.5	3.58	2.0	(72.3)
Group equity	98.04	48.2	91.48	50.3	7.2
Total sources of financing	203.23	100.0	181.90	100.0	11.7

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

(**) This item mainly includes the staff severance pay, net deferred tax liabilities and payables in respect of acquisitions.

WORKING CAPITAL

Working capital at 31 December 2006 came to 91.53 million euros, of which 1.47 million euros contributed by VIMA S.r.l.. Within a comparable scope of consolidation, this represents an increase of 12.66 million euros compared with 2005. The change must be exclusively attributed to the decrease in the item "Trade payables", with specific regard to customer advances, down about 5 million euros and payables to suppliers for the difference. The change in the first item is due to the timing of last quarter orders which were taken very close to the year-end; this did not allow to collect advances on time for the closing of the financial statements. Most of these have already been collected during the first quarter of the current period. The change in trade payables, on the other hand, is due to the fact that purchases were made at a time of the financial year earlier than in the previous period.

The management is still committed to a specific project to make significant improvements, at a structural level, to the Group's working capital indices with respect to those reported in the past.

Comments on the changes in the main items are given below:

- trade receivables increased by 2.61 million euros, from 98.79 million euros at 31 December 2005 to 101.40 million euros at the end of 2006. The contribution from VIMA S.r.l. came to 1.81 million euros. We therefore consider this item to be extremely positive, confirming improvements already achieved in recent years;
- inventories remained unchanged at 122.20 million euros (122.11 million euros in 2005). Excluding the contribution from VIMA S.r.l., inventories decreased by 2.69 million Euros. The result is particularly good if one considers the satisfactory portfolio level attained at the end of 2006. The Group is making fresh efforts to make further rises in stock levels in the future, both by innovating manufacturing scheduling processes and improving the supply network to reduce lead times;
- trade payables decreased by 12.48 million euros; for the comment, reference is made to what is reported above;
- "Other, net" item, totaling 29.16 million euros compared with 28.11 million euros in 2005, is substantially stable .

NON-CURRENT ASSETS

In total non-current assets increased by 10.79 million euros compared with 31 December 2005. This reflects:

- the increase of 0.75 million euros in the equity investments item is due to the acquisition of a 40% holding in Scriba Nanotecnologie S.r.l. for 0.41 million euros, the establishment of IMA-Telstar North America Inc. for 0.20 million euros and a marginal adjustment of the book value of B.C. S.r.l.. Scriba Nanotecnologie S.r.l. operates in the analysis of highly advanced solutions for the traceability of pharmaceutical products by using nanotechnologies. IMA-Telstar North America Inc., which was established by the joint venture IMA Telstar S.A., has as its object the production and marketing of freeze-drying machines (lyophilizers) in the USA. At the end of 2006, it had still not started operations;
- property, plant and equipment and intangible assets, net of depreciation and amortization, increased by 10.04 million euros compared with 31 December 2005, as the net effect of the following movements:

millions of euros	Non-current assets		
	Prop., plant and equip.	Intangible	Total
Additions during the year	7.62	3.24	10.86
Net book value of disposals	(0.46)	–	(0.46)
Acquisition of VIMA Impianti S.r.l.	–	5.83	5.83
Acquisition of 49% Precision Gears Ltd.	–	3.99	3.99
Change in scope of consolidation	0.35	1.10	1.45
Amortization/depreciation charges for the year	(7.60)	(3.66)	(11.26)
Value decrease/increase	–	1.30	1.30
Writedowns / Impairment	–	(0.76)	(0.76)
Exchange rate differences on consolidated non-current assets	(0.43)	(0.48)	(0.91)
Total	(0.52)	10.56	10.04

Details of changes in individual items are described in the notes to the financial statements. Amortization and depreciation in the period came to 11.26 million euros, broadly in line with new investments. This balance will be largely maintained in 2007.

NET CAPITAL EMPLOYED

Compared with 31 December 2005, capital invested net of operating liabilities increased by 21.33 million euros, totaling 203.23 million euros. However, it should be noted that the net capital employed of VIMA S.r.l. came to 2.73 million euros, and the intangible assets, net of tax effects, recognized in relation to the acquisition of the company totaled 5.08 million euros.

NET DEBT

Net debt at 31 December 2006 totaled 104.20 million euros, and breaks down as follows:

	31 Dec. 2006	31 Dec. 2005
A. Cash and cash equivalents	(60.17)	(57.81)
B. Other cash equivalents	–	(4.15)
C. Investments in securities	(0.17)	(0.43)
D. Liquidity (A)+(B)+(C)	(60.34)	(62.39)
E. Current financial receivables	–	(0.04)
F. Current payables to banks	52.16	46.87
G. Current portion of non-current bank debt	22.15	19.96
H. Other current financial payables	1.62	1.22
I. Current financial debt (F)+(G)+(H)	75.93	68.05
J. Net current financial debt (D)+(E)+(I)	15.59	5.62
K. Non-current portion of non-current bank debt	85.02	79.24
L. Non-current financial assets	(3.46)	(3.59)
M. Other non-current financial payables	7.05	5.57
N. Non-current financial debt (K)+(L)+(M)	88.61	81.22
O. Net financial debt (J)+(N)	104.20	86.84

For information on the breakdown of the items in the net debt, reference is made to Notes 6, 13 and 18 to the consolidated financial statements.

At 31 December 2005, the change in debt was mainly attributable to the following factors:

- 4.19 million euros for the purchase of treasury shares;
- about 18.66 million euros for the acquisition of equity investments in VIMA S.r.l., Packaging Systems Holdings Inc., Precision Gears Ltd. And Scriba Nanotecnologie S.r.l.

In the first half of 2006, IMA-Telstar S.L. incurred a finance lease debt equal to 2.47 million euros which, in addition to the effect on debt arising from the transactions described above, had a negative impact of about 25.32 million euros at 31 December 2006, against a negative effective change equal to 17.36 million euros.

GROUP EQUITY

Group equity at 31 December 2006 totaled 98.04 million euros, an increase of 6.56 million euros compared with 31 December 2005, as a result of the following movements:

Dividends paid during the year	(13.80)
Acquisition and disposal of treasury shares	(4.19)
Valuation of financial instruments recognized in equity	1.75
Exchange rate differences on the translation of foreign currency financial statements	(2.04)
Net profit	24.84
Total	6.56

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

The following table reconciles the shareholders' equity and the profit for the period of the Parent Company in its financial statements with the corresponding values at 31 December 2006 for the Group (millions of euros):

	Shareholders' Equity	Group profit
Results from the financial statements of I.M.A. Industria Macchine Automatiche S.p.A.	87.95	24.26
<i>Consolidation adjustments:</i>		
a) Elimination of the book value of the consolidated equity investments and measurement of investments using the equity method	16.31	4.91
b) Alignment of intercompany receivables/payables	0.13	0.15
c) Elimination of dividends distributed by Group companies	–	(3.89)
d) Elimination of intercompany items:		
• Intangible assets	(0.24)	–
• Inventories	(4.95)	0.61
• Margins and fees for contract work	1.45	(0.27)
e) Writedowns /impairment	(3.96)	(0.76)
f) Tax effect of consolidation adjustments and other tax effects	1.35	(0.17)
Net effect of consolidation adjustments	10.09	0.58
Amounts for the Group	98.04	24.84

ANALYSIS OF PERFORMANCE BY SECTOR

The following table analyses consolidated operations during 2006 by business sector:

	Tea	Packaging	Processing	Other	Not al-located (*)	Total
Revenues	73.91	239.70	107.43	4.16	–	425.20
Operating profit before writedowns / impairment of goodwill (EBITA)	24.08	24.31	5.60	0.22	–	54.21
Operating profit (EBIT)	24.08	23.55	5.60	0.22	–	53.45
Net capital employed (*)	19.81	99.72	87.30	2.55	(6.15)	203.23
R&D costs	4.59	10.82	4.20	–	–	19.61
Average personnel (**)	200	1,556	543	–	392	2,691
Order book	34.72	115.28	42.04	–	–	192.04

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

(**)(*) The personnel allocated to the various sectors are those directly employed in those sectors, while the figure reported in the “Not allocated” column reflects those employed by the sales organizations at branches and in the Group’s administrative and central offices.

Net capital employed includes 55.90 million euros in goodwill, of which 26.32 million euros relates to the packaging sector and 29.58 million euros to the process sector.

TEA, COFFEE AND HERBAL TEA PACKAGING

millions of euros	2006	2005	Change %
Revenues	73.91	70.88	4.3
Operating profit before writedowns / impairment of goodwill (EBITA)	24.08	23.21	3.7
Operating profit (EBIT)	24.08	23.21	3.7
Net capital employed	19.81	13.42	47.6
R&D costs	4.59	4.09	12.2
Average personnel	200	240	
Order book	34.72	39.76	(12.7)

The tea, coffee and herbal tea packaging sector essentially comprises the activities performed directly by the parent company IMA S.p.A., through its Tea Division.

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

Demand for tea packaging machinery remained strong in 2006, particularly from large multinational groups in the UK, Germany and Russia. We are also pleased to note that an increasing proportion of revenues are coming from sales to companies with local operations, particularly in Europe and Asia.

At the same time the Group continued its close collaboration with a number of large multinationals on the development of tailor-made solutions justified by marketing requirements. This has allowed the IMA Group to gain new market share, thereby further strengthening its leadership position.

Revenues in 2006 reached 73.91 million euros, an increase of 4.3% compared with 2005. The brilliant percentage level of operating profit was maintained, reaching 24.08 million euros in 2006.

The rise in net capital employed is due to the unrepeated and unrepeatable collection of customer advances in 2005.

The fall in the order book, amounting to 34.72 million euros in 2006 (compared with 39.76 million euros in 2005), does not cause concern in view of the inversion of the trend in early 2007 and the many negotiations in progress.

PHARMACEUTICALS PACKAGING

millions of euros	2006	2005	Change %
Revenues	239.70	219.07	9.4
Operating profit before writedowns / impairment of goodwill (EBITA)	24.31	13.02	86.7
Operating profit (EBIT)	23.55	12.73	85.0
Net capital employed (*)	99.72	92.12	8.3
R&D costs	10.82	9.87	9.6
Average personnel	1,556	1,548	
Order book	115.28	97.08	18.7

(*) Net capital employed includes goodwill of 26.32 million euros.

The area of packaging machines for the pharmaceutical industry includes the activities directly conducted by the parent company IMA S.p.A. through the Blister Division, the Win.Pack Division, the Filling & Sterile Division, the Cartoning Division and the End-of-Line Division, in its factories at Ozzano, Bentivoglio (Bologna) and Calenzano (Florence). It also includes the activities of CO.MA.DI.S. S.p.A., a wholly-owned subsidiary based in Senago (Milan), Precision Gears Ltd., the Indian subsidiary with operations in Mumbai and Indore (India), Swiftpack Automation Ltd., with registered office and plants in Alcester (UK), Packaging Systems Holdings Inc, which holds 100% of Nova Packaging Systems Inc., with registered offices in Leominster (Massachusetts). Furthermore, the range of products offered by the Group in the segment of packaging is also represented by the jointly-owned joint-venture IMA-Telstar, a company incorporated under Spanish law which has its registered offices in Terrassa, Spain, and controls 55% of the Chinese company Telstar Huadong Co. Ltd., which has its registered offices in Shanghai, as well as 100% of the US company IMA-Telstar North America Inc..

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

Consolidated net revenues for the sector increased by 20.63 million euros in 2006, from 219.07 million euros to 239.70 million euros. There was a noticeable

improvement in this sector over the previous period, above all for the families that suffered most in the past, such as the Filling & Sterile Division and the Cartoning Division. There were higher revenues and margins in both these segments than in the past. The work of reorganization that has been carried out, together with the efforts to improve efficiency, are paying the expected dividends. This tendency also seems to be confirmed in the current year. The End-of-Line Division recorded a substantial increase in sales volumes, which also had its effect on margins, confirming the leading position gained in this field, also thanks to the technological content of our products. Good results were also attained by the Blister Division, a sector in which global supply has gradually consolidated over the years and in which, at the same time, IMA took a leadership or co-leadership position.

EBITA for the sector increased from 13.02 million euros in 2005 to 24.31 million euros in 2006. Action on the cost of the product, as well as reductions in structural expenses, made this significant rise in the margin possible. The measures in progress lead us to believe that the results achieved may be further improved in the near future.

Net capital employed increased to 99.72 million euros in 2006 compared with 92.12 million euros at year-end 2005. The balance is accounted for by an increase in net working capital, chiefly in the Filling & Sterile division, as a result of the high concentration towards the end of the year of complex ranges, characterized by extended lead times and therefore measured on a stage of completion basis.

PHARMACEUTICAL PROCESSING

millions of euros	2006	2005	Change %
Revenues	107.43	104.48	2.8
Operating profit before writedowns / impairment of goodwill (EBITA)	5.60	2.51	123.1
Operating profit (EBIT)	5.60	(0.69)	n.s.
Net capital employed (*)	87.30	75.46	15.7
R&D costs	4.20	4.31	(2.6)
Average personnel	543	494	
Order book	42.04	27.13	55.0

(*)Net capital employed includes goodwill of 29.58 million euros.

The pharmaceutical processing sector includes the activities performed directly by the parent company IMA S.p.A. through its Solid Dose Division at Ozzano, as well as the activities of the subsidiaries IMA Kilian & Co. KG, located in Cologne (Germany), the subsidiaries Zibo IMA Xinhua Machinery Manufacturing Co. Ltd. , Zibo IMA Xinhua Pharmatech Co. Ltd. (China) and VIMA S.r.l. based in the province of Lucca.

IMA's network of branches in the 16 countries covered sells these products and provides the related after-sales service. The rest of the world is covered by an established network of agents. The Group's main product lines in this sector include machines for producing capsules and tablets, machines for weighing capsules and tablets, coating systems, systems for fluid-bed powder granulation and mixing pharmaceutical powder handling, processing and storage systems. The breadth and depth of the Group's range in this sector make it the only real provider of complete solutions, from the treatment of powders to the production of medicines in capsule and tablet form, with the related processing control. This sector was worst hit by the adverse economic climate in 2005, with a sharp erosion of profit margins. To this market situation was then added the incidental difficulties encountered by subsidiary IMA Kilian as a result of some inefficiencies caused by the change of premises.

The capacity to react against the above-mentioned difficulties allowed some of the margins to be recovered in 2006. The results are reassuring, even if not yet sufficiently good. Corrective action will continue during 2007 in order to bring the processing sector up to the same levels of profitability as the other pharmaceutical divisions. The order book at 31 December 2006 totaled 42.04 million euros, showing a sharp increase on the 27.13 million euros registered at 31 December 2005.

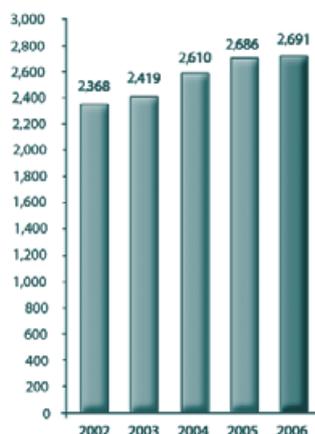
**HUMAN RESOURCES
POLICY, INDUSTRIAL
RELATIONS AND
TRAINING**

For our customers, the IMA Group is not merely a supplier of products, albeit one incorporating highly sophisticated technology, but rather a solver of complex problems through specially-designed solutions that are tailor-made to meet their individual requirements. This means that all our business processes, from preparing our products, to sales, from production/design to after-sales support, including contractual and administrative matters, need to be conducted with an extremely low level of redundancy. Accordingly, the proper functioning of these processes depends on the initiative and proactive approach of the individuals who work within them, and on their ability to work together with everyone else in the organization as a team. As such, although it is true for every firm that the quality of its human resources represents a critical factor in its success, this is even more true for the IMA Group, where our employees represent our principal asset, incorporating all our knowledge and skill. This expertise cannot easily be documented and quantified, precisely because it is non-repetitive.

In line with this vision, IMA dedicates considerable attention to the proper management of the employees within the Group, investing heavily and continually in their professional development, adopting an organizational model with a high degree of participation, and applying a bonus system based on the rigorous identification and assessment of the skills acquired by each person.

EMPLOYEES

During 2006 average employment for the Group totaled 2,691 people, compared with 2,686 in 2005. The geographical breakdown of the workforce is as follows:



	2006	2005	Change
Italy	1,604	1,581	23
India	398	392	6
Germany	195	224	(29)
USA	146	163	(17)
China	158	128	30
U.K.	67	83	(16)
Spain	56	50	6
Eastern Europe	36	33	3
France	24	26	(2)
Thailand	5	4	1
Portugal	2	2	-
Total	2,691	2,686	5

VIMA S.r.l. brought in 43 employees, and therefore on a comparable scope of consolidation basis the number of employees decreased by 38 (-1.4%).

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

With reference to the Group's organizational structure, around 20% of employees work in the commercial area, including pre-sales and after-sales, 17% in our R&D laboratories, 23% in central functions (Administration, IT, Procurement, Quality, Human Resources, etc.) and 40% in manufacturing/logistics. This last percentage would fall to 32% on exclusion of our Indian subsidiary, Precision Gears Ltd., which has a highly internalized and labor-intensive production model. This distribution of the workforce is a good reflection of IMA's business model, which is designed to retain only the activities that represent critical and distinctive skills and outsource all other activities. The high degree of professionalism is partly reflected in the fact that 70% of our employees are occupied in office and managerial activities.

PERSONNEL COSTS

Payroll amounted to 132.61 million euros in 2006, compared with 126.42 million euros in 2005, accounting for 31.2% of net revenues compared with 31.7% in 2005. In particular, VIMA Impianti S.r.l. contributed 2.09 million euros, while the Testar Group, which in 2005 had contributed 0.69 million euros to personnel costs limited to the second half-year only, accounted for 1.87 million euros in 2006. Therefore within a comparable scope of consolidation, personnel costs would have totaled 129.34 million euros, representing an increase of 2.3%. In particular, personnel costs for Italian workers overall increased by around 4.2% in 2006 over the previous year. It should be noted that the increase in the unit labor cost was 3.6%, due to the renewal of the National Metalworkers Contract and the Company's incentive scheme. It should be noted that the increase in personnel costs due to the higher amount to be paid as Performance Bonuses and reorganization charges is reduced as a result of the fall in the cost of the Company's share of contributions.

HUMAN RESOURCES POLICY

In 2006 the IMA Group continued to focus on individuals in the organizational context. This is confirmed by:

- the improvement of the selection process for the more strategic roles;
- the average age of new recruits is still less than 30;
- most of the staff recruited were engaged on indefinite-term and insertion contracts, which guarantee certification of the training process followed;
- closer ties with universities and centers of excellence at national and international levels, as well traditional contacts with and assistance from local technical institutes;
- extensive training/orientation programs for new recruits with widely consolidated methods that are structured to facilitate entry and communicate our system of business values. Our focus on the employee continues throughout their career, through a continuous process where their skills are monitored and evaluated to assist planning of appropriate training initiatives, within the context of a professionally evolved human resources system. The Group's attention to employees is demonstrated by staff turnover of less than 3% and by normal levels of absenteeism.

We strive continually to create favorable conditions for the expression of individual talent, founded on our business culture with its system of strongly shared values.

These include, by way of example, comprehensive health and accident cover, agreements for discounted purchases and best terms for numerous aspects of the employment contract (salary level, post-natal leave, advances against severance pay, use of part-time work, etc.). In this respect, we have been providing a psychological counseling service for the past twenty years, recently backed up by the introduction of the role of Employee Representative, confirming how important our employees are to the Group. We take action to promote conditions of well-being in the workplace, especially with reference to phenomena that might result in social exclusion.

TRAINING

More than 80% of employees were involved during the year in around 18,000 person-hours of training geared towards improving the expertise of the Group's technical, administrative and commercial personnel.

Specialized training, the updating of professional skills and managerial development were the main issues dealt with during 2006.

INDUSTRIAL RELATIONS

On the industrial relations front, we pursued our ongoing and constructive relationship with the trade unions. Thanks to this consolidated relationship, this year also was also largely free from disputes. This is the last year of effectiveness of the supplementary company agreement, which therefore saw preparations being made for the renewal phase.

HEALTH, SAFETY AND THE ENVIRONMENT

For the IMA Group, safety and work environment protection includes full compliance with current legislation, not least through specific training designed to create a "culture of safety". During 2006 the Company continued the training and information initiative that it had started in recent years, involving about 250 employees over a total of almost 500 hours. As in previous years, particular importance continued to be attached to training and information for newly recruited staff or for those who changed duties with a consequent change in the risk levels to which they are exposed, but great care was also taken with carrying out and formalizing training activities day after day by expert and qualified personnel to those engaged to work in the manufacturing departments in the last few years. Training and information was also again provided for those exposed to the risk of noise, in the form of new meetings arranged in collaboration with the Company Doctor and of a review of the "Document on the assessment of workplace noise" (*Documento sulla valutazione del rischio rumore*) pursuant to the provisions imposed by the enforcement of Legislative Decree no. 195/2006. Finally, great attention was paid to the examination of the safety conditions that the Company's technicians may encounter when working away from the Company at the factories of the customers of IMA S.p.A., arranging for a specific training course whose purpose was to see that they only work when minimum safety requirements are met as required by current regulations. Considering this and the activities carried out in previous years, in the 2003-2006 three-year period, over 900 video-terminal operators and over 600 manufacturing department workers took part in training and information activities carried out by IMA, namely all the workers in the Company.

The achievements by the end of 2006, in terms of accidents at work, as summarized by the corresponding statistics calculated in accordance with the UNI 7249 standard, repeated the extremely positive result achieved in the 2004-2005 two-year period, thus confirming the positive route followed.

RELATED-PARTY TRANSACTIONS

The IMA Group conducts operations with related parties, mainly persons responsible for the administration and management at IMA S.p.A., or entities controlled by such persons. These transactions are approved by the Board of Directors, which gives reasons for them and their benefits to the Group.

The transactions are real estate operations (leased premises) or commercial and/or supplementary production agreements, they fall within ordinary operations and are conducted on an arm's length basis.

Related-party transactions are commented at length under Note 34 to the consolidated financial statements, to which reference is made for more information.

IMA S.P.A. PERFORMANCE

While commenting on the Group performance, we already explained the main events concerning the Parent Company, whose revenues, including relations with the Group companies, represent 75% of the consolidated revenues.

INCOME STATEMENT

The income statement classified by use as shown below was prepared according to the same criteria as those used to prepare the Group's income statement; for the breakdown of the items: cost of sales, research and development costs, sales costs, general and administrative costs and gross operating margin, reference is made to the Report on operations in the consolidated financial statements.

The following principal items in the reclassified income statement are equivalent to the corresponding items in the table for the net income contained in the section entitled "Financial statements": revenues, operating profit, financial income and expense, result before tax, tax and profit/loss for the period.

Below is the breakdown of the Parent Company's reclassified income statement in 2006 compared with that of the previous year:

millions of euros	2006		2005		Change %
	Amount	%	Amount	%	
Revenues	318.94		304.51		4.7
Cost of sales	(181.53)	56.9	(180.77)	59.4	
Gross industrial income	137.41	43.1	123.74	40.6	11.0
R&D costs	(16.55)		(15.50)		
Sales costs	(43.53)		(41.94)		
General and administrative costs	(33.83)		(34.28)		
Operating profit (E.B.I.T.)	43.50	13.6	32.02	10.5	35.9
Net financial income (expense)	0.20		(3.05)		
Result before tax	43.70	13.7	28.97	9.5	50.8
Income taxes	(19.44)		(14.75)		
Profit (loss) for the period	24.26	7.6	14.22	4.7	70.6
Gross operating margin (E.B.I.T.D.A.)	51.65	16.2	40.33	13.2	28.1
Order book	155.01		136.54		13.5

REVENUES BY SECTOR

millions of euros	2006		2005		Change %
	Amount	%	Amount	%	
Tea, coffee and herbal tea packaging	72.12	22.6	69.31	22.7	4.1
Pharmaceutical packaging	185.04	58.0	169.21	55.6	9.4
Pharmaceutical processing	61.78	19.4	65.99	21.7	(6.4)
Total	318.94	100.0	304.51	100.0	4.7

We feel that the 4.7% increase in revenues should be favorably viewed in the context of demand that only proved to be brisker in the second half of the year.

As to revenues by sector, note the following:

- revenues in the tea, herbal tea and coffee packaging division grew by 4.1%, thanks to the continued robust demand from Central and Eastern Europe;

- the pharmaceutical packaging sector recorded higher revenues than the previous year as a result of increases in all divisions and in particular in the End-of-Line Division;
- the pharmaceutical processing sector recorded a 6.4% drop as a result of the postponement in the completion of some large job orders.

**REVENUES BY
GEOGRAPHICAL AREA**

millions of euros	2006		2005		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	146.76	46.0	141.04	46.3	4.1
Other European countries	18.81	5.9	28.22	9.3	(33.3)
North America	69.31	21.7	55.94	18.4	23.9
Asia and the Middle East	38.96	12.2	34.32	11.3	13.5
Other countries	15.46	4.9	10.63	3.5	45.4
Total foreign markets	289.30	90.7	270.15	88.8	7.1
Italy	29.64	9.3	34.36	11.2	(13.7)
Total	318.94	100.0	304.51	100.0	4.7

Of the total, more than 90% of revenues came from outside of Italy (in 2005 this figure was 88.8%). Around 65% of revenues came from machinery and plant, while 35% from after-sales activities (assistance, spare parts, kit, etc.)

In short, slight growth in European Union countries and stronger growth in the USA, Asia and Other Countries, was counter-balanced by contraction in Italy and the Other European countries.

In detail, the European Union is benefiting from a better general economic situation; the USA, even with a Dollar that is still devalued, benefit from the investment necessary for them to conform to increasingly stringent manufacturing regulations. Asia grows in step with the rate of growth of its local economies, even if these markets are still less sensitive to the technological advantages of machinery produced in the West. The drop in Italy falls under the normal fluctuations following periods of substantial investment such as 2005.

GROSS INDUSTRIAL INCOME

Gross industrial income as a percentage of revenues significantly increased by 2.5 percentage points. This is an important sign of recovery after two difficult years in which this ratio decreased.

There are a number of explanations for the good increase, from a favorable mix to the improvement in efficiency that took place as a result of measures adopted by the management. The tea packaging sector in particular confirmed its contribution to total revenues. In view of the greater profitability of this sector, it goes without saying that the result was a slight improvement in the overall industrial margin. Nevertheless, the most important results were the result of the improvement in efficiency recorded in the pharmaceuticals sector, both in processing and in packaging. Furthermore, the favorable effects of the previous repeated increases in US dollar lists, accompanied by the greater stability of this currency, as well as new procurement policies concerning mechanical components, have been felt. Many of the actions described above, and others that are being implemented, lead us to consider that a further increase in gross industrial income could be possible in the next future.

R&D EXPENDITURE

R&D expenditure in the period came to 16.55 million euros (15.50 million euros in 2005). This item only includes costs for the development of new products or to upgrade the technology of products already in distribution. It does not include spending on development conducted at the request of specific customers or the cost of customizing existing products, which is included in the cost of sales since it is invoiced to the customers concerned.

The scale of this commitment is a concrete confirmation of our strong orientation to be seen as a solution provider rather than a mere vendor of products. This approach has always been a distinguishing characteristic of our Company and, over the years, has resulted in a strong market leadership position.

SALES COSTS

Sales costs, including commissions paid to agents and intermediaries, totaled 43.53 million euros, compared with 41.94 million euros in 2005. This increase is attributable above all to the increase in commissions paid on sales, as rewards for both higher volumes and the higher price/discount ratio, which thus caused an increase in these payments. Management, however, is in any event working on an improvement in the efficiency of the sales system: the measures adopted will only make themselves felt starting from the current financial period.

**GENERAL AND
ADMINISTRATIVE COSTS**

General and administrative costs amounted to 33.83 million euros compared with 34.28 million euros in the previous year (-1.3%). This result was obtained thanks to a careful cost policy, which more than offset the physiological increase in labor costs. The results of the work being done at present will also reap further benefits in the next financial year.

OPERATING PROFIT

The rise of more than 3 percentage points in operating profit in proportion to revenues is to be attributed to the reasons set out above. In short, a substantial improvement in industrial margins was accompanied by a positive operating leverage effect with a reduction in fixed costs over the previous period. This led to an improvement in the operating result that was more than proportionate to the increase in sales volumes.

The Company's swift response to the improvement measures adopted by the management allow us to take a moderately optimistic view of the future. The benefits of much of the action that has been taken will be seen starting from the next financial period.

The conviction that there is still room for improvement in the Company's income performance arises above all from the awareness that there are internal areas and processes whose efficiency can and must be significantly improved.

**NET FINANCIAL
(EXPENSE) AND INCOME**

Net financial income, which is detailed in the Notes to the financial statements, is equal to 0.20 million euros (compared with net expenses of 3.05 million euros in 2005). In relation to the most significant items, note the following:

- dividends received from subsidiaries came to 4.63 million euros in 2006 compared with 2.89 million euros in the previous year;

- interest on the debt, including interest on discounting, increased by 1.53 million euros (from 4.01 million euros in 2005 up to 5.54 million euros in 2006), due to both a higher level in average debt over the previous period, and an increase in interest rates, especially with regard to the exposure in US Dollars;
- the balance between exchange rate gains and losses was positive if compared with the previous year, mainly due to the different trend in the exchange rates over the year (+0.48 million in 2006 against a negative value of 2.01 million euros in 2005).

NET PROFIT

Profit for the period came to 24.26 million euros (compared with 14.22 million euros in 2005), net of income tax of 19.44 million euros (14.75 million euros in 2005). The lower incidence of taxation on the pre-tax result compared with the previous year is mainly due to some taxes that have a lower incidence on the increase in gross results because they are calculated on amounts other than the income generated.

BALANCE SHEET AND FINANCIAL POSITION

The following table provides an overview of the balance sheet and financial situation of the Company at 31 December 2006:

millions of euros	31 Dec. 2006		31 Dec. 2005		change %
	Amount	%	Amount	%	
Trade receivables	81.68	46.6	78.86	52.3	3.6
Inventories	85.88	49.0	86.69	57.4	(0.9)
Trade payables	(94.72)	(54.0)	(106.97)	(70.9)	(11.5)
Other, net (*)	(24.64)	(14.1)	(22.59)	(15.0)	9.1
Working capital	48.20	27.5	35.99	23.8	33.9
Property, plant and equipment	59.56	34.0	61.96	41.1	(3.9)
Intangible assets	20.85	11.9	20.66	13.7	0.9
Investments	79.67	45.4	63.43	42.0	25.6
Non-current assets	160.08	91.3	146.05	96.8	9.6
Provision for severance indemnities and other provisions (**)	(32.90)	(18.8)	(31.12)	(20.6)	5.7
Net capital employed	175.38	100.0	150.92	100.0	16.2
FINANCED BY:					
Net debt	87.42	49.8	70.80	46.9	23.5
Shareholders' equity	87.96	50.2	80.12	53.1	9.8
Total sources of financing	175.38	100.0	150.92	100.0	16.2

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

(**) This item mainly includes the staff severance pay, net deferred tax liabilities and payables in respect of acquisitions.

WORKING CAPITAL

Working capital at 31 December 2006 came to 48.20 million euros, showing an increase compared with 2005 (35.99 million euros). This change need not be a cause for concern because it is located in a very specific item, while the others are at excellent levels, proving the efficacy of the work that has now been in progress for some time. Comments on the changes in the main items are given below:

- trade receivables slightly increased, from 78.86 million euros at 31 December 2005 to 81.68 million euros. The difference is due to a higher amount of receivables from subsidiaries compared with the previous year;
- inventories decreased by 0.81 million euros (from 86.69 million euros in 2005 to 85.88 million euros in 2006). This is a result that is much more significant than the absolute amount expresses, because it is the first time that inventories do not rise even when there is an excellent order book level. This result reflects the efficacy of the improvements put in hand in recent years to ameliorate the level of inventories, which represent one of the main items in the working capital;
- trade payables decreased by 12.25 million euros, and this is the item that has caused the change in the working capital. The causes are better acquisition policies, which have enabled production costs to be reduced, and earlier purchasing of the materials necessary for production, compared with 2005.

NON-CURRENT ASSETS

In total non-current assets increased by 14.03 million euros compared with 31 December 2005. This reflects:

- equity investments increased by 16.24 million euros, mainly as a result of the combined effect of the acquisition of VIMA S.r.l., a company operating in the pharmaceutical processing sector (6.14 million euros), of Swiftpack Automation Ltd. (2.97 million euros) and of a further 34% in the subsidiary Precision Gears Ltd. (6.04 million euros);
- property, plant and equipment and intangible assets, net of depreciation and amortization, decreased by 2.21 million euros compared with 31 December 2005, as the net effect of the following movements:

millions of euros	Non-current assets		
	Prop., plant and equip.	Intangible	Total
Additions during the year	3.35	2.76	6.11
Net book value of disposals	(0.17)	-	(0.17)
Amortization/depreciation charges for the year	(5.58)	(2.57)	(8.15)
Total	(2.40)	0.19	(2.21)

The smaller volume of investments than last year reflects the completion of the three-year plan in 2001-2003, and we expect similar investment volumes in the current period.

NET CAPITAL EMPLOYED

Compared with 31 December 2005, capital invested net of operating liabilities increased by 24.46 million euros, totaling 175.38 million euros.

NET DEBT

Net debt came to 87.42 million euros, up compared with 70.80 million euros at 31 December 2005, after the purchase of treasury shares for 4.19 million euros and the acquisition transactions in VIMA S.r.l., Packaging Systems Holdings Inc., Precision Gears Ltd. and Scriba Nanotecnologie S.r.l. for a total of about 13.91 million euros.

Given the uses, it is a satisfactory result, which rewards the effort made to contain working capital and benefits from lower investments. As we plan to maintain the same level of investment and to continue to take measures to contain working capital in 2007, also considering the expected improvement in the results, we can look forward to a satisfactory cash generating performance at the end of the year.

SHAREHOLDERS' EQUITY

Shareholders' equity at 31 December 2006, totaled 87.96 million euros, up 7.84 million euros compared with 31 December 2005, as a result of the following movements:

Dividends paid during the year	(13.80)
Acquisition and disposal of treasury shares	(4.19)
Valuation of financial instruments recognized in equity	1.57
Net profit for the period	24.26
Total	7.84

PERFORMANCE
OF OPERATIONS
BY BUSINESS SECTOR

The following table analyses operations during 2006 by business sector:

millions of euros	Tea	Packaging	Processing	Not allocated	Total
Revenues	72.12	185.04	61.78	–	318.94
Operating profit (EBIT)	20.03	19.74	3.73	–	43.50
Net capital employed	18.57	94.46	58.72	3.63	175.38
R&D costs	4.58	10.18	1.79	–	16.55
Average personnel (*)	195	899	219	177	1,490
Order book	34.63	91.80	28.58	–	155.01

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

Net capital employed includes 10.47 million euros in goodwill related to the process sector. The amount of net capital employed reported in the "Not allocated" column mainly includes the value of equity investments, as well as net deferred tax liabilities and income tax payables.

TEA, COFFEE AND HERBAL
TEA PACKAGING

Demand for tea packaging machinery remained strong in 2006, particularly from large multinational groups in the UK, Germany and Russia. We are also pleased to note that an increasing proportion of revenues are coming from sales to companies with local operations, particularly in Europe and Asia.

At the same time the Group continued its close collaboration with a number of large multinationals on the development of tailor-made solutions justified by marketing requirements. This has allowed IMA to gain new market share, thereby further strengthening its leadership position.

PHARMACEUTICALS PACKAGING

There was a noticeable improvement in this sector over the previous period, above all for the families that suffered most in the past, such as the Filling & Sterile Division and the Cartoning Division. There were higher revenues and margins in both these segments than in the past. The work of reorganization that has been carried out, together with the efforts to improve efficiency, are paying the expected dividends. This tendency also seems to be confirmed in the current year. The End-of-Line Division recorded a substantial increase in sales volumes, which also had its effect

on margins, confirming the leading position gained in this field, also thanks to the technological content of our products. Good results were also attained by the Blister Division, a sector in which global supply has gradually consolidated over the years and in which, at the same time, IMA took a leadership or co-leadership position.

PHARMACEUTICAL PROCESSING

The pharmaceutical processing sector was worst hit by the adverse economic climate in 2005, with a sharp erosion of profit margins.

In 2006 this sector was able to react against the past difficulties and recovered some of the margins. The results are reassuring, even if not yet sufficiently good. Corrective action will continue during 2007 in order to bring the processing sector up to the same levels of profitability as the other pharmaceutical divisions.

CAPITAL EXPENDITURE

In 2006 the Company made investments in intangible assets of 2.76 million euros (3.87 million euros in 2005) and investments in property, plant and equipment of 3.35 million euros (3.31 million euros in 2005), for a total of 6.11 million euros (7.18 million euros in 2005).

Investments in intangible assets are mainly composed of three items: acquisition and grant of patents, software and capitalization of development costs related to new products extending the range of products offered by the Company to new market segments. As regards patents, the total investment of 1.02 million euro was made up of the costs incurred to protect and extend patents in other countries, as well as the acquisition of two patents and the relative equipment for a process of compression of the pharmaceutical material allowing the modified release of the active principle. Investments in software mainly relate to application, management and technical software. Finally, during the period, development work ended on two new products, totally different from any previously made (coating systems based on Perfima perforated pans and Vortex high shear mixers for wet granulation with the possibility of Pegasus fluid bed integrated systems). Therefore, development costs of 1.27 million euros were entered in the accounts, of which 0.47 million euros of costs were fully incurred over the period. Furthermore, costs of 0.61 million euros related to development costs mainly incurred in the biotechnology sector were entered under fixed assets under development.

As to investments in property, plant and equipment, these mainly relate to plant (1.07 million euros) and buildings (0.98 million euros), against incremental costs on some owned buildings and plant.

HUMAN RESOURCES POLICY, INDUSTRIAL RELATIONS AND TRAINING

For our customers, IMA is not merely a supplier of products, albeit one incorporating highly sophisticated technology, but rather a solver of complex problems through specially-designed solutions that are tailor-made to meet their individual requirements. This means that all our business processes, from preparing our products, to sales, from production/design to after-sales support, including contractual and administrative matters, need to be conducted with an extremely low level of redundancy. Accordingly, the proper functioning of these processes depends on the initiative and proactive approach of the individuals who work within them, and on their ability to work together with everyone else in the organization as a team. As such, although it is true for every firm that the quality of its human resources represents a critical factor

in its success, this is even more true for IMA, where our employees represent our principal asset, incorporating all our knowledge and skill. This expertise cannot easily be documented and quantified, precisely because it is non-repetitive.

In line with this vision, IMA dedicates considerable attention to the proper management of the employees, investing heavily and continually in their professional development, adopting an organizational model with a high degree of participation, and applying a bonus system based on the rigorous identification and assessment of the skills acquired by each person.

EMPLOYEES

During 2006 average employment for IMA totaled 1,490 people, compared with 1,515 in 2005.

The breakdown of the workforce by category is as follows:

	31.12.2006	31.12.2005
Management	41	42
Office workers	1,113	1,134
Production workers	336	339
Total	1,490	1,515

The excellent educational levels of the people employed by the Company is demonstrated by the fact that more than 80% possess a secondary school diploma and/or a university degree.

With reference to the organizational structure, 17% of employees work in the commercial area, including pre-sales and after-sales, 23% in our R&D laboratories, 22% in central functions (Administration, IT, Procurement, Quality, Human Resources, etc.) and 38% in manufacturing/logistics. This distribution of the workforce is a good reflection of IMA's business model, which is designed to retain only the activities that represent critical and distinctive skills and outsource all other activities. The high degree of professionalism is partly reflected in the fact that 77% of our employees are occupied in office and managerial activities.

PERSONNEL COSTS

Payroll amounted to 88.7 million euros in 2006, compared with 84.51 million in 2005 on the basis of a similar breakdown.

This increase (+4.2%) is in line with the growth in labor costs.

HUMAN RESOURCES POLICY

During 2006 people strategy of IMA saw the Human Resources department focusing on strategies, policies and approaches, accompanied by a close involvement of Front-line managers in handling their subordinates (this also being looked upon as a factor in improving business results). In this scenario, the partnership between Front-line managers and Human Resources to identify the objectives and the methods for the implementation of the shared strategy is a fundamental and indispensable element in the organizational model that is selected.

TRAINING

IMA, like all organizations that wish to tackle the market's competitive challenges, considers continuous training as a new outlook on training strategy.

Investment is not only intended for initial training but tends to spread out over time,

increasingly tending to use training as a lever for people's growth and motivation, and consequently for the business' competitive development.

The complex organizations, in continuous evolution, like IMA, require human resources equipped with enterprise and initiative, driven by the desire to learn and improve continuously, even questioning their own abilities and always ready to be weighed in the balance.

From this point of view, IMA is also a point of reference for the district system to which it belongs, assiduously working to adapt its organizational and management models to the "economy of knowledge", in which professional careers, which tend to be more and more discontinuous and transversal, encourage persons to acquire "generalized" skills that accompany the high standard of professionalism required to work in an international context, in contact with innovative technologies and in a competitive market.

INDUSTRIAL RELATIONS

On the industrial relations front, we pursued our ongoing and constructive relationship with the trade unions. Thanks to this consolidated relationship, this year also was also largely free from disputes. This is the last year of effectiveness of the supplementary company agreement, which therefore saw preparations being made for the renewal phase.

HEALTH, SAFETY AND THE ENVIRONMENT

For the IMA Group, safety and work environment protection includes full compliance with current legislation, not least through specific training designed to create a "culture of safety". During 2006 the Company continued the training and information initiative that it had started in recent years, involving about 250 employees over a total of almost 500 hours. As in previous years, particular importance continued to be attached to training and information for newly recruited staff or for those who changed duties with a consequent change in the risk levels to which they are exposed, but great care was also taken with carrying out and formalizing training activities day after day by expert and qualified personnel to those engaged to work in the manufacturing departments in the last few years. Training and information was also again provided for those exposed to the risk of noise, in the form of new meetings arranged in collaboration with the Company Doctor and of a review of the "Document on the assessment of workplace noise" (*Documento sulla valutazione del rischio rumore*) pursuant to the provisions imposed by the enforcement of Legislative Decree no. 195/2006. Finally, great attention was paid to the examination of the safety conditions that the Company's technicians may encounter when working away from the Company at the factories of the customers of IMA S.p.A., arranging for a specific training course whose purpose was to see that they only work when minimum safety requirements are met as required by current regulations. Considering this and the activities carried out in previous years, in the 2003-2006 three-year period, over 900 video-terminal operators and over 600 manufacturing department workers took part in training and information activities carried out by IMA, namely all the workers in the Company.

The achievements by the end of 2006, in terms of accidents at work, as summarized by the corresponding statistics calculated in accordance with the UNI 7249 standard, repeated the extremely positive result achieved in the 2004-2005 two-year period, thus confirming the positive route followed.

In relation to safety measures to be adopted for the treatment of personal data, the

Company updated, over the period, the security policy statement in accordance with the applicable regulations in force.

TRANSACTIONS WITH PARENT, SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES

There were numerous intra-group transactions, all carried out in the framework of ordinary operations and on an arm's length basis. Intra-group transactions are of a nature related to the Group's organizational structure. They involved the commercial phase (there are companies that are wholly owned by IMA and incorporated in various countries, which market the Group's products acting as agents or dealers) and the manufacturing phase (there are subsidiaries owned by IMA S.p.A. that make certain types of machine and supplement the range of IMA S.p.A. or their own range, selling machines to or buying them from IMA S.p.A.). There were financial dealings among Group companies that were also carried out in the framework of ordinary operations and on an arm's length basis, and in any event there were no transactions that may be considered atypical.

For further information, reference is made to what is commented at length in Note 31 to the Company's financial statements.

RELATED-PARTY TRANSACTIONS

In addition to the intra-group transactions commented on above, the Company conducts operations with other related parties, mainly persons responsible for the administration and management at IMA S.p.A., or entities controlled by such persons. These transactions are approved by the Board of Directors, which gives reasons for them and their benefits to the Company. The transactions are real estate operations (leased premises) or commercial and/or supplementary production agreements, they fall within ordinary operations and are conducted on an arm's length basis.

Related-party transactions are commented under Note 31 to the Company's financial statements, to which reference is made for more information.

COMPANY'S LOCATIONS OF OPERATION

Below are listed the locations where IMA S.p.A. carries out its business:

Via Tosarelli, 184 Castenaso (Bologna) - Head and Administrative Office

Via 1° Maggio, 14/16 Ozzano dell'Emilia (Bologna) - Plant and offices

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

Via Emilia, 428/442 Ozzano dell'Emilia (Bologna) - Plant and offices

Via Emilia, 237 Ozzano dell'Emilia (Bologna) - Offices

Via Emilia, 217/219 Ozzano dell'Emilia (Bologna) - Plant and offices

Via S. Pietro, 16/18/20 Ozzano dell'Emilia (Bologna) - Plant and offices

Via Romagnoli, 2 Bentivoglio (Bologna) - Plant and offices

Via Romagnoli, 13 Bentivoglio (Bologna) - Plant and offices

Via Romagnoli, 11-11/2 Bentivoglio (Bologna) - Plant and offices

Via F. Petrarca, 34/38/40 Calenzano (Florence) - Plant and offices

OTHER INFORMATION

SIGNIFICANT EVENTS AFTER YEAR-END

The following significant events occurred after the closure of the financial year:

- effective from 2 January 2007, the contribution by the Parent Company IMA S.p.A. of operations in the Aseptic Processing & Filling sector (packaging machines for liquids both in sterile and non-sterile environments) and of the equity investment in the Italian-Spanish joint-venture IMA-Telstar S.L. (freeze-drying systems) to the newly-established IMA Libra S.r.l. was accounted for. On the date of contribution, the shareholders' equity of IMA Libra S.r.l. amounted to about 10 million euros;
- in February and March 2007, no. 66,235 treasury shares were purchased, as per the plan commented on in Note 15 to the consolidated financial statements and Note 13 to the financial statements of IMA S.p.A.. At 6 March 2007, as per the notice given to the public on 14 March 2007, treasury shares were held which represented 5.654% of the share capital;
- on 28 February 2007, the merger process by incorporation of Zibo IMA Xinhua Machinery Co. Ltd. into Zibo IMA Xinhua Pharmatech Co. Ltd. was completed.

OUTLOOK FOR THE CURRENT YEAR

As has been fully explained in previous sections, 2006 was a year that gave much satisfaction. The improvement in margins was as significant as it was sudden, showing the Group's vitality and the correctness of the action taken. In fact some of the profitability that had been lost in previous years as a result of the rapid rise of the Euro against the US Dollar, was recovered, confirming that it is possible, in time, to transfer at least a part of the exchange rate differences generated by fluctuations in currency conversion rates to prices. The corrective action put in hand to reduce the inefficiencies caused by unexpected technical problems was fully effective, as well as the restructuring of some subsidiaries or divisions of the Parent Company.

The development of more favorable procurement channels allowed production costs to be reduced, and there is still room for further improvement.

Finally, constant attention to structural overheads slowed down their physiological rise, allowing good operating leverage to be obtained.

All this was achieved without affecting sales penetration capacity, as demonstrated by the order book level at the end of 2006.

To conclude, if there are no substantial variations in the trend of orders or in exchange rate levels, in the light of the actions in progress, the year 2007 promises to get off to a good start, with better results than in 2006. As to consolidated revenues, we expect a growth rate of about 7% and a gross operating margin exceeding 71 million euros. The Group management is strongly motivated and committed to all these aspects.

INFORMATION ON FINANCIAL INSTRUMENTS

In relation to disclosures on annual accounts required under Article 2428, paragraph 2, no. 6-bis, of the Italian Civil Code, and disclosures on consolidated accounts required under Article 40 of Legislative Decree no. 127/1991 as to the objectives and policies concerning financial risk management, note the following:

Financial risk factors

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

To operate its business, IMA raises funds on the market through borrowing, usually by taking out floating-rate loans, with the result that it is also exposed to fluctuations in interest rates.

Risk management is carried out in line with the Risk Management Policy approved by the Restricted Management Committee of the Company.

a) Exchange rate risk

Exchange rate risk refers to the risk of adverse movements in exchange rates in the period from when the target exchange rate is agreed; that is, between the moment at which a Group entity commits itself to receive or pay in a foreign currency at a future date and the time when this commitment becomes an order and, finally, an invoiced item.

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

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

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

b) Interest rate risk

Interest rate risk is the risk of an uncontrolled rise in expenses arising from an increase in floating-rate interest payments on the medium-term borrowings.

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

Hedges are instituted for loans whenever it is thought advisable. The duration of the hedge may not exceed the maturity of the loan itself.

Financial hedging instruments

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

Any further detail is duly reported in Note 7 to the Parent Company's financial statements and in Note 8 to the consolidated financial statements.

**ATYPICAL AND/OR
UNUSUAL AND/OR
NON-RECURRING
TRANSACTIONS**

No significant atypical and/or unusual and/or non-recurring transactions are reported for the Parent Company IMA S.p.A. and for the IMA Group.

TREASURY SHARES

At 31 December 2006 treasury shares amounted to 19.43 million euros, represented by 1,975,000 shares with a part value of 1.03 million euros. The official market value at 29 December 2006 was 22.22 million euros.

It should be noted that, over the period, I.M.A. S.p.A. carried out transactions on equity instruments by acquiring no. 383,765 treasury shares for an amount of 4.19 million euros, as commented on in Note 15 to the consolidated financial statements and Note 13 to the financial statements of IMA S.p.A..

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

The Company complies with the rules of conduct recommended by Consob communications no. 97001574 of 20 February 1997 and no. 98015375 of 27 February 1998 since they were issued; specifically:

- for some time, under Section 17 of the articles of association, during Board of Directors' meetings and in any event at least on a quarterly basis, directors to whom powers have been delegated report the work they have done in the exercise of their delegated powers and the most substantial transactions carried out by the Company and its subsidiaries, as well as those transactions which constitute a potential conflict of interests. This articles of association's provision means on one hand that the necessary information under Article 150 of Legislative Decree no. 58 of 24 February 1998 is disclosed to the Board of Auditors and on the other hand that the other members of the Board of Directors receive periodical reports of the activities that have been carried out in the exercise of delegated powers. As we know, moreover, the corporate law reform made it obligatory for delegated bodies to report general performance of operations and its outlook, as well as the transactions carried out by the Company and its subsidiaries that are most important by virtue of their size and characteristics to the Board of Directors and the Board of Auditors at the intervals laid down in the articles of association (quarterly as far as the Company is concerned); with regard to this, therefore, there has been no need to comply with the new law;
- on 12 May 2006, the Board of Directors subjected the functions connected with related-party transactions, including intra-group transactions, and except for typical or usual transactions to be concluded on standard conditions, to the prior approval of the Board of Directors in a collective session. During 2006, the governing body approved a special procedure whose aim is to ensure the propriety and transparency, both substantial and procedural, of "relevant" transactions to be carried out. In this regard, the Board of Directors preliminarily approves such transactions after being informed of their terms, origin and scope and of the assessment procedure adopted, and after it has learned their reasons, the advantages and any risks for IMA. Furthermore, according to the nature, value or other features of the transaction, the Board of Directors must first seek the opinion of the Internal Control Committee, availing itself of the assistance of experts if this is necessary for the conclusion of the transaction;
- some members of the Board of Auditors of IMA also hold positions in the subsidiaries CO.MA.D.I.S. S.p.A., Info Area S.r.l. and IMA Libra S.r.l.; it should be noted that the other subsidiaries are incorporated under foreign laws.

**CORPORATE
GOVERNANCE
AND THE CODE
OF CONDUCT**

As to disclosures on the Company's Corporate Governance and the application of the Code of Conduct, reference is made to the notice made available to shareholders together with the documentation for the shareholders' meeting called to approve the financial statements, as made pursuant to Section IA.2.6. of the "Guidelines on the Regulations governing the markets organized and managed by Borsa Italiana S.p.A." (*Istruzioni al Regolamento dei mercati organizzati e gestiti dalla Borsa Italiana S.p.A.*).

Please note that the Board of Directors has vested the Chairman with specific management powers, only to be exercised in the event of the absence of or impediment to the Managing Director.

This organizational decision is in any event based on the need to confirm the separation of the roles of chairman and managing director.

The Board discloses the positions of director or auditor held by its members in listed companies, including abroad, financing, banking, insurance companies or companies of a significant size, in accordance with their own declarations:

Benedetti Gino

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

Malagoli Andrea

- Fin Vacchi Finanziaria Vacchi S.p.A. (Managing Director)
- SO.FI.MA. S.p.A. (Board Member)

Minguzzi Italo Giorgio

- Ferretti S.p.A. (Auditor)
- Ducati Corse S.p.A. (Auditor)
- Unitec S.p.A. (Board Member)

Poggi Luca

- Emil Europe '92 S.r.l. in liquidation (Chairman of the Board of Auditors)
- Società del Vetro S.p.A. (Board Member)
- Finglass S.p.A. (Board Member)
- Finvetro S.p.A. (Board Member)
- Fariniundici S.r.l. (Sole Director)
- S.E.A. Società Europea Autocaravan S.p.A. (Auditor)
- Sea Industries S.p.A. (Auditor)

Schiavina Maria Carla

- Fin Vacchi Finanziaria Vacchi S.p.A. (Board Member)
- SO.FI.MA. S.p.A. (Board Member)
- Immobiliare Schiavina S.r.l. (Vice Chairman)
- Schiavina S.r.l. (Chairman)
- Eredi Schiavina S.r.l. (Chairman)

Vacchi Marco

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

Vacchi Alberto

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

Vacchi Gianluca

- Fin Vacchi Finanziaria Vacchi S.p.A. (Board Member)
- SO.FI.MA. S.p.A. (Board Member)
- Cofiva Holding S.p.A. (Sole Director)
- G.V. Invest S.r.l. (Sole Director)
- Cofiva S.A. (Director)
- SEA Industries S.p.A. (Board Member)
- Società del Vetro S.p.A. (Chairman)
- Finglass S.p.A. (Chairman)
- Finvetro S.p.A. (Chairman)
- Boato Finanziaria (Chairman)
- S.E.A. Società Europea Autocaravan S.p.A. (Board Member)

Volta Romano

- Datalogic S.p.A. (Chairman)
- Datasensor S.p.A. (Chairman)
- San Paolo IMI Fondi Chiusi SGR S.p.A. (Board Member)
- Summa Finance S.p.A. (Chairman)
- Fondazione Cassa di Risparmio in Bologna (Stockholder and Vice Chairman of the Steering Council)

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

In compliance with the requirements expressly laid down under Section 79 of the Issuers' Regulations, the following table sets out the equity investments held by directors, statutory auditors, general managers, executives with strategic responsibilities and their spouses and under-age children in IMA and its subsidiary companies.

First and Last Name	Company	No. shares held at the end of previous period	No. shares purchased	No. shares sold	No. shares held at the end of current period
Piero Aicardi	IMA S.p.A.	6,000	–	–	6,000
Gino Benedetti	IMA S.p.A.	65,000	6,500	–	71,500
Massimo Ferioli	IMA S.p.A.	5,000	8,000	–	13,000
Luca Poggi	IMA S.p.A.	200,000	–	–	200,000
Alberto Vacchi	IMA S.p.A.	9,884	–	9,884	–
Gianluca Vacchi	IMA S.p.A.	637,303	62,365	637,303	62,365
Marco Vacchi	IMA S.p.A.	–	15,950	15,950	–
Stefano Visentini	IMA S.p.A.	50,500	–	50,500	–
Romano Volta	IMA S.p.A.	42,000	–	–	42,000



CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2006

(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

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 (THOUSANDS OF EUROS)

ASSETS	Note	31 December 2006	31 December 2005
NON-CURRENT ASSETS			
<i>Property, plant and equipment</i>	2	72,726	73,253
<i>Intangible assets</i>	3	69,871	59,305
<i>Investments accounted for using the equity method</i>	4	1,660	1,013
<i>Investments in subsidiaries carried at cost</i>		100	–
<i>Financial assets</i>	6	3,461	3,594
<i>Receivables from others</i>	7	580	731
<i>Derivative financial instruments</i>	8	165	68
<i>Deferred tax assets</i>	9	14,767	15,911
TOTAL NON-CURRENT ASSETS		163,330	153,875
CURRENT ASSETS			
<i>Inventories</i>	10	122,197	122,106
<i>Trade and other receivables</i>	11	110,440	108,886
<i>Income tax receivables</i>	12	453	827
<i>Financial assets</i>	6	167	4,622
<i>Derivative financial instruments</i>	8	697	–
<i>Cash and cash equivalents</i>	13	60,175	57,804
TOTAL CURRENT ASSETS		294,129	294,245
TOTAL ASSETS		457,459	448,120
EQUITY AND LIABILITIES	Note	31 December 2006	31 December 2005
EQUITY			
<i>Share capital</i>	14	18,772	18,772
<i>Share premium reserve</i>		16,382	16,382
<i>Treasury shares</i>	15	(18,885)	(14,698)
<i>Translation reserve</i>		(675)	1,366
<i>Fair value reserve</i>	16	815	(939)
<i>Other reserves</i>	17	30,987	30,525
<i>Retained earnings</i>		25,808	27,614
<i>Net profit (loss) for the period</i>		24,838	12,460
Total capital and reserves pertaining to the Group		98,042	91,482
<i>Reserves pertaining to minority interests</i>		966	3,064
<i>Profit pertaining to minority interests</i>		22	515
Total minority interests		988	3,579
EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS		99,030	95,061
NON-CURRENT LIABILITIES			
<i>Borrowings</i>	18	92,071	84,811
<i>Severance and pension obligations</i>	19	25,526	25,311
<i>Provisions for risks and charges</i>	20	1,200	1,073
<i>Deferred tax liabilities</i>	9	17,381	14,754
TOTAL NON-CURRENT LIABILITIES		136,178	125,949
CURRENT LIABILITIES			
<i>Borrowings</i>	18	75,931	68,048
<i>Trade and other payables</i>	21	136,785	149,458
<i>Income tax liabilities</i>	12	4,013	2,980
<i>Provisions for risks and charges</i>	20	5,511	4,924
<i>Derivative financial instruments</i>	8	11	1,700
TOTAL CURRENT LIABILITIES		222,251	227,110
TOTAL LIABILITIES		358,429	353,059
TOTAL EQUITY AND LIABILITIES		457,459	448,120

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR 2006 COMPARED WITH 2005 (THOUSANDS OF EUROS)

INCOME STATEMENT	Note	2006	2005
REVENUES	1	425,196	398,792
<i>Other revenues</i>	22	6,852	7,363
OPERATING COSTS			
<i>Change in work in progress, semifinished and finished goods</i>		(237)	6,367
<i>Change in inventory of raw, ancillary and consumable materials and goods for resale</i>		(120)	2,298
<i>Cost of raw, ancillary and consumable materials and goods for resale</i>		(139,311)	(152,355)
<i>Services, rentals and leases</i>	23	(89,590)	(84,350)
<i>Personnel costs</i>	24	(132,610)	(126,417)
<i>Depreciation and amortisation expense</i>	25	(12,964)	(13,658)
<i>Provisions for risks and charges</i>		(801)	218
<i>Other operating costs</i>	26	(2,967)	(2,677)
TOTAL OPERATING COSTS		(378,600)	(370,574)
OPERATING PROFIT	1	53,448	35,581
FINANCIAL INCOME AND EXPENSE			
<i>Financial income</i>	27	6,354	8,111
<i>Financial expense</i>	28	(13,312)	(15,654)
TOTAL FINANCIAL INCOME AND EXPENSE		(6,958)	(7,543)
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		39	(52)
PROFIT (LOSS) BEFORE TAX		46,529	27,986
INCOME TAXES FOR THE PERIOD	29	(21,669)	(15,011)
PROFIT (LOSS) FOR THE PERIOD		24,860	12,975
ATTRIBUTABLE TO:			
PARENT COMPANY SHAREHOLDERS		24,838	12,460
MINORITY INTERESTS		22	515
		24,860	12,975
EARNINGS PER SHARE (in euros)	30	0.72	0.36

CHANGES IN CONSOLIDATED EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2006 AND 31 DECEMBER 2005 (THOUSANDS OF EUROS)

Description	Share capital	Share premium reserve	Treasury shares	Translation reserve	Fair value reserve	Other reserves	Retained earnings	Net profit of Group	Total Group equity	Minority interests	Total equity
Balances at 01 Jan. 2005	18,772	16,382	-	(1,193)	1,094	28,498	26,816	16,785	107,154	2,290	109,444
Effect of merger of Comitec S.r.l. in IMA S.p.A.	-	-	-	-	-	(194)	194	-	-	-	-
Allocation of result for 2004:											
- dividends	-	-	-	-	-	-	-	(13,960)	(13,960)	(200)	(14,160)
- reserves	-	-	-	-	-	2,221	604	(2,825)	-	-	-
Share capital increases	-	-	-	-	-	-	-	-	-	295	295
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	354	354
Purchase and sale of treasury shares	-	-	(15,239)	-	-	-	-	-	(15,239)	-	(15,239)
Gains on transactions in treasury shares	-	-	541	-	-	-	-	-	541	-	541
Fair value of financial instruments	-	-	-	-	(2,033)	-	-	-	(2,033)	-	(2,033)
Exchange rate differences on translation of financial statements in foreign currency	-	-	-	2,559	-	-	-	-	2,559	325	2,884
Net profit for the period	-	-	-	-	-	-	-	12,460	12,460	515	12,975
Balance at 31 Dec. 2005	18,772	16,382	(14,698)	1,366	(939)	30,525	27,614	12,460	91,482	3,579	95,061
Allocation of result for 2005:											
- dividends	-	-	-	-	-	-	-	(13,804)	(13,804)	(465)	(14,269)
- reserves	-	-	-	-	-	462	(1,806)	1,344	-	-	-
Acquisition of 49% Precision Gears	-	-	-	-	-	-	-	-	-	(2,046)	(2,046)
Purchase and sale of treasury shares	-	-	(4,187)	-	-	-	-	-	(4,187)	-	(4,187)
Gains on transactions in treasury shares	-	-	-	-	-	-	-	-	-	-	-
Fair value of financial instruments	-	-	-	-	1,754	-	-	-	1,754	-	1,754
Exchange rate differences on translation of financial statements in foreign currency	-	-	-	(2,041)	-	-	-	-	(2,041)	(102)	(2,143)
Net profit for the period	-	-	-	-	-	-	-	24,838	24,838	22	24,860
Balance at 31 Dec. 2006	18,772	16,382	(18,885)	(675)	815	30,987	25,808	24,838	98,042	988	99,030

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	31 December 2006	31 December 2005
OPERATING ACTIVITIES		
<i>Net profit (loss) for the period</i>	24,838	12,460
<i>Adjustments for:</i>		
- <i>Depreciation and amortisation</i>	11,263	10,264
- <i>(Reversals) or impairment of assets</i>	757	3,338
- <i>Capital (gains) losses on disposal of non-current assets</i>	53	(323)
- <i>Changes in provisions for risks and charges and staff severance obligations</i>	1,429	564
- <i>Unrealised losses (gains) on exchange rate differences</i>	96	1,027
- <i>Other non-monetary changes</i>	60	36
- <i>Income taxes</i>	21,669	15,011
- <i>Minority interests</i>	22	515
- <i>Result from investments accounted for using the equity method</i>	(39)	52
Operating profit (loss) before changes in working capital	60,148	42,944
<i>(Increase) decrease in trade and other receivables</i>	(890)	(10,390)
<i>(Increase) decrease in inventories</i>	(91)	(12,444)
<i>Increase (decrease) in trade and other payables</i>	(18,228)	19,750
<i>Income taxes paid</i>	(17,581)	(10,287)
CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES (A)	23,358	29,573
INVESTING ACTIVITIES		
<i>Investments in property, plant and equipment</i>	(5,151)	(6,758)
<i>Investments in intangible assets</i>	(3,246)	(3,880)
<i>Acquisitions of companies</i>	(6,310)	(5,668)
<i>Exchange rate differences on property, plant and equipment and intangible assets</i>	899	(1,260)
<i>Repayment of finance lease debts</i>	(976)	(1,063)
<i>Investments in associates and subsidiaries</i>	(508)	(365)
<i>Cash receipts from sale of non-current assets</i>	412	856
<i>Net change in financial assets and other non-current receivables</i>	4,739	(4,007)
<i>Change in reserves attributable to minority interests</i>	(712)	774
CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)	(10,853)	(21,371)
FINANCING ACTIVITIES		
<i>Granting of borrowings</i>	49,253	51,870
<i>Repayment of borrowings</i>	(41,022)	(31,416)
<i>Increase (decrease) in other payables to banks</i>	7,071	11,812
<i>Dividends paid</i>	(13,804)	(13,960)
<i>Purchase of treasury shares</i>	(4,187)	(14,431)
<i>Translation of financial statements in foreign currency</i>	(1,968)	2,527
<i>Payment/collection of interest</i>	(5,477)	(3,805)
CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)	(10,134)	2,597
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)	2,371	10,799
CASH AND CASH EQUIVALENTS AT START OF PERIOD (E)	57,804	47,005

FOR A BREAKDOWN OF 'CASH AND CASH EQUIVALENTS', REFERENCE SHOULD BE MADE TO NOTE 13.



EXPLANATORY NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006
(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

A) OVERVIEW

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

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

During the first half of 2006, FINVACCHI S.p.A. transferred 51% of IMA S.p.A. shares 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 IMA S.p.A. shares equal to 16.55% to SO.FI.MA. The transfer is characterized by its neutrality with respect to the control structure of IMA S.p.A.. At 31 December 2006, SO.FI.M.A. S.p.A., owned by Lopam Fin S.p.A., held 67.55% of IMA S.p.A.. During the period, no significant transactions were carried out between I.M.A. S.p.A. and its parent companies.

I.M.A. S.p.A.'s relations with the manufacturing companies in the Group are mainly of a commercial nature, and consist in the buying and selling of the machinery needed to build complete production lines. With those Group companies that carry out commercial activities in specific geographical areas, I.M.A. S.p.A. acts as an intermediary for the sale, distribution and delivery of after-sales assistance for products made by IMA manufacturing divisions.

The same commercial intermediation arrangements exist with other I.M.A. S.p.A. subsidiaries that carry out industrial activities.

In brief, the Parent Company, I.M.A. S.p.A., manufactures packaging and filling machines used in the manufacturing and pharmaceutical industries as well as end-of-line equipment for the pharmaceutical and cosmetics industries. The entire product range is sold and serviced by commercial companies that cover specific geographical areas, and by an extensive network of agents covering other areas.

These financial statements ended 31 December 2006 have been prepared by the Board of Directors on 23 March 2007 to be approved by the Shareholders' meeting of 27 April 2007.

B) GENERAL PREPARATION POLICIES

General principles

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

During 2005, the IMA Group already applied the International Accounting Standards. The consolidated financial statements as of 31 December 2005, which were the first financial statements prepared in accordance with the IAS/IFRS, were subject to full audit and include the reconciliation statements required under IFRS 1 as an appendix, accompanied by the related explanatory notes.

It should be noted that, effective from 1 January 2006, the Parent Company I.M.A. S.p.A. applied the international accounting standards to its annual accounts by using

the options under Legislative Decree no. 38 of 28 February 2005. The reconciliations under IFRS 1 on the effects of transition to IAS/IFRS are provided as an appendix.

Financial statements and formats

The consolidated income statement reflects an analysis of costs by nature, as this classification was considered to be more significant in order to achieve a full understanding of the Group's earnings.

The balance sheet has been classified on the basis of the operating cycle, distinguishing between current and non-current items. With this distinction, assets and liabilities are considered current if it is assumed they have been realized or settled in the Group's normal operating cycle.

Finally, the cash flow statement has been prepared using the indirect method for the determination of cash flows from operating activities. With this method, the profit for the period is adjusted by the effects of the non-monetary transactions and by any deferment or appropriation of preceding or future operating receipts or payments, and by revenue or cost elements connected with cash flows from investment or financing activities.

The data contained in the consolidated financial statements as of 31 December 2006 are expressed in thousands of Euros, except where otherwise indicated.

C) ACCOUNTING POLICIES

The most significant accounting policies are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at purchase or construction cost including directly related charges. Some property, plant and equipment under Land and Buildings have been measured at fair value as of the date of transition to IFRS and this value has been used as deemed cost.

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

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

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

Land is not depreciated because it has an indefinite useful life.

The cost of ordinary maintenance is recognized in full in the income statement. Incremental maintenance costs are attributed to the assets to which they refer and depreciated over their residual useful life or until such time as they require extraordinary maintenance, whichever occurs first.

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

The carrying value of the assets is checked periodically for impairment losses in the manner described in the section on impairment of assets.

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

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

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

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

If the conditions that led to an impairment cease to be fulfilled, the reversal of the value of the asset should not exceed the depreciated historical cost would have been if the impairment had not occurred. These reversals are recognized in the income statement.

International accounting standards prohibit the reversal 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 recognized at cost, which corresponds to the fair value including additional charges. Subsequently, financial assets classified as available-for-sale are measured at fair value and financial receivables are valued at amortized cost.

INVENTORIES

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

CONSTRUCTION CONTRACTS

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

Contract costs are recognized in the year they are incurred.

Contract revenue are recognized on a state-of-completion basis at the reporting date if the outcome of a construction contract can be estimated reliably.

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

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

Contract revenue and costs are recognized in proportion to the stage of completion

of the contract activity using the percentage-of-completion method, applying the “cost-to-cost” method, which sets costs incurred up to the reporting date and total estimated costs required to complete the contract.

Construction contracts are presented on the balance sheet as follows:

- the amount due from customers is shown as an asset in Trade receivables if the costs incurred plus recognized margins (less recognized losses) exceed advances received;
- the amount due to customers is shown as a liability in Advances if the advances received exceed the costs incurred plus recognized margins (less recognized losses).

TRADE RECEIVABLES AND OTHER RECEIVABLES

Receivables falling due within a period considered to be normal commercial practice or which earn interest at market rates are not discounted. Instead, they are stated at original face value, net of any provision for bad debts, which are deducted directly from the value of the receivables to bring them in line with the estimated realizable value. Receivables falling due beyond the period considered normal commercial practice and not earning explicit interest are recognized at amortized cost using the effective interest rate method, net of the related impairment losses. Receivables assigned *pro-soluto* (without recourse) are derecognized from the balance sheet as all risks and rewards connected with these receivables are substantially transferred to the assignee.

CASH AND CASH EQUIVALENTS

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

TREASURY SHARES

In accordance with IAS 32, the cost of the repurchase of treasury shares is deducted from equity.

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

Any consideration paid or received, including expenses directly attributable to the equity transactions, net of any related tax benefits, is recognized directly in equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover present legal or constructive obligations deriving from past events, the amount of which can be reasonably estimated at the end of the period.

If a liability is considered potential only, no provision for risks is recognized, although adequate information is provided in the notes to the financial statements.

EMPLOYEE BENEFITS

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

They fall under the category ‘defined-benefit plans’ applying after the termination of

employment and are valued as required by IAS 19 using the Projected Unit Method and such valuation is to be carried out by an independent actuary.

This calculation defines the benefit that an employee will receive when the employment relationship ends using demographic assumptions (such as the mortality rate and the personnel turnover rate) and financial projections (such as the discount rate and estimated future pay increases).

The amount thus determined is discounted and re-adjusted based on individual seniority over total seniority and constitutes a reasonable estimate of the benefits that each employee has already accrued for services rendered to date.

Actuarial gains and losses arising in relation to changes in the actuarial assumptions are recognized in the income statement.

BORROWINGS

Borrowings are initially recognized at cost which, at the initial date, is the fair value of the consideration received, net of additional charges.

Subsequently, borrowings are valued at amortized cost using the effective interest rate method.

FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

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

c) Exchange rate risk

Exchange rate risk refers to the risk of adverse movements in exchange rates for the Group in the period from when the target exchange rate is agreed; that is, between the moment at which a Group entity commits itself to receive or pay in a foreign currency at a future date and the time when this commitment becomes an order and, finally, an invoiced item.

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

Changes in exchange rates that occur between the date of invoicing and the date of the receipt of 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 sales in foreign currencies, or cash flows from the portfolio of received orders.

d) Interest rate risk

Interest rate risk is the risk of an uncontrolled rise in expenses arising from an increase in floating-rate interest payments on the Group's medium-term borrowings.

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

Hedges are instituted for loans whenever it is thought advisable. The duration of the hedge may not exceed the maturity of the loan itself.

Financial hedging instruments and their accounting treatment

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

Nevertheless, where financial instruments fail to satisfy the conditions for hedge accounting as set out by IAS 39, changes in their fair value are recognized in the income statement as financial expense/income.

Financial instruments are therefore treated under hedge accounting rules when:

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

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

Hedging instruments are measured at their fair value at the reporting date as estimated by independent third parties.

The fair value of derivatives on exchange rates is calculated with reference to their intrinsic and time value. The intrinsic component is recognized in the fair value reserve in equity, while the time component is taken directly to the income statement under financial expense/income. When the hedged underlying becomes manifest, the fair value reserve is derecognized and attributed to the carrying value of the underlying itself.

The fair value of interest rate derivatives is determined by the market value at the reporting date as estimated by independent third parties. The fair value is recognized in the relevant reserve in equity and reversed to income as soon as the underlying financial expense/income manifests itself.

TAXES

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

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

Deferred tax liabilities are calculated by applying the so-called liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined on the tax rate which is expected to apply when the assets is realized or the liability settled.

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

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

REVENUE RECOGNITION

Revenues are recognized to the extent that the economic benefits likely to be obtained and the amount concerned can be determined with reasonable accuracy. Revenues relating to the sale of products are recognized at the moment title passes, which generally coincides with shipping. The only exception is the construction contract, which, as explained above, is calculated on a percentage-of-completion basis.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The balance sheets, income statements and statements of cash flows of Group companies are prepared using the currency of the primary economic environment in which 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 required by IAS 21, the amounts originally expressed in foreign currency are translated into the functional currency and are accounted for as follows:

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognized at historical cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value is determined.

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

Group companies

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

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

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

Below are the exchange rates indicated by the European Central Bank and used to translate the foreign companies' financial statements into Euros:

Currency	2006		2005	
	Final exchange rate	Average exchange rate for the period	Final exchange rate	Average exchange rate for the period
US Dollar	0.75930	0.79643	0.84767	0.80366
Pound sterling	1.48920	1.46686	1.45921	1.45518
Indian rupee	0.01715	0.01757	0.01881	0.01824
Thai Baht	0.02138	0.02101	0.02065	0.01997

SEGMENT INFORMATION

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

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

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

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

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

DIVIDENDS

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

EARNINGS PER SHARE

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

USE OF ESTIMATES

When preparing consolidated financial statements, Directors must use accounting principles and methods which, in some cases, are based on difficult and subjective valuations and estimates, which are based on past experience, and on assumptions that are deemed from time to time as reasonable and realistic on a case-by-case basis.

The application of these estimates and assumptions affects the amounts reported in the financial statements, more precisely in the balance sheet, the income statement and the cash flow statement, and the disclosure made.

Due to the uncertainty inherent in such assumptions and the conditions used for the above-said estimates, the final results of the items for which estimates and assumptions were used may be different from those reported in the financial statements of the individual companies.

Below is a list of the items for which Directors are required to use more subjectivity than for other items in preparing estimates. A change in the conditions underlying the assumptions used may have a significant impact on the Group consolidated financial statements:

- Goodwill;
- Write-down of non-current assets;
- Contract work in progress;
- Development costs;
- Deferred tax assets;
- Provisions for bad debts;
- Employee benefits;
- Provisions for risks and charges.

Estimates and assumptions are regularly revised and the effects of any change are immediately reflected in the income statement.

APPLICATION OF ACCOUNTING STANDARDS

The accounting standards as previously commented and applied to these financial statements substantially comply with those adopted in the preparation of the financial statements as of December 2005. Furthermore, it must be borne in mind that the process of drawing up and endorsing international accounting standards involves the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) in continual reviews of some of the documents. Some of these reviews do not apply to the IMA Group. Below is the table showing the main applicable documents already endorsed by the Community law and the most significant effects:

IFRS / IFRIC Interpretation	Effect on the IMA Group
IAS 1 Amendment: Presentation of financial statements; Capital disclosures: information about the strategy and objectives for managing capital	Mandatory application effective from FY2007
IAS 21 The effects of changes in foreign exchange rates; exchange rate differences from monetary elements in a foreign operation are separately recognized in equity	The Group applied this amendment to these financial statements
IFRS 7 Financial instruments: supplementary information; these disclosures are necessary in order to provide a global representation of the nature of the financial instruments held, as well as of the risks and the impact on the financial statements	Mandatory application effective from FY2007
IFRIC 4 Determining whether an Arrangement contains a lease	The Group expects to make no changes to accounting of the current existing contracts

Furthermore, the Group nevertheless considered the effects of other Standards and Interpretations as approved by the Community law, even if not yet endorsed, such as IFRS 8 on segment reporting replacing IAS 14. The Group does not believe that the same may potentially impact its financial and economic position in a significant manner.

D) CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiaries are companies which the Parent Company has the direct or indirect operational power, in order to achieve benefits from such operation. A company is controlled when the Group holds the majority of voting rights. In defining control, potential voting rights that can be exercised or converted are taken into consideration as well. The financial statements of subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired to the date it ceases.

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

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

Payables and receivables and costs and revenues among the companies included in the consolidation, as the effects of all the transactions of significant relevance among them, have been eliminated.

Specifically, gains that have not been realized yet with third parties deriving from transactions among Group companies have been eliminated. Gains from the valuation of inventories at the reporting date have been included as well.

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

Associated companies

Associates are companies in which the Group has a significant influence but not operational control.

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

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

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 net value of the assets of the investee is included in the value of the equity investment.

Joint ventures

IAS 31 defines joint venture as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and the accounting treatment allowed is the proportional consolidation.

The proportional consolidation involves that the financial statements of the venturer includes its share of each asset, liability, income and expenses in the financial statements of the investee. Companies acquired or sold during the period are consolidated for the period in which joint control was exercised.

E) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2006 include the economic and financial highlights of I.M.A. - Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it has direct or indirect control.

During the financial year 2006 the main changes in the Group structure were as follows:

- on 16 February 2006 the Group acquired 20% of Scriba Nanotecnologie S.r.l.. The acquisition aims at the joint study of high-tech anti-adulteration and tracing of pharmaceutical products. Under the agreement, providing for the commitment to increase the equity investment held by IMA S.p.A. to a further extent of 20%, the investment percentage at 31 December 2006 was equal to 40%;
- on 30 March 2006, the entire share capital of VIMA Impianti S.r.l. was acquired, a company which manufactures machinery for powder handling and tablet depowdering.

The purchase price was 5.9 million euros and payment was made at the moment title to the shares passed. As the majority of the share capital of the company was held by related parties, the economic assessment and the fairness opinion on the transaction were issued by Deloitte Financial Advisory Services S.p.A., which confirmed that the transaction was fair.

The purchase aims to further increase the wide range of processing machinery and exploit the additional possibilities of growth in international markets for VIMA Impianti S.r.l.;

- on 20 June 2006 the deed of dissolution of Luxteco International S.A., based in Luxembourg, was drawn up. The procedure generated a capital loss of 40 thousand euros;
- on 11 July IMA S.p.A. purchased the residual 9.32% of the shares of Packaging Systems Holdings Inc. from the management of the US Group for a consideration of 4.9 million US Dollars, which was paid at the same time as the shares were transferred.

IMA S.p.A. and the management agreed to an early termination of the agreement made between them on 29 September 2004. This agreement provided for the mutual right to purchase/sell the shares held by the management itself. Such right was to be exercised from April 2009 at a price that is commensurated with the results achieved in the industrial sector.

The agreement, which envisages the termination of any relationship with management, including employment, was made by IMA S.p.A. as part of the managerial reorganization process which has affected the entire structure in the awareness that operations of the Nova Group are to be supervised by local resources and IMA through strong production and commercial integration;

- on 18 October 2006, the procedure for liquidation of Holteco B.V. was concluded, generating a capital loss of 40 thousand euros;
- October 2006 saw the establishment of IMA-Telstar North America Inc.. The new company, which is wholly owned by IMA-Telstar S.L. and is based in Delaware, was not yet operational as of 31 December 2006. The company will manufacture freeze-drying systems for the US market, which alone constitutes more than 50% of the world supply of pharmaceutical products and requires its plant suppliers to be increasingly represented on the spot.

The establishment of this company takes its place in the framework of a wider process of reorganization of the Group's business in the US market, involving the transfer of IMA North America Inc. from IMA S.p.A. to Packaging Systems Holdings Inc. and of Swiftpack Ltd. from Nova Packaging Systems Inc. to IMA S.p.A.;

- on 13 November 2006 a new company named IMA Libra S.r.l. was established, which is wholly owned by IMA S.p.A. and has its registered office in Ozzano dell'Emilia (Bologna). On 14 November 2006, the Board of Directors of IMA S.p.A. resolved to contribute the operations in the Aseptic Processing & Filling sector (packaging machines for liquids both in sterile and non-sterile environments) and the equity investment in the Italian-Spanish joint venture IMA-Telstar S.L. (freeze-drying systems) to the newly-established company, effective from 2 January 2007.

The decision to concentrate these operations in the new company is connected with the desire to create greater competitive effectiveness, intensifying the synergies between the businesses, as well as to be in a position to evaluate the growth potential of outside lines;

- on 20 December 2006, IMA S.p.A. executed a contract for the acquisition of 34% of the share capital of Precision Gears Ltd. of which it already held 51%. The company based in Mumbai specializes in the production of blister and cartoning machines for emerging markets. The acquisition of 34% is expected to take place in several tranches before 30 June 2007 at a price calculated on the basis of the average of the results of the last three financial years.

The first 11% tranche was transferred to the Parent Company in December at a price of 1,331 thousand euros, paid at the same time as the transfer of the shares. In relation to the remaining shares, equal to 15% of the share capital, the parties agreed to mutually acknowledge Put & Call rights on the same financial terms as those determined for the purchase and sale of the 34%. The options may be exercised in two tranches, the final one being expected to take place in January 2010.

The total amount of the investment, considering the interest agreed, will be about 7 million euro.

The decision to acquire a further stake in the capital of the Indian company meets the need to enhance the presence in a developing environment, located in one of the areas with one of the highest growth rates in the world.

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

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

	Registered office		Paid-up share capital	Direct investment	Indirect investment
Industrial companies:					
• I.M.A. Industria Macchine Automatiche S.p.A	Ozzano E. (Bologna)	EUR	18,772,000	Parent Company	
• CO.MA.DI.S. S.p.A.	Senago (Milan)	EUR	1,540,000	100%	–
• VIMA Impianti S.r.l.	Porcari (Lucca)	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 (GB)	LST	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)
Commercial companies:					
• IMA UK Ltd.	Wokingham (GB)	LST	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 (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%	–
• IMA North America Inc.	Bristol (USA)	USD	2,500	–	100% (3)
Other companies:					
• Info Area S.r.l.	Ozzano E. (Bologna)	EUR	98,800	100%	–
• IMA Kilian Verwaltungs GmbH	Cologne (Germany)	EUR	25,000	–	100% (2)
Financial companies:					
• Packaging Systems Holdings Inc.	Wilmington (USA)	USD	8,052,500	100%	–

(*) The nominal share capital of Precision Gears Ltd. and IMA Pacific Co. Ltd. amounts to RS 20,000,000 and THB 100,000,000, respectively.

Notes (details of investments):

(1) The investment percentage includes an option equal to 15% of the share capital, substantially representing a form of delay of payment

(2) Owned by IMA Germany GmbH

(3) Owned by Packaging Systems Holdings Inc.

**COMPANIES CONSOLIDATED USING
THE PROPORTIONAL METHOD**

	Registered office		Paid-up share capital	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 (details of investments):

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

**INVESTMENTS ACCOUNTED
FOR USING THE
EQUITY METHOD**

	Registered office		Paid-up share capital	Direct investment	Indirect investment
B.C. S.r.l.	Imola (Bologna)	EUR	36,400	30%	–
LA.CO. S.r.l.	Ozzano E. (Bologna)	EUR	30,000	30%	–
Scriba Nanotecnologie S.r.l.	Bologna (Bologna)	EUR	15,000	40%	– (5)
Consorzio Infoarea	Ozzano E. (Bologna)	EUR	(*50,000)	25%	25% (6)
IMA-Telstar North America Inc.	Wilmington (USA)	USD	500,000	–	50% (7)

Notes (details of investments):

(5) The investment percentage includes an agreement for the acquisition of 20% of the share capital

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

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

(*) Interests in consortium capital

Given the irrelevance of the amounts involved, IMA-Telstar North America Inc., established in 2006, was valued at equity.

**INVESTMENTS CARRIED
AT COST**

	Registered office		Paid-up share capital	Direct investment	Indirect investment
IMA Libra S.r.l.	Ozzano E. (Bologna)	EUR	10,000	100%	–

IMA Libra S.r.l., established in November 2006, was valued at cost as it was not operational as of 31 December 2006 and because the relevant amounts are not material.

F) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported below have been calculated on figures at 31 December 2005 for balance sheet items and on figures for the year 2005 for income statement items.

1. SEGMENT INFORMATION

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

Tea, herbal tea and coffee packaging

Machines for the packaging of tea and herbs in filter bags and the packaging of coffee in pods, and related services. Operations in this segment are mainly carried out by the Parent Company in the tea division.

Pharmaceuticals packaging

Machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, cartoning and end-of-line equipment, and related services.

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

- IMA S.p.A. manufacture machines through the Blister, Win.Pack, Aseptic filling and processing Divisions, machines for cartoning and end-of-line activities;
- Swiftpack Automation Ltd. and Nova Packaging Systems Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry;
- CO.MA.D.I.S. S.p.A. manufactures tube-filling machines for the pharmaceutical, cosmetics, chemicals and food industries;
- Precision Gears Ltd. manufactures blister and cartoning machines, mainly for emerging markets;
- IMA-Telstar S.L. and Telstar Huadong Co. Ltd. manufacture freeze-drying machines for the pharmaceutical industry.

Pharmaceuticals processing

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

- IMA S.p.A. Solid dose division;
- VIMA Impianti S.r.l manufactures machinery for powder handling and tablet depowdering;
- IMA Kilian GmbH & Co. KG manufactures tablet pressing machines for the pharmaceutical and chemicals industries;
- Zibo IMA Xinhua Machinery Manufacturing Co. Ltd. and Zibo IMA Xinhua Pharmatech Co. Ltd. assemble machinery for the pharmaceutical industry.

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

PERFORMANCE BY SECTOR

Information on business sectors for the financial year 2006 is shown below (thousands of euros):

	Tea, herbal tea and coffee packaging	Pharma- ceuticals packaging	Pharma- ceuticals processing	Other	Total
Revenues	73,913	239,704	107,425	4,154	425,196
Segment operating income	24,076	23,551	5,602	219	53,448
Financial income (expenses)					(6,958)
Profit (Loss) from investments accounted for using the equity method	-	-	-	39	39
Result before tax					46,529
Income taxes for the period					(21,669)
Profit (loss) for the period					24,860

Information on business sectors for the financial year 2005 is shown below (thousands of euros):

	Tea, herbal tea and coffee packaging	Pharmaceuticals packaging	Pharmaceuticals processing	Other	Total
Revenues	70,876	219,065	104,484	4,367	398,792
Segment operating income	23,209	12,735	(689)	326	35,581
Financial income (expenses)					(7,543)
Profit (Loss) from investments accounted for using the equity method	-	-	-	(52)	(52)
Result before tax					27,986
Income taxes for the period					(15,011)
Profit (loss) for the period					12,975

The following table gives a breakdown of revenues by business segment, with changes in revenues over the corresponding period of 2005 (thousands of euros):

	2006	2005	Change
Tea, herbal tea and coffee packaging	73,913	70,876	3,037
Pharmaceuticals packaging	239,704	219,065	20,639
Pharmaceuticals processing	107,425	104,484	2,941
Other	4,154	4,367	(213)
Total	425,196	398,792	26,404

The rise in all the Group business sectors is due to the size of the order book at the end of the prior year, and to the significant increase in orders registered in the pharmaceuticals segment in 2006. Revenues did not suffer either from the change in the scope of consolidation that was carried out in 2006 with the acquisition of VIMA Impianti S.r.l., because its revenues had already started being recognized as commissions in 2005, or from a higher average US Dollar exchange rate than that in the hedging transactions carried out.

Revenues in the tea division grew by 4.2% after an excellent performance in 2005, confirming the Group leadership in this market, thanks to an expansion of market share within the European Union and continued robust demand from Central and Eastern Europe.

The increase in revenues from the packaging sector must be attributed to the inclusion of the Telstar Group in the scope of consolidation for about 5 million euros, and to the internal growth for the remaining 15.6 million euros. This rise is attributable to increased sales recorded in all product ranges.

The pharmaceutical processing sector expanded by a further 2.8% increasing its market penetration, particularly in the segment for the processing and handling of pharmaceutical powder. The sector has had two years of strong increase in revenues as a result of the acquisitions policy that has been carried through.

Below are changes in operating income by segment (thousands of euros):

	2006	2005	Change
Tea, herbal tea and coffee packaging	24,076	23,209	867
Pharmaceuticals packaging	23,551	12,735	10,816
Pharmaceuticals processing	5,602	(689)	6,291
Other	219	326	(107)
Total	53,448	35,581	17,867

There is an obvious generalized improvement deriving from common efforts that involves all the areas in the income statement. In this area, all the costs have been finally eliminated that were initially caused by technical problems involving the new models; specific measures were taken to reduce both production costs and the physiological rise in fixed costs. The effects of many of these measures and of others still in progress are still to be felt, but they already constitute a foundation for further improvements in future results. The tea sector especially feels the benefit of a favorable mix. The operating profits in the packaging sector are much higher than in the previous period, also thanks to the measures taken to improve efficiency and reduce product manufacturing and warranty costs. In the packaging sector, only the Nova Group has not yet expressed its full potential; the time necessary for total integration with the IMA Group and the delay, for technical reasons, in the launching of a new technologically revolutionary product, in fact, penalized the sales of traditional products. The operations in progress, however, lead us to forecast strong growth for the Nova Group in 2007. Furthermore, the sector was affected by the increase from the consolidation of the Telstar Group for the entire financial year. In the processing sector, the marked improvement is mainly due to the post-move reorganization of subsidiary IMA Kilian GmbH & Co. KG and its capacity to overcome the pronounced price tensions that had led to a fall in orders. VIMA Impianti S.r.l. has not yet been able to make a positive contribution to the results, but the notable commercial success of its products, demonstrated by the big order book, as well as the planned strengthening of its management, will already bring this company a profit starting from the next financial year.

The tables below provide other income statement information regarding the Group operations for 2006 and 2005 (thousands of euros):

Year 2006	Tea, herbal tea and coffee packaging	Pharmaceuticals Packaging	Pharmaceuticals processing	Other	Total
Amortization, depreciation impairment and write-down	1,599	6,655	3,758	8	12,020
Other non-monetary costs	(94)	3,399	3,041	115	6,461

Year 2005	Tea, herbal tea and coffee packaging	Pharmaceuticals Packaging	Pharmaceuticals processing	Other	Total
Amortization, depreciation impairment and write-down	1,885	5,453	6,258	6	13,602
Other non-monetary costs	1,244	5,398	2,197	23	8,862

The increase in amortization, depreciation, impairment and write-down in the pharmaceutical packaging sector is mainly due to the impairment of the Nova Group's goodwill to adjust it to market values, while the decrease in the pharmaceutical processing sector over 2005 is mainly due to the impairment of the goodwill related to the CGU IMA Kilian in 2005.

The decrease in Other non-monetary costs is mainly due to lower provisions for obsolete stocks, which have been managed more efficiently in recent years. The pharmaceutical processing sector, however, felt the effects of past situations in IMA Kilian GmbH & Co. KG.

Balance sheet information at 31 December 2006 is shown below (thousands of euros):

	Tea, herbal tea and coffee packaging	Pharma- ceuticals packaging	Pharma- ceuticals processing	Other	Not allocated (*)	Total
Assets	43,668	204,429	127,096	1,585	79,021	455,799
Investments valued at equity	–	198	–	1,437	25	1,660
Total assets	43,668	204,627	127,096	3,022	79,046	457,459
Liabilities	23,861	104,908	39,799	465	189,396	358,429
Investments	1,043	10,820	8,811	11	–	20,685

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

Balance sheet information at 31 December 2005 is shown below (thousands of euros):

	Tea, herbal tea and coffee packaging	Pharma- ceuticals packaging	Pharma- ceuticals processing	Other	Not allocated (*)	Total
Assets	53,151	192,047	116,557	2,603	82,749	447,107
Investments valued at equity	–	–	–	988	25	1,013
Total assets	53,151	192,047	116,557	3,591	82,774	448,120
Liabilities	39,730	99,931	41,093	1,241	171,064	353,059
Investments	1,357	10,655	4,033	4	–	16,049

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

REVENUES BY GEOGRAPHIC AREA

Below are revenues of the IMA Group by geographic area (thousands of euros):

	2006	2005	Change
European Union (excluding Italy)	168,293	156,512	11,781
Other European countries	22,471	31,385	(8,914)
North America	105,326	86,250	19,076
Asia & Middle East	53,849	50,277	3,572
Other countries	42,286	35,765	6,521
Total foreign markets	392,225	360,189	32,036
Italy	32,971	38,603	(5,632)
Total	425,196	398,792	26,404

Revenues are broken down based on the geographic area of final customers. Information on changes in the breakdown of revenues by geographic area is given below:

- increased revenues from European Union countries, excluding Italy, is attributable to the good performance of countries like Austria, Belgium and France;
- decreased sales in other European countries reflect the return to usual volumes of countries like Switzerland and Serbia, which had been involved in big, but unrepeatable, projects in 2005;
- the excellent performance of sales in the North America reflects the positioning of the products that the Group offers, substantially without any significant local competition but considered technologically advanced by the main pharmaceutical product market;

- the Asian area presents a very varied picture characterized by a favorable growth rate in the Far East;
- as to revenues from Other countries, there is growth in Africa while South America is substantially steady;
- the fall in Italy is to be attributed solely to the fact that there were fewer projects than in the previous period. This variability from one year to another appears to be recurrent, inasmuch as it is conditioned by pharmaceutical companies' investment projects.

Operations of the IMA Group broken down by geographic area are provided below (thousands of euros):

	31 Dec. 2006	31 Dec. 2005
Italy	291,933	294,961
European Union (excluding Italy)	92,033	87,602
North America	52,248	48,549
Asia & Middle East	21,245	17,008
Total	457,459	448,120

Operations are broken down based on the geographic area where they are located.

Regarding the changes in operations, the following must be noted:

- in Italy the decrease deriving from ordinary activities was partially offset by the increase arising from the consolidation of VIMA Impianti S.r.l. on a line-by-line basis;
- in Asia and Middle East, the increase was mainly attributable to the recognition of the goodwill related to the shares of Precision Gears Ltd. acquired in 2006.

Consolidated investments by geographical area are broken down below (thousands of euros):

	31 Dec. 2006	31 Dec. 2005
Italy	12,421	7,363
European Union (excluding Italy)	3,762	7,564
North America	92	161
Asia & Middle East	4,410	961
Total	20,685	16,049

As to changes in investments, the following must be noted:

- in Italy the increase was substantially due to the recognition of VIMA Impianti S.r.l. goodwill and know how;
- in the European Union (excluding Italy), the reduction mainly depended on the recognition of the Telstar Group's goodwill and know how in 2005;
- in Asia and Middle East, the increase mostly related to the recognition of Precision Gears Ltd. goodwill for the shares acquired in 2006.

REVENUES BY BUSINESS CATEGORY

The IMA Group's revenues are broken down by business category as follows (thousands of euros):

	2006	2005	Change
Machines and formats	237,166	238,425	(1,259)
Construction contracts	95,785	74,690	21,095
Spare parts	55,704	51,608	4,096
Technical assistance	22,214	19,152	3,062
Other Services	14,327	14,917	(590)
Total	425,196	398,792	26,404

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment show a net decrease of 527 thousand euros. Movements in the item break down as follows (thousands of euros):

	Land	Buildings and leasehold improv.	Plant and machinery	Indust. & comm. equip.	Other assets	Assets under construction and advances	Total
Balances at 01 Jan. 2005							
Gross amount	14,374	38,553	41,800	12,439	19,377	1,346	127,889
Accumulated depreciation	(7)	(3,964)	(25,202)	(10,546)	(15,202)	–	(54,921)
Net amount	14,367	34,589	16,598	1,893	4,175	1,346	72,968
Balances at 01 Jan. 2005							
	14,367	34,589	16,598	1,893	4,175	1,346	72,968
Increases for the period	–	1,487	1,364	597	1,158	2,152	6,758
Sales and disposals	–	(95)	(392)	(1)	(42)	–	(530)
Change in scope of consolidation	256	385	200	2	100	13	956
Depreciation	(2)	(1,520)	(3,307)	(785)	(1,832)	–	(7,446)
Reclassifications	–	342	417	160	74	(995)	(2)
Translation differences	29	166	153	29	151	21	549
Balances at 31 Dec. 2005							
	14,650	35,354	15,033	1,895	3,784	2,537	73,253
Balances at 01 Jan. 2006							
Gross amount	14,659	41,102	43,386	13,351	20,683	2,537	135,718
Accumulated depreciation	(9)	(5,748)	(28,353)	(11,456)	(16,899)	–	(62,465)
Net amount	14,650	35,354	15,033	1,895	3,784	2,537	73,253
Balances at 01 Jan. 2006							
	14,650	35,354	15,033	1,895	3,784	2,537	73,253
Increases for the period	2,470	1,094	1,253	637	1,427	740	7,621
Sales and disposals	–	(49)	(114)	(128)	(174)	–	(465)
Change in scope of consolidation	–	–	121	139	87	–	347
Depreciation	(2)	(1,780)	(3,362)	(797)	(1,659)	–	(7,600)
Reclassifications	–	845	863	(30)	–	(1,678)	–
Translation differences	(36)	(138)	(107)	(23)	(102)	(24)	(430)
Balances at 31 Dec. 2006							
	17,082	35,326	13,687	1,693	3,363	1,575	72,726
Gross amount	17,092	42,921	44,753	13,537	21,090	1,575	140,968
Accumulated depreciation	(10)	(7,595)	(31,066)	(11,844)	(17,727)	–	(68,242)
Balances at 31 Dec. 2006							
	17,082	35,326	13,687	1,693	3,363	1,575	72,726

“Land” includes 10,717 thousand euros in respect of property in Ozzano dell’Emilia (Bologna) and Bentivoglio (Bologna) owned by the Parent Company; 3,181 thousand

euros and 2,470 thousand euros refer to lands in Calenzano (Florence) and Terrassa (Spain) under a finance lease, respectively.

Buildings and leasehold improvements mainly regard buildings located in Ozzano dell'Emilia, Bentivoglio, Calenzano, and buildings located in France, the United Kingdom and India, which are owned by the subsidiaries IMA France E.u.r.l., IMA UK Ltd. and Precision Gears Ltd., respectively. During the transition to the international accounting standards, certain property, plant and equipment classified as "land and buildings" have been measured at fair value and, effective from January 1 2004, this value has been used as the so-called 'deemed cost'.

Other assets comprise (thousands of euros):

	31 Dec. 2006	31 Dec. 2005
Electronic office machines	1,309	1,532
Office furniture and fittings	1,152	1,327
Vehicles	713	647
Others	189	278
Total	3,363	3,784

Assets under construction and advances mainly regard urban development works on the land at Via Tolara in Ozzano dell'Emilia, incurred by the Parent Company and capitalised costs for equipment under construction for use in the production process.

The increase of 2,470 million euros in Land relates to the amount reported by the joint venture IMA-Telstar S.L. following the execution of a capital lease contract in 2006 for a building land in Spain.

Of the increase of 740 thousand euros in Assets under construction and advances, 498 thousand euros is attributable to the construction in progress of an industrial building on the part of Telstar Huadong Co. Ltd., which is expected to be completed within April 2007.

The other increases for the period refer mainly to charges for the expansion and modification of existing buildings and plant, the capitalization of equipment for manufacturing operations and the purchase of electronic machinery and motor vehicles.

The change in the scope of consolidation reflects the acquisition of VIMA Impianti S.r.l. as illustrated above.

Reclassifications mainly regard the subsidiary IMA Kilian GmbH & Co. KG for the upgrade of plant and machinery, and the improvements of the new plant under lease in Cologne.

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

	31 Dec. 2006	31 Dec. 2005
Land	5,651	3,181
Buildings	4,373	4,519
Plant and machinery	1,151	1,326
Other assets	211	40
Total	11,386	9,066

These assets mainly relate to the lease contract entered into by Libra P.T. S.r.l., which was merged into I.M.A. S.p.A. with effects from 1 January 2004, for the lease of land and the industrial building that was built on it, as well as to the finance lease contract entered into by the joint venture IMA Telstar S.L. as previously commented.

3. INTANGIBLE ASSETS

Movements in intangible assets for the period break down as follows (thousands of euros):

	Development costs	Industrial patent rights	Software, lic., trade marks & similar	Goodwill	Assets under dev. & advances	Total
Balances at 01 Jan. 2005						
Gross amount	2,600	5,785	12,929	48,491	2,478	72,283
Accumulated amortization	(1,106)	(5,093)	(8,767)	–	–	(14,966)
Net amount	1,494	692	4,162	48,491	2,478	57,317
Balances at 01 Jan. 2005						
	1,494	692	4,162	48,491	2,478	57,317
Increases for period	1,104	668	986	–	1,122	3,880
Acquisition of the Telstar Group	2,023	–	–	3,388	–	5,411
Change in scope of consolidation	–	–	11	–	–	11
Amortization	(520)	(577)	(1,721)	–	–	(2,818)
Value decrease/increase	–	–	(138)	(1,871)	–	(2,009)
Write-downs/Impairment	–	–	–	(3,200)	–	(3,200)
Reclassifications	2,056	309	2	–	(2,365)	2
Translation differences	–	–	8	703	–	711
Balances at 31 Dec. 2005						
	6,157	1,092	3,310	47,511	1,235	59,305
Balances at 01 Jan. 2006						
Gross amount	7,783	6,748	13,816	47,511	1,235	77,093
Accumulated amortization	(1,626)	(5,656)	(10,506)	–	–	(17,788)
Net amount	6,157	1,092	3,310	47,511	1,235	59,305
Balances at 01 Jan. 2006						
	6,157	1,092	3,310	47,511	1,235	59,305
Increases for period	606	1,046	782	–	812	3,246
Acquisition of VIMA S.r.l.	1,505	–	–	4,323	–	5,828
Acquisition of 49% PG Ltd.	–	–	–	3,990	–	3,990
Change in scope of consolidation	996	79	24	–	–	1,099
Amortization	(1,398)	(612)	(1,653)	–	–	(3,663)
Value decrease/increase	–	–	–	1,302	–	1,302
Write-downs/Impairment	–	–	–	(757)	–	(757)
Reclassifications	804	83	–	–	(897)	(10)
Translation differences	–	–	(8)	(461)	–	(469)
Balances at 31 Dec. 2006						
	8,670	1,688	2,455	55,908	1,150	69,871
Gross amount	11,945	7,882	14,532	55,908	1,150	91,417
Accumulated amortization	(3,275)	(6,194)	(12,077)	–	–	(21,546)
Net amount	8,670	1,688	2,455	55,908	1,150	69,871
Balances at 31 Dec. 2006						
	8,670	1,688	2,455	55,908	1,150	69,871

Development costs mainly include the costs incurred by the Parent Company for new products not previously available and targeted at new market segments, which are broken down as follows:

- CA1 machines for packaging filter bags and coffee in pods (1,125 thousand euros);
- Sterifill F200 and F2000 products (648 thousand euros);
- Impresa 130 (317 thousand euros);
- error-control tablet counting machine C300 (1,639 thousand euros);
- coating systems based on Perfima perforated pans (364 thousand euros);
- Vortex high shear mixers for wet granulation with the possibility of Pegasus fluid bed integrated systems (896 thousand euros).

Development costs also include the know-how recognized as a result of the acquisition of the Telstar Group during the previous financial year in the pharmaceutical industry freeze-drying sector and in that of the manufacture of pharmaceuticals deriving from biotechnology, whose estimated useful life is 7 years.

Finally, following the inclusion of VIMA S.r.l. in the scope of consolidation, 2,501 million euros were posted in respect of the know-how for washing and powder handling systems in the pharmaceuticals processing sector; the useful life was estimated in 5 years.

As also indicated in the Report on Operations, R&D costs not eligible for capitalization posted to the income statement for the year were 19,610 thousand euros (18,271 thousand euros in the prior year).

Industrial patents and intellectual property rights include the costs incurred for the acquisition of rights deriving from applications for industrial patents net of related amortization. The increase is mainly due to the costs incurred to protect and extend patents in other countries, as well as the acquisition of two patents, for a total of 315 thousand euros, and the relative equipment for a process of compression of the pharmaceutical material allowing the modified release of the active principle.

Software, licenses, trademarks and similar rights mainly include applications, management and technical software.

Goodwill comprises the following (thousands of euros):

	31 Dec. 2006	31 Dec. 2005
Acquisition of G.S. S.r.l. Coating System division	7,402	7,402
Acquisition of ICO OLEODINAMICI S.p.A. division	3,067	3,067
Acquisition of CO.MA.DI.S. S.p.A.	3,782	3,782
B.F.B. S.p.A	1,788	1,788
IMA Kilian GmbH & Co. KG	14,790	14,790
Nova Group	13,378	13,294
Telstar Group	3,388	3,388
VIMA Impianti S.r.l.	4,323	–
Precision Gears Ltd.	3,990	–
Total	55,908	47,511

The goodwill paid to purchase companies and/or firms and/or divisions is allocated to the Group CGUs which are then tested for impairment. Even if such companies had merged into the acquiring company after the acquisition and had thus lost their legal

status, the Group organization into divisions allows to identify the assets and the cash flows of said CGUs, and to check whether allocated goodwill is recoverable through the impairment test.

In compliance with the procedures in IAS 36, there is no need for impairment, except for the value of goodwill for the CGU Nova Group. The recoverable value of CGU Nova Group was determined based on its value in use. To determine the recoverable value, cash flow projections were used, as contained in the financial plan approved by the top management and covering a five-year time span. The discounting rate applied to the prospective cash flows was 8.50%, corresponding to the weighted average cost of capital calculated according to the financial statements of Nova Group (and higher than the weighted average cost of capital of IMA).

Based on the above, the value in use of the Cash Generating Unit was lower by 757 thousand euros than the value of goodwill; so it was necessary to align the value of goodwill to the value in use of the Cash Generating Unit as shown in the impairment test.

As to the goodwill related to the purchase of VIMA Impianti S.r.l. and Precision Gears Ltd., reference is made to comments in Note 31.

It should be noted that, during July 2006, IMA S.p.A. acquired the residual 9.32% of Packaging Systems Holdings Inc., as commented on in the section “Scope of consolidation”: the amount of 1,302 thousand euros, included under Value decrease/increase, represents the change in the value of goodwill related to the acquisition of the Nova Group connected with the definition of the purchase price.

The translation differences, showing a negative value of 469 thousand euros, refer to the translation of Nova Group goodwill at the year-end spot exchange rate.

Assets under development and advances include 948 thousand euros for the capitalization of development costs incurred by the Parent Company during the years 2005 and 2006.

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Below is a breakdown (thousands of euros):

	%		
	holding	31 Dec. 2006	31 Dec.2005
B.C. S.r.l.	30%	550	510
LA.CO. S.r.l.	30%	477	478
Scriba Nanotecnologie S.r.l.	40%	410	–
IMA-Telstar North America Inc.	50%	198	–
Consorzio Infoarea	50%	25	25
Total		1,660	1,013

As to the equity investments in Scriba Nanotecnologie S.r.l. and IMA-Telstar North America Inc., reference is made to comments in the section “Scope of consolidation”.

The change here also reflects the adjustment of the B.C. S.r.l. equity investment to the corresponding value of shareholders’ equity.

The book value of the investment in LA.CO. S.r.l. and Scriba Nanotecnologie S.r.l. includes 129 thousand euros and 245 thousand euros in goodwill, respectively.

The following table summarizes key financial data at 31 December 2005 of associated companies (thousands of euros):

	Assets	Liabilities	Revenues	Net profit
B.C. S.r.l.	2,971	1,137	3,138	135
LA.CO. S.r.l.	1,943	1,505	2,862	144
Scriba Nanotecnologie S.r.l.	30	17	–	(2)

Finally, in July 2005 a consortium was formed between the Parent Company I.M.A. S.p.A. (25%), Info Area S.r.l. (25%) and a third company (50%) to provide IT services to the consortium's members. The agreement will expire on 31 December 2007 unless the consortium members vote unanimously to extend it or terminate it early. Key financial data of Consorzio Info Area at the end of 2006 are: assets 1,474 thousand euros, liabilities 1,425 thousand euros, revenues 4,073 thousand euros.

Finally, it should be noted that the assets referable to IMA-Telstar North America Inc., a non-operating company at the reporting date, amounted to 181 thousand euros.

5. EQUITY INVESTMENTS IN JOINT VENTURES

In 2005 the Parent Company IMA S.p.A. acquired an investment in the Italian-Spanish joint venture IMA-Telstar S.L.. Below are total amounts at 31 December 2006 of the joint venture and its subsidiary Telstar Huadong Co. Ltd., consolidated using the proportional method (thousands of euros):

	IMA Telstar	Telstar Huadong
<i>Balance sheet:</i>		
Current assets	25,967	3,007
Non-current assets	8,131	1,591
Current liabilities	13,436	3,001
Non-current liabilities	4,872	170
Equity	15,790	1,427
<i>Income statement:</i>		
Revenues	18,390	2,156
Other revenues	94	149
Operating costs	(16,061)	(2,318)
Financial income (expense)	124	16
Income tax	(523)	–
Net result	2,024	3

6. FINANCIAL ASSETS

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

	31 Dec. 2006	31 Dec. 2005
Non-current:		
• Investments in securities	3,011	3,165
• Financial receivables	379	358
• Investments in other companies	71	71
	3,461	3,594
Current:		
• Investments in securities	167	433
• Deposits	–	4,150
• Financial receivables	–	39
	167	4,622
Total	3,628	8,216

Investments in non-current securities mainly include listed bond funds securing non-current borrowings. Their fair value is the official listing value on 29 December 2006. Their annual percentage variation (source: 'Il Sole 24 Ore') was an average +0.14% on December 2006.

Investments in current securities relate to listed bond funds. Their fair value is the official listing value on 29 December 2006. Their annual percentage variation was about -0.05% on December 2006.

Non-current financial receivables relate to the lease contract entered into by the German subsidiary IMA Kilian GmbH & Co. KG for its offices and plants in Cologne.

It should be noted that in 2006 current deposits of 4,150 thousand euros became due, which had been made by IMA-Telstar S.L. with international leading credit institutions in order to use in the best way possible the available liquidity. The yield rate in 2006 was about 2.8% per year.

Movements in the current and non-current financial assets break down as follows (thousands of euros):

	2006	2005
Opening balance	8,216	4,071
Increases	1,367	4,555
Decreases	(6,009)	(516)
Change in scope of consolidation	50	-
Effect of the valuation at fair value on equity	4	106
Closing balance	3,628	8,216
Of which:		
Non-current financial assets available for sale	3,082	3,236
Current financial assets available for sale	167	4,583
Non-current financial receivables	379	358
Current financial receivables	-	39
Total	3,628	8,216

No impairment was recognized on financial assets available for sale in 2005 and 2006.

7. RECEIVABLES FROM OTHERS

These include various guarantee deposits.

8. DERIVATIVE FINANCIAL INSTRUMENTS

This item is composed as follows (in thousands of euros):

	Assets 31 Dec. 2006	Liabilities 31 Dec. 2006	Assets 31 Dec. 2005	Liabilities 31 Dec. 2005
Interest rate swap (non-current) cash flow hedges	165	-	68	-
Exchange rate hedging instruments (current) - cash flow hedges	697	11	-	1,700
Total	862	11	68	1,700

INTEREST RATE DERIVATIVES

The Group has interest rate derivatives (cash flow hedges) to manage the risk of changes in the interest rates applied to borrowings from banks; a part of them is changed from floating to fixed rate with the purchase of an interest rate cap.

At 31 December 2006 the amount of 165 thousand euros is the fair value of two options entered into in 2005 and 2006 with leading credit institutions to hedge interest rate risk; such options are linked to a portion of two medium-term loans maturing in June and October 2011.

FOREIGN EXCHANGE DERIVATIVES

The Group has foreign exchange derivatives to hedge future cash flows (cash flow hedges). The exchange rate risk exposure is managed through forward contracts in foreign currency and options denominated in the currency of sale (US Dollars and yens) of some markets where the Group operates.

At 31 December 2006, the amount of 697 thousand euros in assets and 11 thousand euros in liabilities represent the fair value of the so-called derivative contracts. The notional amount of exchange rate hedging instruments changed from US\$39.4 million at 31 December 2005 to US\$32.1 million at 31 December 2006. The maturity date of all foreign currency derivatives at 31 December 2006 is within 12 months.

**9. DEFERRED TAX ASSETS
AND LIABILITIES**

At 31 December 2006 deferred tax assets mainly regard temporary differences in respect of provisions set aside by the Parent Company, and the elimination of unrealized intra-group profits on sales of finished goods and the tax benefit deriving from loss carry-forward.

At 31 December 2006 deferred tax liabilities mainly relate to temporary differences between the book values of some property, plant and equipment and intangible assets and construction contracts and the values recognized for tax purposes.

The policy for reporting and classifying deferred tax assets and liabilities was changed in the financial statements at 31 December 2006. The comparative data at 31 December 2005 have been re-classified in order to make the reporting policies homogeneous.

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

	31 Dec. 2006	31 Dec. 2005
Deferred tax assets:		
• within 12 months	6,515	6,599
• after 12 months	8,252	9,312
	14,767	15,911
Deferred tax liabilities:		
• within 12 months	(6,680)	(4,602)
• after 12 months	(10,701)	(10,152)
	(17,381)	(14,754)
Net amount	(2,614)	1,157

	31 Dec. 2006	31 Dec. 2005
Net amount at the start of year	1,157	(766)
Exchange difference	(74)	31
Change in scope of consolidation	(533)	(710)
Credited / (Charged) to the income statement	(2,376)	1,643
Credited / (Charged) to equity	(788)	959
Net amount at the end of year	(2,614)	1,157

Below are the main components of deferred tax assets and liabilities and changes during the current year and the prior year (thousands of euros):

	Accrued to provisions	Losses carried forward	Amortisation	Income (losses) from fair value	Finance lease	Others	Total
Balances at 01 Jan. 2005	6,876	762	(8,894)	(556)	(378)	1,424	(766)
Effect on the income statement	1,852	2,022	(1,349)	–	(308)	(574)	1,643
Effect on equity	–	–	–	959	–	–	959
Change in cons. scope	–	–	–	–	–	(710)	(710)
Exchange rate difference	49	17	(27)	–	–	(8)	31
Balances at 31 Dec. 2005	8,777	2,801	(10,270)	403	(686)	132	1,157
Effect on the income statement	(33)	514	(498)	–	(90)	(2,269)	(2,376)
Effect on equity	–	–	–	(788)	–	–	(788)
Change in cons. scope	20	–	(561)	–	–	8	(533)
Exchange rate difference	(44)	(34)	24	–	–	(20)	(74)
Balances at 31 Dec. 2006	8,720	3,281	(11,305)	(385)	(776)	(2,149)	(2,614)

The Others item mainly includes deferred tax liabilities on temporary differences between the book values of construction contracts and the values recognized for tax purposes and deferred tax assets related to the elimination of intra-group profits unrealized on sales of finished good.

At the reporting date, the amount of unused tax losses for which the deferred tax asset is not recognized in the balance sheet is equal to 801 thousand euros (577 thousand of euros at 31 December 2005).

No deferred taxes were allocated on retained earnings of subsidiaries and associates, as they were not significant.

For further information on deferred tax assets and liabilities credited and charged to equity, reference is made to Note 16.

10. INVENTORIES

Below is a breakdown (thousands of euros):

	Gross value	Impair. charges	Net value	Net value at 31 Dec. 2005
Raw, ancillary and consumable materials	20,526	(4,424)	16,102	15,644
Work in progress and semifinished products	118,643	(16,010)	102,633	100,718
Finished goods and goods for resale	5,583	(2,121)	3,462	5,744
Total	144,752	(22,555)	122,197	122,106

At 31 December 2006, inventories attributable to VIMA Impianti S.r.l. amounted to 2,784 thousand euros. Within a comparable scope of consolidation, inventories decreased by 2,693 thousand euros compared with 31 December 2005, even if the order book acquired is of significant size. The decrease is to be attributed to the Group management's careful policy of keeping working capital under close control.

Please note that, during the period, IMA Kilian GmbH & Co. KG made provisions of 1,129 thousand euros for the impairment of work in progress and semifinished goods.

**11. TRADE RECEIVABLES
AND OTHER RECEIVABLES**

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

	31 Dec. 2006	31 Dec. 2005
Trade receivables	101,443	98,788
Advances to suppliers	3,802	5,516
Tax receivables	1,699	1,564
Deferrals	1,331	1,955
Other receivables	2,165	1,063
Total	110,440	108,886

TRADE RECEIVABLES

Trade receivables include customer receivables of 81,255 thousand euros (81,332 thousand euros at 31 December 2005), amounts due on construction contracts of 19,136 thousand euros (15,752 thousand euros at 31 December 2005) and trade receivables from associates of 1,052 thousand euros (1,704 thousand euros at 31 December 2005).

Trade receivables from customers are carried net of the provision for bad debts amounting to 2,488 thousand euros (2,048 thousand euros at 31 December 2005).

The substantial stability of customer receivables compared with 31 December 2005 reflects the Group's careful customer credit management. Customer receivables falling due beyond 12 months amounted to 995 thousand euros (493 thousand euros at 31 December 2005). Payment extensions granted to customers who reside in countries with particular risks are backed by appropriate financial instruments to secure collection.

The period saw the non-recourse assignment of receivables with an overall nominal value of around 9,258 thousand euros. Receivables assigned without recourse that had not yet fallen due at 31 December 2006 amounted to around 9,490 thousand euros, of which 7,865 thousand euros are assigned to factoring companies and 1,625 thousand to other financial institutions.

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

	31 Dec. 2006	31 Dec. 2005
Construction contracts (costs incurred plus recognized margins)	34,272	22,466
Advances received	(15,136)	(6,714)
Due from customers	19,136	15,752

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

	31 Dec. 2006	31 Dec. 2005
Advances received	(6,764)	(5,897)
Construction contracts (costs incurred plus recognized margins)	3,896	4,605
Due to customers	(2,868)	(1,292)

Revenues from construction contracts in 2006, recognized on a percentage-of-completion basis were 95,785 thousand euros (74,690 thousand euros in 2005).

ADVANCES TO SUPPLIERS

At 31 December 2006 these relate to advances given mainly from the Parent Company to suppliers for inventory goods of 2,777 thousand euros (3,559 thousand euros at 31 December 2005) and services of 1,025 thousand euros (1,957 thousand euros at 31 December 2005).

TAX RECEIVABLES

Tax receivables mainly consist of VAT receivables.

**12. INCOME TAX RECEIVABLES
AND PAYABLES**

At 31 December 2006 income tax receivables amounted to 453 thousand euros (827 thousand euros at 31 December 2005) and are mainly made up of advances paid by the Italian and foreign Group companies to their respective tax authorities.

At 31 December 2006 income tax payables amounted to 4,013 thousand euros (2,980 thousand euros at 31 December 2005) and mainly relate to the Parent Company's IRES (Corporate tax) and IRAP (Local tax on production activities) payable.

**13. CASH AND CASH
EQUIVALENTS**

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

	31 Dec. 2006	31 Dec. 2005
Bank current accounts	57,069	55,761
Deposits	2,617	1,722
Cheques and cash	489	321
Total	60,175	57,804

The increase in cash and cash equivalents from 31 December 2005 of 2,371 thousand euros, is mainly due to the unfreezing of the IMA-Telstar S.L. deposits previously included under financial assets. For a better understanding of the performance of this item, reference is made to comments in Note 18 in relation to the composition of net debt.

14. SHARE CAPITAL

The share capital reported in the consolidated financial statements at 31 December 2006 refers to share capital issued (fully subscribed and paid-up) by the Parent Company I.M.A. S.p.A. made up of 36,100,000 ordinary shares with a par value of 0.52 euros each.

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
Balance at 01 Jan. 2005	36,100	18,772	16,382	–
Purchase of treasury shares	(2,287)	–	–	(22,096)
Sale of treasury shares	696	–	–	7,398
Balance at 31 Dec. 2005	34,509	18,772	16,382	(14,698)
Purchase of treasury shares	(384)	–	–	(4,187)
Sale of treasury shares	–	–	–	–
Balance at 31 Dec. 2006	34,125	18,772	16,382	(18,885)

15. TREASURY SHARES

In 2006 the Parent Company carried out the operations involving its equity instruments by acquiring 383,765 treasury shares for 4,187 thousand euros.

In 2005 the Parent Company acquired 2,287,340 treasury shares for 22,096 thousand euros and sold 696,105 treasury shares for 7,665 thousand euros, thus generating a capital gain of 541 thousand euros, net of tax effects.

These transactions were recognized directly in equity in accordance with IAS 32.

The table below shows the number of outstanding shares:

thousands	
Balance at 01 Jan. 2005	36,100
Treasury shares acquired	(2,287)
Treasury shares sold	696
Balance at 31 Dec. 2005	34,509
Treasury shares acquired	(384)
Treasury shares sold	-
Balance at 31 Dec. 2006	34,125

In May 2006, a total dividend of 13,804 thousand euros was paid, equal to 0.40 euros (gross) per each outstanding ordinary share (13,960 thousand euros, equal to 0.40 euros (gross) in May 2005).

In the current year, the Board of Directors of the Parent Company IMA S.p.A. proposed to pay out a dividend of 0.65 euros (gross) per each share. As this dividend is subject to approval of the Shareholders' meeting, it was not recognized as a liability at 31 December 2006.

In pursuance of the resolution adopted by the Shareholders at the Meeting of 27 April 2006, on 30 June 2006 the purchase of treasury shares started and UBM S.p.A. was specifically appointed to stabilize the value of the stock on the market, in compliance with all applicable rules. At 31 December 2006 the shares in the portfolio amounted to no. 1,975,000 for a counter-value of 19,426 thousand euros.

16. FAIR VALUE RESERVE

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

Balance at 01 Jan. 2005	1,094
<i>Available for sale</i>	
Valuation at fair value	106
Fair value - tax effect	(35)
Realization recognized in income	(18)
Realization recognized in income - tax effect	6
<i>Cash flow hedges / hedging instruments</i>	
Valuation at fair value	(1,521)
Fair value - tax effect	509
Realization recognized in income	(1,559)
Realization recognized in income - tax effect	479
Balance at 31 Dec. 2005	(939)
<i>Available for sale</i>	
Valuation at fair value	2
Fair value - tax effect	(1)
Realization recognized in income	2
<i>Cash flow hedges / hedging instruments</i>	
Valuation at fair value	973
Fair value - tax effect	(310)
Realization recognized in income	1,565
Realization recognized in income - tax effect	(477)
Balance at 31 Dec. 2006	815

At 31 December 2006 the fair value reserve, gross of tax effects, related to the intrinsic fair value of forward foreign exchange sales, options and advance payments on export transactions (882 thousand euros), interest rate swaps (159 thousand euros) and securities available for sale (159 thousand euros). At the reporting date, the amount of the fair value reserve, net of tax effects, amounted to 815 thousand euros (1,200 thousand euros net of tax effects of 385 thousand euros).

17. OTHER RESERVES

This item includes retained earnings essentially made up of the legal reserve, the extraordinary reserve and the merger surplus of the Parent Company.

18. BORROWINGS

These include payables to banks of 159,331 thousand euros (146,067 thousand euros at 31 December 2005) and payables to other lenders of 8,671 thousand euros (6,792 thousand euros at 31 December 2005).

PAYABLES TO BANKS

Payables to banks are composed as follows (in thousands of euros):

	31 Dec. 2006	31 Dec. 2005
Non-current:		
Applied research and technology innovation loans	19,112	18,889
Other	65,905	60,352
	85,017	79,241
Current:		
Current accounts	2,029	6,973
Advances on export transactions	49,672	39,892
Advances on export transactions to be carried out	125	–
Applied research and technology innovation loans	5,028	3,357
Other	17,460	16,604
	74,314	66,826
Total	159,331	146,067

The increase in the exposure to banks compared with 31 December 2005 was mainly due to the acquisition of VIMA Impianti S.r.l. and of the further shares in Packaging Systems Holdings Inc. and Precision Gears Ltd., and the purchase of treasury shares.

Applied research and technological innovation loans

Over the period, maturing installments were paid regularly in the overall amount of 3,278 thousand euros, as well as a new lending of 5,046 thousand euros.

Other

The main changes in this item regard ordinary repayments amounting to 37,566 thousand euros and new loans to the Parent Company of 39,100 thousand euros for the acquisition of VIMA Impianti S.r.l., Packaging Systems Holdings Inc., Precision Gears Ltd. and to the purchase of treasury shares. The abovementioned changes also include the short-term restructuring of current loans for about 19,750 thousand euros. Finally, a loan of 5,000 thousand euros, falling due in 2011, was granted to the subsidiary IMA Kilian GmbH & Co. KG.

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

	31 Dec. 2006	31 Dec. 2005
Due within 1 year	74,314	66,826
Due from 1 to 5 years	82,706	73,750
Due after more than 5 years	2,311	5,491
Total	159,331	146,067

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

	31 Dec. 2006	31 Dec. 2005
Euro	105,613	96,166
US Dollar	1,746	2,805
Indian Rupee	39	231
Chinese Yuan	107	–
Total	107,505	99,202

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

	31 Dec. 2006	31 Dec. 2005
Bank guarantees	5,635	7,219
Bank guarantees to the Parent Company IMA S.p.A.	5,165	5,165
Other guarantees given from the Parent Company IMA S.p.A.	2,191	3,545
Bank guarantees to the subsidiary FIN-VACCHI S.p.A.	803	1,086
Pledged securities	2,996	3,150
Total	16,790	20,165

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

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

The non-compliance with such covenants would constitute a material effect for the purposes of cancellation of the related loans. At 31 December 2006, all covenants had been complied with.

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

At 31 December 2006 the IMA Group had unused credit facilities of some 113 million euros (some 81 million euros at 31 December 2005).

PAYABLES TO OTHER LENDERS

This item is composed of the following (thousands of euros):

	31 Dec. 2006	31 Dec. 2005
Non-current:		
• Payables to leasing companies	6,958	5,562
• Other	96	8
	7,054	5,570
Current:		
• Payables to leasing companies	1,049	951
• Payables to factoring companies	–	260
• Other	568	11
	1,617	1,222
Total	8,671	6,792

Below is the reconciliation between total minimum future payments of finance leases at the reporting date and their present value (thousands of euros):

	Due within 1 year	Due from 1 to 5 years	Due after more than 5 years	Total
Year 2005:				
Minimum payments of finance leases	1,151	4,558	1,511	7,220
Less future financial charges	(200)	(478)	(29)	(707)
Present value of finance lease payables	951	4,080	1,482	6,513
Year 2006:				
Minimum payments of finance leases	1,319	6,052	1,733	9,104
Less future financial charges	(270)	(653)	(174)	(1,097)
Present value of finance lease payables	1,049	5,399	1,559	8,007

At 31 December 2006 this item mainly includes finance lease payables relating to the Calenzano plant for 5,389 thousand euros (6,485 thousand euros at 31 December 2005) and to the land located in Terrassa (Spain) for 2,470 thousand euros, as noted in Note 2 above.

NET DEBT

Net debt at 31 December 2006 amounted to 104,199 thousand euros and breaks down as follows:

	31 Dec. 2006	31 Dec. 2005
A. Cash and cash equivalents	(60,175)	(57,804)
B. Other cash equivalents	–	(4,150)
C. Investments in securities	(167)	(433)
D. Liquidity (A)+(B)+(C)	(60,342)	(62,387)
E. Current financial receivables	–	(39)
F. Current payables to banks	52,161	46,865
G. Current portion of non-current bank debt	22,153	19,961
H. Other current financial payables	1,617	1,222
I. Current financial debt (F)+(G)+(H)	75,931	68,048
J. Net current financial debt (D)+(E)+(I)	15,589	5,622
K. Non-current portion of non-current bank debt	85,017	79,241
L. Non-current financial assets	(3,461)	(3,594)
M. Other non-current financial payables	7,054	5,570
N. Non-current financial debt (K)+(L)+(M)	88,610	81,217
O. Net financial debt (J)+(N)	104,199	86,839

For information on the breakdown of the items in the net debt, reference is made to Notes 6 and 13.

With reference to 31 December 2005, the change in the debt is mainly attributable to the following factors:

- 4,187 thousand euros are attributable to the purchase of treasury shares;
- about 18,660 thousand euros are attributable to the acquisition of investments in VIMA Impianti S.r.l., Packaging Systems Holdings Inc., Precision Gears Ltd. and Scriba Nanotecnologie S.r.l.

In the first half of 2006, IMA-Telstar S.L. contracted a finance lease debt, equal to 2,470 thousand euros, that, in addition to the consequences of the transactions described above on borrowing, brought this negative figure to about 25,317 thousand euros at 31 December 2006, against a negative effective change equal to 17,360 thousand euros.

19. SEVERANCE AND PENSION PROVISIONS

This item includes post-employment benefits valued on the basis of the actuarial assessment of the Projected Unit Method made by independent actuaries based on IAS 19 and it mainly comprises severance indemnity provisions by the Italian companies.

The charge for the period was accounted for under personnel costs.

The main demographic assumptions adopted by the actuary were:

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

Furthermore, the following economic-financial assumptions were adopted for the Italian companies:

	31 Dec.2006	31 Dec.2005
Annual discount rate	4.50%	4.25%
Annual inflation rate	2.0%	2.0%
Annual rate of increase in total compensation	3.5%	3.5%
Annual rate of increase in severance indemnity	3.0%	3.0%

Movements in the provisions in the period were as follows (thousands of euros):

Balance at 01 Jan. 2005	24,164
Costs in respect of employment services during the period	2,431
Financial charges	1,038
Net actuarial losses (gains) recognized during the period	469
Severance payments made during period	(2,791)
Balance at 31 Dec. 2005	25,311
Costs in respect of employment services during the period	2,415
Financial charges	1,079
Net actuarial losses (gains) recognized during the period	(310)
Change in scope of consolidation	296
Severance payments made during period	(3,552)
Other changes	287
Balance at 31 Dec. 2006	25,526

Effective from 1 January 2007, some substantial changes were made to Italian severance indemnity law, among which workers' right to choose the allocation of the severance indemnity accruing. In detail, workers may direct the new severance indemnity flows to selected pension schemes or keep them in their company; in the latter case, the company is to pay the severance indemnity contributions into a centralized INPS treasury account. The state of uncertainty surrounding the interpretation of the new rules, the possible different interpretations of the description of the severance indemnity accruing according to IAS 19 and the consequent changes to the actuarial calculation of the severance indemnity that has already accrued, as well as the impossibility of forecasting how workers will choose to allocate the severance indemnity accruing, all mean that it is premature to consider any change in the actuarial assumptions regarding the calculation of the severance indemnity accrued at 31 December 2006.

20. PROVISIONS FOR RISKS AND CHARGES

These provisions break down as follows (thousands of euros):

	Balance at 31 Dec. 2005	Alloca- tions	Uses	Translation differences	Balance at 31 Dec. 2006
Non-current:					
Agency termination indemnities	1,043	–	–	3	1,046
Legal disputes	30	103	–	–	133
Other provisions	–	22	–	(1)	21
	1,073	125	–	2	1,200
Current:					
Product guarantee provision	4,399	716	(103)	(20)	4,992
Other provisions for risks	525	520	(525)	(1)	519
	4,924	1,236	(628)	(21)	5,511
Total	5,997	1,361	(628)	(19)	6,711

The product guarantee provision is established on the basis of estimated expenses for interventions under guarantee after 31 December 2006 for machines sold previous to

that date. Other risk provisions include provisions reported by the Parent Company to meet the forecast liabilities emerging from the process of reorganization of the corporate structure, which will mainly involve managerial positions. Discussion regarding an agreed arrangement with the Italian Revenue Agency, Local Head Office of the Emilia Romagna region, started after a direct and indirect tax inspection of the Parent Company had taken place for the taxable period 2003, and the document concerned was finalized in December 2006. The provision for taxes, equal to 500 thousand euros, appropriated during the previous financial year was entirely used to meet charges on assessed income.

**21. TRADE PAYABLES
AND OTHER PAYABLES**

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

	31 Dec. 2006	31 Dec. 2005
Trade payables	77,598	86,443
Advances from customers	29,153	34,458
Social security payables	4,001	4,135
Tax payables	4,230	3,497
Employee payables	14,099	13,382
Payables in respect of acquisitions	4,760	5,559
Other	2,944	1,984
Total	136,785	149,458

TRADE PAYABLES

These include trade payables to suppliers of 70,822 thousand euros (78,019 thousand euros at 31 December 2005), agent payables of 4,941 thousand euros (5,530 thousand euros at 31 December 2005) and trade payables to associates of 1,835 thousand euros (2,894 thousand euros at 31 December 2005).

The decrease in payables to suppliers compared with the previous year is mainly connected with a different time horizon of purchases, as well as with lower costs of procuring manufacturing components, by resorting to foreign production channels.

ADVANCES FROM CUSTOMERS

The decrease in advances from customers compared with 31 December 2005 is related to the fact that the orders in the last quarter were taken nearly at the end of the period, so that advances could not be collected before reporting date.

TAX PAYABLES

Tax payables refer mostly to withholding taxes for employees.

PAYABLES IN RESPECT OF ACQUISITIONS

This item includes the residual debt from the acquisition of further 34% of Precision Gears Ltd. for 2,760 thousand euros falling due in the first half of 2007. This item also includes 1,800 thousand euros related to the estimated debt for the acquisition of the remaining shares, equal to 15% of the share capital of the Indian company, for which the Parent Company and the minority interests agreed to mutually acknowledge Put & Call rights on the same financial terms as those entered into for the purchase and sale of the 34%. The options may be exercised in two tranches, the final one being expected to take place in January 2010.

Furthermore, this item includes 200 thousand euros expiring in 2007 and related to the further 20% increase of the equity investment held by IMA S.p.A. in Scriba Nanotecnologie S.r.l., as commented on in the section “Scope of consolidation”.

In 2006 the amount of 3 million US Dollars was paid in relation to the acquisition of Packaging Systems Holdings Inc., as envisaged in the contract. Furthermore, on 11 July 2006, the Parent Company IMA S.p.A. acquired the residual 9.32% of shares for a consideration of 4.9 million US Dollars following the early termination of the contract, as commented on in the section “Scope of consolidation”.

22. OTHER REVENUES

This item is composed of the following (thousands of euros):

	2006	2005	Change
Capital gains on disposal of property, plant and equipment	200	466	(266)
Contingent assets	1,388	893	495
Capitalization of internal construction costs	1,659	4,298	(2,639)
Other revenues and proceeds	3,605	1,706	1,899
Total	6,852	7,363	(511)

Capitalization of internal construction costs refer to internally-generated works mainly attributable to the Parent Company IMA S.p.A.. In 2006 they amounted to 1,227 thousand euros of development costs (2,256 thousand euros in 2005) and to 432 thousand euros for machinery and equipment (2,042 thousand euros in 2005, of which 1,661 thousand euros were recognized by the subsidiary IMA Kilian GmbH & Co. KG for machines intended for permanent use for demonstration purposes and for the conduct of technical trials), respectively.

Finally, it should be noted that the item Other revenues and proceeds included 3,026 thousand euros for re-charging various costs concerning the management by IMA S.p.A. and Info Area S.r.l. of IT systems for Consorzio Infoarea within the context of the relationships existing between the consortium members as commented on in Notes 4 and 34.

23. SERVICES, RENTALS AND LEASES

This item is composed of the following (thousands of euros):

	2006	2005	Change
External works and assembling	19,209	17,819	1,390
Maintenance and repair	3,262	3,040	222
Energy, telephone, gas, water and postal charges	6,272	6,115	157
Fees due	8,171	7,376	795
Technical, legal, tax and administrative consulting services	17,638	15,861	1,777
Advertising and promotions	1,813	1,747	66
Exhibitions	2,787	2,060	727
Travels and insurance	9,424	9,859	(435)
Transport	6,071	5,843	228
Bank charges	684	929	(245)
Rent expense and operating leasing fees	4,528	4,209	319
Rental fees	1,234	1,584	(350)
Other services	8,497	7,908	589
Total	89,590	84,350	5,240

24. PERSONNEL COSTS

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

	2006	2005	Change
Wages and salaries	93,410	89,185	4,225
Social security contributions	24,065	22,785	1,280
Remuneration of directors	1,724	1,087	637
Pensions - defined-benefit plans	3,770	4,540	(770)
Pensions - defined-contribution plans	1,041	1,188	(147)
Other personnel costs	8,600	7,632	968
Total	132,610	126,417	6,193

It should be noted that the figure for 31 December 2006 included 2,091 thousand euros in personnel costs attributable to VIMA Impianti S.r.l. not included in the scope of consolidation in the previous year.

Furthermore, in 2006 the Telstar Group contributed 1,870 thousand euros to personnel costs, while during the previous year the contribution was only limited to the second half for an amount of 693 thousand euros.

During 2006 the IMA Group employed on average 2,691 people as follows:

	2006	2005	Change
Management	65	65	-
Office workers	1,780	1,796	(16)
Production workers	846	825	21
Total	2,691	2,686	5

In 2006 VIMA Impianti S.r.l. employed 43 people.

It is also pointed out that in 2006 IMA-Telstar S.L. and Telstar Huadong Co. Ltd., which were consolidated on a proportional basis, employed 79 people.

25. DEPRECIATION AND AMORTISATION EXPENSE

This item is composed of the following (thousands of euros):

	2006	2005	Change
Depreciation	7,600	7,446	154
Amortization	3,663	2,818	845
Write-downs / Impairment	757	3,200	(2,443)
Value decrease / increase in intangible assets	-	138	(138)
Provision for bad debts	944	56	888
Total	12,964	13,658	(694)

26. OTHER OPERATING COSTS

Other operating costs are composed of the following (thousands of euros):

	2006	2005	Change
Capital losses on disposal of property, plant and equipment	253	143	110
Local property tax and other taxes	873	805	68
Contingent liabilities	748	535	213
Membership fees	232	243	(11)
Penalties and charges on sales	43	140	(97)
Sundry promotional material	198	179	19
Other operating costs	620	632	(12)
Total	2,967	2,677	290

27. FINANCIAL INCOME

This item is composed as follows (in thousands of euros):

	2006	2005	Change
Interest income from banks	1,206	1,025	181
Interest income from customers	141	120	21
Interest income on investments available for sale and other interest	158	93	65
Income from derivatives	103	1,372	(1,269)
Exchange rate gains	4,746	5,501	(755)
Total	6,354	8,111	(1,757)

28. FINANCIAL EXPENSE

This item is composed as follows (in thousands of euros):

	2006	2005	Change
Interest expense on bank payables	6,804	5,115	1,689
Interest expense on discounting	180	206	(26)
Interest expense on finance leases	293	228	65
Expense on bank guarantees	236	256	(20)
Expense on derivatives	624	1,767	(1,143)
Other interest and financial expense	255	300	(45)
Exchange rate losses	4,920	7,782	(2,862)
Total	13,312	15,654	(2,342)

The increase in interest expense on payables to banks reflects both the higher cost of money (particularly on the US dollar exposure) in 2006 and increased average debt compared with the previous year.

At 31 December 2006, exchange rate gains and losses included an unrealized gain of 910 thousand euros and an unrealized loss of 1,006 thousand euros (1,490 thousand euros and 2,517 thousand euros over the previous year), respectively.

**29. INCOME TAXES
FOR THE PERIOD**

The theoretical tax rate used to determine the income taxes of Italian companies is 33% of the taxable income for the year. Income taxes of the foreign companies are calculated using the tax rates applied in each country.

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

	2006	2005	Change
Current taxes	19,293	16,654	2,639
Net deferred tax assets and liabilities	2,376	(1,643)	4,019
Total	21,669	15,011	6,658

It should be noted that at 31 December 2006, current taxes included 305 thousand euros related to the agreement by the Parent Company of the arrangement with the Italian Revenue Agency, Local Head Office of the Emilia Romagna region, started after a direct and indirect tax inspection had taken place for the taxable period 2003.

Below is the numerical reconciliation between fiscal charges and the product of the book profit multiplied by the applicable tax rate (thousands of euros):

	2006	2005
Result before tax	46,529	27,986
Taxes determined on the tax rate applicable in each single country	16,260	9,610
Non-taxable income	(1,727)	(921)
Tax effect of non-deductible costs	1,285	1,076
Tax effect of use of tax losses which previously had not been recognized	(56)	(65)
IRAP (Local tax on production activities)	5,562	4,925
Prior years' taxes	335	895
Others	10	(509)
Total	21,669	15,011

The decrease in the incidence of income taxes on the result before tax compared with the prior year is mainly due to the lower impact of IRAP tax and to the different distribution to the Group Companies included in the scope of consolidation.

At 31 December 2006, net deferred taxes for 788 thousands euros (net deferred tax assets of 959 thousand euros and current taxes of 267 thousands euros at 31 December 2005) were directly posted to equity.

30. EARNINGS PER SHARE

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

	2006	2005
Group's net income for the year (thousands of euros)	24,838	12,460
Average number of outstanding ordinary shares (thousands of shares)	34,373	35,094
Earnings per share (in euros)	0.72	0.36

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

31. BUSINESS COMBINATIONS

On 30 March 2006 the entire share capital of VIMA Impianti S.r.l. was purchased, a company which manufactures machinery for powder handling and tablet depowdering, as reported above in the section "Scope of Consolidation".

Key data of assets and liabilities at 31 December 2005, assessment date for the purchased company, are (millions of euros):

	Book value	Fair value
Property, plant and equipment	347	347
Know-how	996	2,501
Tax effect of the recognition of the know how	-	(561)
Inventories	2,093	2,093
Payables to banks	(2,570)	(2,570)
Other assets/liabilities	4	4
Total	870	1,814
Book value of investment		6,137
Goodwill		4,323

On 20 December 2006, IMA S.p.A. executed a contract for the acquisition of 34% of the share capital of Precision Gears Ltd. of which it already held 51%. The acquisition

of 34% is expected to take place in several tranches before 30 June 2007 at a price calculated on the basis of the average of the results of the last three financial years. The first 11% of the share capital was transferred to the Parent Company in December at a price of 1,331 thousand euros, paid at the same time as the transfer of the shares.

In relation to the remaining shares, equal to 15% of the share capital, the parties agreed to mutually acknowledge Put & Call rights on the same financial terms as those determined for the purchase and sale of the 34%. This agreement actually represents a deferred component of the purchase price of 100% of shares; therefore, the value of the exercise price has been accounted for as a payable to minority interests against an increase in the goodwill value. The options may be exercised in two tranches, the final one being expected to take place in January 2010.

The goodwill, equal to the positive difference between the purchase cost of 49% of the company and the fair value of assets and liabilities acquired, amounted to 3,990 thousand euros.

32. GUARANTEES GRANTED

At 31 December 2006, the Group had granted sureties to customers in the amount of 8,071 thousand euros for the proper operation of machinery, bid bonds and advances not yet received, sureties in favor of the municipality of Ozzano dell'Emilia (Bologna) totaling 699 thousand euros to secure performance of contracts and sureties to others amounting to 621 thousand euros, mainly to secure leases, sundry utilities and customs duties.

Sureties granted against advances received amounted to about 23,826 thousand euros (23,552 thousand euros at 31 December 2005).

33. COMMITMENTS

At 31 December 2006 commitments to purchase property, plant and equipment came to 22 thousand euros, mainly in respect of machinery.

The Group has commitments of 1,626 thousand euros (1,899 thousand euros at 31 December 2005) of future minimum payments for non-cancelable operating lease transactions for software and motor vehicles (710 thousand euros is due within one year and 916 thousand euros is due from one to five years), commitments for rents of 28,404 thousand euros (30,059 thousand euros at 31 December 2005), 3,692 thousand euros is due within one year, 21,466 thousand euros is due from one to five years and 3,246 thousand euros is due after more than five years. Fees paid during the year for operating lease contracts and rentals were 4,528 thousand euros (4,209 thousand euros in the prior year).

34. RELATED-PARTY TRANSACTIONS

At 31 December 2006 the Group holding company was I.M.A. Industria Macchine Automatiche S.p.A., 67.55% owned by SO.FI.MA. S.p.A., in turn a subsidiary of Lopam Fin S.p.A.. During the year, no significant transactions were carried out between I.M.A. S.p.A. and its parent companies.

As described earlier, intra-group transactions are related to the organizational structure of the Group itself. Such transactions are carried out as part of ordinary operations on an arm's length basis.

In addition to intra-group transactions, the Group also conducts operations with other related parties, mainly persons controlling the Parent Company, or persons responsible for the administration and management of IMA S.p.A. or entities controlled by such persons.

The Board of Directors has subjected the functions connected with related-party transactions, including intra-group transactions, to the prior approval of the Board of Directors in a collective session, except for typical or usual transactions to be concluded on standard conditions.

These transactions are mainly real estate operations (leased premises used by the Parent Company or the Group) or commercial and/or supplementary production agreements.

None is of special economic or strategic interest to the Group as receivables, payables, revenues and costs towards related parties do not have a significant percentage impact on the total amounts in the accounts. Transactions are conducted on an arm's length basis.

The following notes describe and explain the reasons, including economic reasons, for the main commercial and/or supplementary production relationships with related parties.

The following table details the main transactions carried out with related parties, primarily the directors of the Parent Company (thousands of euros):

	Receivables at 31 Dec. 2006	Receivables at 31 Dec. 2005	Payables at 31 Dec. 2006	Payables at 31 Dec. 2005
Datasensor S.p.A.	–	–	81	61
Lopam S.r.l.	–	–	27	25
Naturapack S.r.l.	597	748	–	–
Poggi Luca	5	22	91	174
Viaggi Nuova Era S.r.l.	–	–	1,338	1,211
Total	602	770	1,537	1,471

	Revenues 2006	Revenues 2005	Costs 2006	Costs 2005
Advantech S.r.l.	n.a.	16	n.a.	1.031
Datasensor S.p.A.	–	–	227	135
Italbe S.r.l.	–	–	147	145
Lopam S.r.l.	–	–	307	302
Morosina S.p.A.	–	–	150	–
Naturapack S.r.l.	1,121	1,350	207	762
Poggi Luca	10	21	254	247
Sporting Club Gira S.r.l.	–	–	280	254
Viaggi Nuova Era S.r.l.	–	–	3,387	3,151
Total	1,131	1,387	4,959	6,027

The main transactions carried out with related parties reported above are mainly attributable to the Parent Company.

Naturapack S.r.l. is a company performing set-up and repair of used tea packaging machines. I.M.A. S.p.A. sells – or arranges for its customers to sell - used tea packaging machinery to Naturapack S.r.l., which refurbishes the equipment and, as part of an exclusive agency agreement with I.M.A. S.p.A. and the Group, sells it to the market.

Viaggi Nuova Era S.r.l., a travel agency owned by Lopam Fin S.p.A., provides services to Group companies at market prices.

Transactions with Italbe S.r.l. and Lopam S.r.l. essentially relate to rent expense.

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

	Receivables at 31 Dec. 2006	Receivables at 31 Dec. 2005	Payables at 31 Dec. 2006	Payables at 31 Dec. 2005
B.C. S.r.l.	–	–	402	604
LA.CO. S.r.l.	55	23	688	783
Consorzio Infoarea	997	1,697	745	1,507
Total	1,052	1,720	1,835	2,894

	Revenues 2006	Revenues 2005	Costs 2006	Costs 2005
B.C. S.r.l.	–	–	2,422	2,640
LA.CO. S.r.l.	17	–	1,104	1,564
Consorzio Infoarea	3,026	1,414	2,779	1,256
Total	3,043	1,414	6,305	5,460

B.C. S.r.l. manufactures machine parts for Group and external companies, LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools, and Consorzio Infoarea provides IT services to consortium members. Receivables and payables reported above are of commercial origin.

Finally, we report the overall values of the main transactions of IMA-Telstar S.L., a company consolidated on a proportional basis, with the other companies in the IMA Group: receivables of 815 thousand euros, payables of 639 thousand euros, revenues of 1,070 thousand euros and costs of 128 thousand euros.

In 2005 the joint venture, which was consolidated limited to the second half, showed costs of 50 thousand euros and payables of 96 thousand euros to the companies in the IMA Group.

Below is the table reporting the fees paid by the Parent Company and by other Group companies to the executives with strategic responsibilities for any reason and in any form (thousand of euros):

Short-term benefits	Post-employment benefits	Office fees	Total
2,414	142	791	3,347

It should be noted that the executives with strategic responsibilities include three members of the Board of Directors. Fees paid during the year to directors, statutory auditors and general managers are shown by name in the section dealing with the CONSOB resolution no. 11971 of 14 May 1999.

35. ATYPICAL AND/OR UNUSUAL AND/OR NON-RECURRING TRANSACTIONS

No significant atypical and/or unusual and/or non-recurring transactions are reported.

36. POST-BALANCE SHEET EVENTS

Below is a description of the main events subsequent to the year-end:

- effective from 2 January 2007, the contribution by the Parent Company IMA S.p.A. of operations in the Aseptic Processing & Filling sector (packaging machines for liquids both in sterile and non-sterile environments) and of the equity investment in the Italian-Spanish joint-venture IMA-Telstar S.L. (freeze-drying systems) to the newly-established IMA Libra S.r.l. was accounted for. On the date of contribution, the shareholders' equity of IMA Libra S.r.l. amounted to about 10 million euros;
- in February and March 2007, no. 66,235 treasury shares were purchased, as per the plan commented on in Note 15; therefore, at 6 March 2007, as per the notice given to the public on 14 March 2007, treasury shares were held which represented 5.654% of the share capital;
- on 28 February 2007, the merger process by incorporation of Zibo IMA Xinhua Machinery Co. Ltd. into Zibo IMA Xinhua Pharmatech Co. Ltd. was completed

G) DISCLOSURE REQUIRED UNDER CONSOB RESOLUTION NO. 11971 OF 14 MAY 1999

In compliance with the express requirements of this resolution, below are details of fees paid for any reason and in any form by the Parent Company and other Group companies to Directors, Statutory Auditors and General Managers.

TABLE OF FEES PAID TO DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS

(THOUSANDS OF EUROS)

PERSON		DESCRIPTION OF OFFICE			FEES			
Nome and surname	Company	Office	Term of office	Office fees	Non-monetary benefits	Bonuses and other incentives	Other fees	
							reason	amount
Marco Vacchi	IMA S.p.A.	Chairman	Entire year	283.30	7.00	101.60		
	I.M.A. Est GmbH	Chairman	Entire year	4.00				
	IMA Germany GmbH	Chairman	Entire year	3.00				
	IMA France Eurl	Chairman	Entire year	4.00				
	IMA N. A. Inc.	Chairman	Entire year	4.70				
	IMA U.K. Ltd.	Chairman	Entire year	3.50				
	IMA Iberica SL	Chairman	Entire year	2.25				
Alberto Vacchi	IMA S.p.A.	Managing Director	Entire year	183.30	11.40	213.00	Salary	209.11
		General Manager	Entire year					
Gino Benedetti	IMA S.p.A.	Member of the Board	Entire year	20.00				
Andrea Malagoli	IMA S.p.A.	Member of the Board	Entire year	93.30		121.60		
	CO.MA.D.I.S. S.p.A.	Head of AFC Managing Director	Entire year	3.10	8.77		Salary	201.82
Italo G. Minguzzi	IMA S.p.A.	Member of the Board and Secretary Chairman of the Internal Control Committee and Compensation Committee	Entire year	54.00				
	IMA S.p.A.		Entire year	15.00				
Luca Poggi	IMA S.p.A.	Member of the Board	Entire year	20.00			Consulting services	260.00
	Info Area S.r.l.						Consulting services	30.00
Maria Carla Schiavina	IMA S.p.A.	Member of the Board	Entire year	20.00				
	IMA S.p.A.	Member of the Internal Control Committee and Compensation Committee	Entire year	15.00				
Gianluca Vacchi	IMA S.p.A.	Member of the Board	Entire year	20.00				
Visentini Stefano	IMA S.p.A.	Member of the Board	Entire year	20.00				
	IMA S.p.A.	Executive	Entire year		10.85		Salary Bonus	372.09 110.00
Volta Romano	IMA S.p.A.	Member of the Board	Entire year	20.00				
	IMA S.p.A.	Member of the Internal Control Committee and Compensation Committee	Entire year	15.00				
Comini Giorgio	IMA S.p.A.	Chairman of the Board of Statutory Auditors	Entire year	27.60				
	Info Area S.r.l.	Chairman of the Board of Statutory Auditors	Entire year	6.66				
	CO.MA.D.I.S. S.p.A.	Chairman of the Board of Statutory Auditors	Entire year	4.11				
Cazzola Amedeo	IMA S.p.A.	Statutory Auditor	Entire year	19.60				
	CO.MA.D.I.S. S.p.A.	Statutory Auditor	Entire year	2.84				
	Info Area S.r.l.	Statutory Auditor	Entire year	4.44				
Aicardi Piero	IMA S.p.A.	Statutory Auditor	Entire year	19.60				
	InfoArea S.r.l.	Statutory Auditor	Entire year	4.44				

**REPORT OF THE INDEPENDENT AUDITORS
AS OF 31 DECEMBER 2006**

(TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

**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**



PricewaterhouseCoopers SpA

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW
DECREE No. 58 DATED 24 FEBRUARY 1998**

To the Shareholders of
IMA SpA

- 1 We have audited the consolidated financial statements of IMA SpA and its subsidiaries ("IMA Group"), which comprise the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement, and the related notes as of 31 December 2006. These consolidated financial statements are the responsibility of IMA SpA's directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 29 March 2006.



- 3 In our opinion, the consolidated financial statements of IMA SpA as of 31 December 2006 comply with IFRS as adopted by the European Union, as well as the provisions enacted to implement Article 9 of Law Decree no. 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of the IMA Group for the year then ended.

Bologna, 6 April 2007

PricewaterhouseCoopers SpA

Signed by

Roberto Megna
(Partner)

This report has been translated into the English language solely for the convenience of international readers.

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