

REPORT FOR THE FIRST HALF OF 2006

IMA technology, coffee and filter paper make for an ideal partnership resulting in the production of the coffee pod, a perfect dose of coffee with the taste and flavour preserved within the pod. IMA, helping to start your day in the Italian tradition - with the aroma of the perfect cup of coffee.



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DIRECTORS AND OFFICERS

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

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

- the 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

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 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

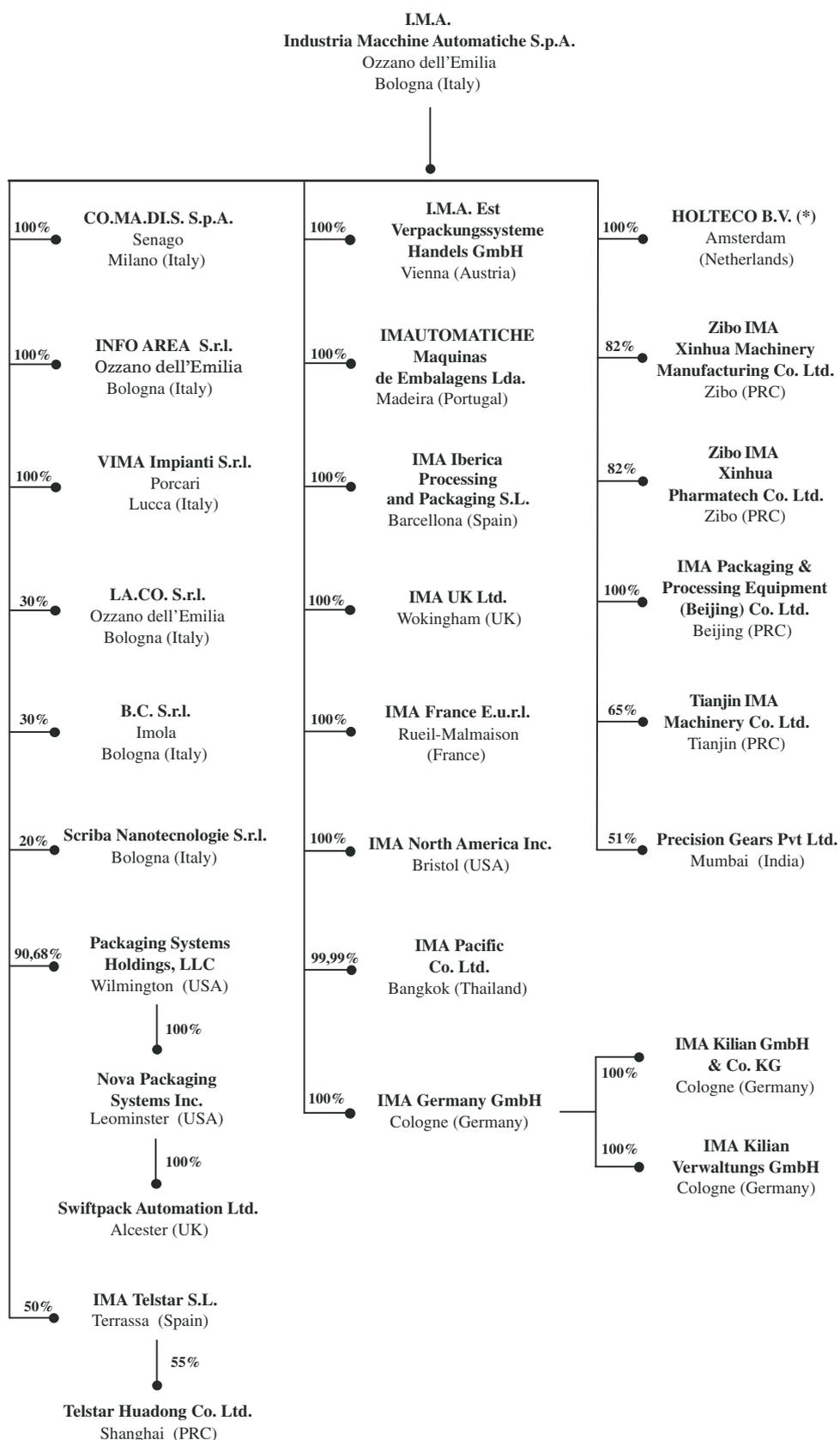
INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

Hot water, a few quiet moments and a tea bag that whilst perfectly maintaining the characteristics of the product, releases the full flavour and aroma of the tea, *camellia sinensis* to give it its correct name. Two out of every three tea bags used world wide are produced on IMA machines.



GROUP STRUCTURE



(*) In liquidation

GROUP COMPANIES BY BUSINESS SEGMENT

**MANUFACTURING
ACTIVITIES**

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

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

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

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

B.C. S.r.l.
Imola – Bologna (Italy)

IMA Kilian GmbH & Co. KG
Cologne (Germany)

Precision Gears Pvt Ltd.
Mumbai (India)

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

Tianjin IMA
Machinery Co. Ltd.
Tianjin (PRC)

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

Nova Packaging
Systems Inc.
Leominster (USA)

Swiftpack Automation Ltd.
Alcester (UK)

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

Telstar Huadong Co. Ltd.
Shanghai (PRC)

**COMMERCIAL
ACTIVITIES**

IMA Germany GmbH
Cologne (Germany)

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

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

IMA UK Ltd.
Wokingham (UK)

IMAUTOMATICHE
Maquinas de Embalagens Lda.
Madeira (Portugal)

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

IMA North America Inc.
Bristol (USA)

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

IMA Pacific Co. Ltd.
Bangkok (Thailand)

**OTHER
ACTIVITIES**

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

IMA Kilian Verwaltungs GmbH
Cologne (Germany)

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

**FINANCIAL
ACTIVITIES**

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

Packaging Systems
Holdings LLC
Wilmington (USA)

(*) In liquidation

GROUP PERFORMANCE

THE ECONOMIC SCENARIO

The beginning of 2006 saw a global increase in GDP associated with various factors, such as growth in the principal emerging markets, the reconstruction of areas hit by hurricanes in the United States and the recovery of domestic demand in Europe.

The exceptions to this trend were Japan, which nevertheless continued to grow at 3.5% as in the last quarter of 2005, and Russia which saw a slowdown in investment, "limiting" growth at 5.5%. For the time being the world's principal economic areas do not appear to be feeling the deflationary effects of the shock in oil prices.

Economic growth occurred against a background of increased volatility on financial markets and in prices of raw materials, signs of an impending slowdown in the US economy and uncertainties regarding the Fed's likely response. The United States constitutes a possible future weak point in the international macroeconomic scenario. Signs of a slowdown, as reflected in the real estate market, are combined with growing inflationary pressures on domestic prices. This may lead to a further increase in interest rates by the Fed, which would leave households with less to spend and therefore risk triggering a sudden deceleration in the economy.

With regard to Europe, inflationary pressures in commodities markets have only been partially transferred to domestic prices. However, in order to reduce the risk of a surge in inflation the European Central Bank may raise interest rates again, which, together with a slowdown in the US economy in the second half, may have a negative impact on global GDP growth this year, with repercussions for the coming year as well.

In this economic context the pharmaceutical market has grown at between 5% and 8%, a slight increase over recent periods. The increase is driven by growth in developing countries, while demand in industrialised nations remains stable.

In this scenario, IMA registered an increase in orders for plant in the pharmaceutical sector, which more than compensated for the temporary delay in the placement of orders in the packaging sector. A marked recovery in the order book for the packaging sector is expected in the second half of the year since there is nothing to suggest there will be a significant reduction in the market in the coming year.

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, labour, the cost of technical offices for customising 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: as described above for the other two points, 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 Group profit/loss.

In the first half of 2006 the IMA Group registered operating income of 16.0 million euros, up from 1.3 million euros in the same period in 2005, and a Group profit of 6.9 million euros, compared with a loss of 1.1 million euros at 30 June 2005.

The table below reports the key figures for the consolidated income statement for the first half of 2006, with comparative figures for the first half of 2005:

millions of euros	H1 2006		H1 2005		Change %
	Amount	%	Amount	%	
Revenues	180.7		156.5		<i>15.5</i>
Cost of sales	(102.4)	56.7	(97.6)	62.4	
Gross industrial income	78.3	<i>43.3</i>	58.9	<i>37.6</i>	<i>32.9</i>
R&D costs	(10.2)		(9.3)		
Sales costs	(25.6)		(23.7)		
General and administrative costs	(26.5)		(24.6)		
Operating profit (E.B.I.T.)	16.0	<i>8.9</i>	1.3	<i>0.8</i>	<i>n.s.</i>
Net financial income (expense)	(2.6)		(3.2)		
Profits (losses) from investments in associates	0.1		–		
Result before tax	13.5	<i>7.5</i>	(1.9)	<i>(1.2)</i>	<i>n.s.</i>
Income taxes	(6.7)		0.9		
Profit (loss) for the period	6.8	<i>3.8</i>	(1.0)	<i>(0.6)</i>	<i>n.s.</i>
Profit (loss) pertaining to minority interests	0.1		(0.1)		
Group profit (loss)	6.9	<i>3.8</i>	(1.1)	<i>(0.7)</i>	<i>n.s.</i>
Gross operating margin (E.B.I.T.D.A.)	21.5	<i>11.9</i>	6.4	<i>4.1</i>	<i>n.s.</i>
Order book	203.0		195.0	<i>4.1</i>	

REVENUES AND ORDERS

In the first half of 2006 consolidated revenues amounted to 180.7 million euros, compared with 156.5 million euros in the first six months of 2005. The Telstar Group was included in the scope of consolidation in the second half of 2005 and accounted for 3.8 million euros of revenues in the first half of 2006.

With regard to the Group's sectors of activity, the table below shows a breakdown of revenues compared with the first half of 2005:

millions of euros	H1 2006	H1 2005	Change	%
Tea, coffee and herbal tea packaging	38.0	34.3	3.7	<i>10.8</i>
Pharmaceutical packaging	102.7	89.4	13.3	<i>14.9</i>
Pharmaceutical processing	38.1	30.0	8.1	<i>27.0</i>
Other	1.9	2.8	(0.9)	<i>(32.1)</i>
Total	180.7	156.5	24.2	<i>15.5</i>

Revenues for the Telstar Group are included under pharmaceutical packaging. The increases in revenues in all sectors of the Group's activities were due to the strong order book already present at the end of the previous period, as well as the substantial increase in pharmaceutical sector orders received in the first half of 2006. Once again this confirmed the Group's ability to adapt to changes in market demand, also thanks to the organisational model, which makes it possible to handle increases in revenues, including significant increases, in a short period of time. The recovery experienced in the entire pharmaceutical sector indicates that the most difficult period, which occurred in the last two financial years, is now over.

The following table shows a breakdown of revenues by geographic area:

millions of euros	H1 2006	H1 2005	Change	%
European Union (excluding Italy)	82.7	64.0	18.7	29.2
Other European countries	8.1	12.1	(4.0)	(33.1)
North America	46.3	32.2	14.1	43.8
Asia	18.8	18.0	0.8	4.4
Other countries	12.8	14.9	(2.1)	(14.1)
Total exports	168.7	141.2	27.5	19.5
Italy	12.0	15.3	(3.3)	(21.6)
Total	180.7	156.5	24.2	15.5

This breakdown of revenues shows that the increases over the corresponding period of 2005 came in Europe and the United States, while results for other countries remained largely unchanged.

The table below shows a comparison of new orders for the first half of 2006 and new orders for the first half of 2005:

millions of euros	H1 2006	H1 2005	Change	%
Tea, coffee and herbal tea packaging	27.4	39.1	(11.7)	(29.9)
Pharmaceutical packaging	133.2	111.3	21.9	19.7
Pharmaceutical processing	59.1	50.4	8.7	17.3
Totale	219.7	200.8	18.9	9.4

This table clearly shows that the increase in orders in the first half is due exclusively to the pharmaceutical sector as a whole. The positive result is due both to an increase in demand and the success of new products. The slower rate of new orders in the tea and herbal tea packaging sector is no cause for concern, however, since it is merely caused by a delay in the signing of sales orders compared with the previous period, which will be largely recouped in the second half of 2006. No significant changes in revenues are expected for this business area in 2007.

The table below shows a breakdown of the order book at 30 June 2006:

millions of euros	30-Jun-2006	30-Jun-2005	Change	%
Tea, coffee and herbal tea packaging	29.2	46.9	(17.7)	(37.7)
Pharmaceutical packaging	125.7	101.9	23.8	23.4
Pharmaceutical processing	48.1	46.2	1.9	4.1
Total	203.0	195.0	8.0	4.1

Packaging operations show a significant increase in orders compared with the previous period (independent of the contribution of Telstar Group orders, which totals 7.6 million euros), and together with the processing sector they present an optimistic outlook for achieving sales objectives for 2006 as a whole. As regards the tea-packaging sector, the observations made above regarding the postponement of orders hold here. Accordingly, we expect that revenue goals for the year will also be met in this area.

OPERATING PROFIT

Gross industrial income was 78.3 million euros, compared with 58.9 million euros at 30 June 2005, increasing as a percentage of revenues by 5.7 percentage points (from 37.6% to 43.3%). Various factors are responsible for this substantial increase. Of greatest importance was the end of the negative effects caused by the relocation of the IMA Kilian subsidiary to new facilities, which in the previous financial year had impeded performance in the first half. In addition, technical problems in certain divisions of the pharmaceutical sector, which had produced considerable guarantee costs, were resolved. Considerable effort went into reducing product cost by rationalising sub-supplier policy, also using suppliers based in countries with low labour costs. Another factor contributing to the excellent result for the period was a favourable mix between machinery, formats and spares, which should level out over the course of the entire year. Therefore the improvement registered in the first half cannot be expected to be repeated in full throughout the second half of 2006.

R&D expenditure within a comparable scope of consolidation (excluding VIMA S.r.l. and the Telstar Group) came to 10.0 million euros, an increase of 7.5% compared with the corresponding period. This increase is due exclusively to the bringing forward of costs for creating various prototypes that the Group presented at the most important global pharmaceutical trade fair, held in Germany in May this year (Achema). This increase will be absorbed over the rest of the year.

Commercial and sales costs within a comparable scope of consolidation rose by 0.9 million euros to 24.6 million euros, almost entirely due to an increase in commissions of 0.5 million over the previous period. Once again, a key factor was the bringing forward of costs linked to participation in the pharmaceutical trade fair, which will not be repeated in the second half.

General and administrative costs, excluding VIMA S.r.l. and the Telstar Group, which were not consolidated in 2005, amounted to 25.1 million euros, compared with 24.6 million euros in the previous period. The increase of 0.5 million euros was caused entirely by the impairment of goodwill of the Nova Packaging subsidiary totalling 0.8 million euros. Without this, and within a comparable scope of consolidation, costs would have remained largely unchanged. The recognition of the impairment loss in question became necessary after the results of the Nova Packaging subsidiary, acquired in the second half of 2004, failed to meet expectations. A restructuring programme and product review is under way at Nova Packaging in order to bring its performance in line with the initial ambitious expectations. One of the first steps in this initiative is discussed in the section of significant post-period events.

In conclusion, excluding the effects of the change in the scope of consolidation and the anticipation of costs for trade fairs, structural costs are largely stable compared with the previous period.

RESULT BEFORE TAX

Net financial expense came to 2.6 million euros, compared with 3.2 million euros at 30 June 2005. This improvement is due principally to exchange rate losses, which were drastically lower than in the previous period, more than offsetting the greater cost of borrowing due to increased interest rates and higher average debt.

Profit before tax was therefore 13.5 million euros, compared with a loss of 1.9 million euros in the previous period.

NET PROFIT FOR THE PERIOD

Net profit came to 6.8 million euros, compared with a loss of 1.0 million euros at 30 June 2005, after deducting 6.7 million euros in income tax (compared with a tax credit of 0.9 million euros at 30 June 2005).

ANALYSIS OF PERFORMANCE BY SECTOR

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

millions of euros	Tea H1		Packaging H1		Processing H1		Other H1	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenues	38.0	34.3	102.7	89.4	38.1	30.0	1.9	2.8
Operating profit	13.2	11.3	4.6	(2.8)	(1.7)	(7.4)	(0.1)	0.2
Net capital employed	26.8	12.7	98.3	88.1	87.3	75.8	(6.5)	7.5
R&D costs	2.3	2.0	5.5	5.1	2.4	2.2	–	–
Average personnel (*)	201	240	1,557	1,487	528	491	396	399
Order book	29.2	46.9	125.7	101.9	48.1	46.2	–	–

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

The clear general improvement was due to different factors: the tea sector benefited from a favourable product mix, while in packaging the Group the costs associated with resolving technical problems with new machinery were removed and the effects of initiatives to reduce production costs began to be felt. In processing, the improvement comes from the prices/discount ratio, as well as the end of the adverse effects of the relocation of IMA Kilian and the subsequent restructuring of the subsidiary. For all sectors, within a comparable scope of consolidation, structural costs were largely unchanged or slightly higher than for the corresponding period of 2005.

Net capital employed was 205.9 million euros at 30 June 2006, including 52.2 million euros in goodwill, of which 22.6 million euros for the packaging sector and 29.6 million euros for the processing sector. The increase of about 10.2 million euros in the packaging sector compared with 30 June 2005 is largely due to the acquisition of the Telstar Group (around 10.7 million euros). The processing sector increased by around 11.5 million euros, mainly following the acquisition of VIMA S.r.l. (around 8 million euros). Net capital employed in the tea sector increased due to a lower level of advances from customers as a result of the decrease in the order book.

The total for net capital employed in the "Other" column refers mainly to the amount of non-allocable equity investments and tax assets and liabilities.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

The following principal items of the balance sheet and financial position are equivalent to the corresponding items on the consolidated balance sheet included in the “Consolidated financial statements” section: inventories, property, plant and equipment, intangible assets, Group equity and minority interests.

The following comparative table shows Group’s balance sheet and financial structure at 30 June 2006 and 31 December 2005:

millions of euros	30-Jun-2006	31-Dec-2005
Trade receivables	91.7	98.8
Inventories	144.6	122.1
Trade payables	(115.7)	(115.4)
Other, net	(29.2)	(28.1)
Working capital	91.4	77.4
Property, plant and equipment	74.1	73.3
Intangible assets	65.8	59.3
Investments in unconsolidated and associated companies	1.9	1.0
Non-current assets	141.8	133.6
Provision for severance indemnities and other provisions	(27.3)	(29.1)
Net capital employed	205.9	181.9

FINANCED BY:

Net debt	118.4	86.8
Minority interests	2.9	3.6
Group equity	84.6	91.5
Total sources of financing	205.9	181.9

Net capital employed at the end of June 2006 came to 205.9 million euros, up from 181.9 million euros at the end of 2005.

Excluding the effects of the change in the scope of consolidation, for which net capital employed increased by 8.7 million euros, the figure for net capital employed shows a slight increase compared with 31 December 2005. In particular, the most significant variation is in inventories, which not including the newly consolidated VIMA S.r.l., increased by 19 million euros to meet the high volume of deliveries expected for the second half. The reduction in trade receivables reflects, on the one hand, the lower level of revenues in the second quarter of 2006 compared with the last quarter of 2005, and on the other it confirms the efficiency of the commercial activities undertaken.

The change in intangible assets was caused exclusively by the effects of the consolidation of the newly acquired VIMA S.r.l., both in terms of goodwill at 4.3 million euros and know-how of 1.5 million euros.

The lower level of Group equity is due to the payment of dividends made in May which has not yet been offset by the result for the period.

The following table shows the breakdown of net debt:

millions of euros	30-Jun-2006	31-Dec-2005	30-Jun-2005
Net debt	118.4	86.8	101.8
Of which:			
• Cash and current financial assets	(33.4)	(62.4)	(29.5)
• Non-current financial assets	(3.3)	(3.6)	(3.6)
• Current financial liabilities	84.4	68.0	84.5
• Non-current financial liabilities	70.7	84.8	50.4

The increase in net debt compared with 31 December 2005 was caused, as in previous years, mainly by the higher value of inventories needed to prepare for the quantity of deliveries expected, by the cash outlay (totalling 8.7 million euros) for the acquisition of VIMA Impianti S.r.l. and Scriba Nanotecnologie S.r.l. finalised in the first quarter of 2006 and the payment of a further 3.0 million dollar instalment for the acquisition of Packaging Systems Holdings LLC. In June 2006 IMA-Telstar S.L. took on a finance lease debt of 2.5 million euros which, in addition to the operations mentioned above, increased net debt at 30 June 2006 by around 14.8 million euros. In addition, IMA S.p.A paid dividends in May totalling 13.8 million euros. Current initiatives aimed at reducing working capital, together with improvement in performance, mean that there should be an improvement in the level of borrowing in the second half of the year, with significant cash generated by ordinary activities.

CAPITAL EXPENDITURE

Group capital expenditure totalled 5.0 million euros (compared with 2.3 million euros in the same period in 2005) and included 2.5 million euros for the land under a finance lease contract signed in May 2006 by the joint venture IMA-Telstar S.L. The remaining 2.5 million euros refers principally to the charges incurred to extend and upgrade existing buildings and installations, the capitalisation of equipment produced internally for the production processes of Group companies and the acquisition of electronic machinery and cars. Investments in intangible assets came to 0.8 million euros (compared with 1.9 million euros in the first half of 2005) and refer mainly to the capitalisation of entirely new products to be used in the packaging and pharmaceutical processing sectors whose economic benefits will emerge in coming years.

OTHER INFORMATION

SIGNIFICANT EVENTS AFTER THE END OF THE FIRST HALF

The following significant events occurred after 30 June 2006:

- on 11 July 2006 IMA S.p.A. acquired the remaining 9.32% of Packaging Systems Holding LLC from the management of the American group for 4.9 million dollars, paid at the same time as the share transfer. IMA S.p.A. and the management agreed on the advance termination of the contract they signed on 29 September 2004, which envisaged a reciprocal right of acquisition/sale of shares held by the management itself, to be exercised from April 2009 onwards, at a price related to the performance of the company. The current agreement, which envisages the termination of all relations with the management, including their employment with the company, was completed by

IMA S.p.A. within the scope of the management restructuring program involving the entire organisation and on the understanding that the operational management of the Nova Group will be coordinated by local employees as well as by IMA itself through close integration of production and commercial activities;

- on 30 June 2006 IMA S.p.A. engaged UBM S.p.A. to proceed with the purchase of a maximum of 450,000 of its own shares. The operation, which falls within the scope of the authorisations granted by the Shareholders' Assembly of 27 April 2006, is intended to stabilise the price of the stock in compliance with all current regulations. On the strength of this mandate, a total of 91,750 shares had been acquired as of 31 July 2006. The aforementioned mandate was granted on 30 June 2006 and expires on 31 March 2007.

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 with the corresponding values at 30 June 2006 for the Group (millions of euros):

	Shareholders' Equity	Group profit
H1 results for I.M.A. Industria Macchine Automatiche S.p.A.	78.4	10.6
<i>Consolidation adjustments:</i>		
a) Elimination of the book value of the consolidated equity investments and measurement of investments using the equity method	10.8	(1.0)
b) Alignment of intercompany receivables/payables	0.2	0.2
c) Elimination of dividends distributed by Group companies	–	(3.7)
d) Elimination of intercompany items:		
• Intangible assets	(0.2)	0.1
• Inventories	(5.4)	0.1
• Margins and fees for contract work	2.1	0.4
e) Depreciation and amortization/impairment	(4.0)	(0.8)
f) Tax effect of consolidation adjustments and other tax effects	2.7	1.0
Net effect of consolidation adjustments	6.2	(3.7)
Amounts for the Group	84.6	6.9

OUTLOOK FOR THE REST OF THE YEAR

The recovery registered in the first half by the pharmaceutical sector is expected to continue. The steady growth of pharmaceutical sales at the global level, the rapid development of advanced health systems even in the developing countries and the demand for new plant from large multinational companies point to good growth in orders in the near future with an easing of pressures on prices compared with previous periods. The slowdown in new orders in the tea and herbal tea packaging sector is not a cause for concern since the situation is essentially attributable to a slight delay in order activity. However, it is possible that the sector will not see further growth in the near future.

The initiatives being pursued by the entire Group to contain costs and improve the commercial efficiency of the sales network constitute another important reason to expect positive results in the future. The results achieved in this half provide confirmation that the company is moving in the right direction.

Forecasts for sales revenues for the whole of 2006 confirm initial objectives of total revenues at 426 million euros (an increase of around 7%). With regard to margins, while the excellent results achieved in the first half are not expected to be repeated in the second, they support expectations of operating profit of around 47 million euros and a gross operating margin of 58 million euros at year end.

CONSOLIDATED FINANCIAL STATEMENTS
AT 30 JUNE 2006

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 30 JUNE 2006 AND 31 DECEMBER 2005 (MILLIONS OF EUROS)

ASSETS	Note	30 June 2006	31 December 2005
NON-CURRENT ASSETS			
<i>Property, plant and equipment</i>	2	74.1	73.3
<i>Intangible assets</i>	3	65.8	59.3
<i>Investments in unconsolidated subsidiaries</i>		0.6	–
<i>Investments in associates</i>	4	1.3	1.0
<i>Financial assets</i>	5	3.3	3.6
<i>Receivables from others</i>	6	0.6	0.7
<i>Derivative financial instruments</i>	7	0.2	0.1
<i>Deferred tax assets</i>	8	6.2	5.3
TOTAL NON-CURRENT ASSETS		152.1	143.3
CURRENT ASSETS			
<i>Inventories</i>	9	144.6	122.1
<i>Trade and other receivables</i>	10	103.3	108.9
<i>Income tax receivables</i>		1.6	0.8
<i>Financial assets</i>	5	4.8	4.6
<i>Derivative financial instruments</i>	7	0.7	–
<i>Cash and cash equivalents</i>	11	28.6	57.8
TOTAL CURRENT ASSETS		283.6	294.2
TOTAL ASSETS		435.7	437.5
EQUITY AND LIABILITIES	Note	30 June 2006	31 December 2005
EQUITY			
<i>Share capital</i>	12	18.8	18.8
<i>Share premium reserve</i>		16.4	16.4
<i>Treasury shares</i>	13	(14.7)	(14.7)
<i>Translation reserve</i>		(0.5)	1.3
<i>Fair value reserve</i>	14	0.9	(0.9)
<i>Other reserves</i>		31.0	30.5
<i>Retained earnings</i>		25.8	27.6
<i>Net profit (loss) for the period</i>		6.9	12.5
Total capital and reserves pertaining to the Group		84.6	91.5
<i>Reserves pertaining to minority interests</i>		3.0	3.1
<i>Profit pertaining to minority interests</i>		(0.1)	0.5
Total minority interests		2.9	3.6
EQUITY PERTAINING TO THE GROUP AND MINORITY INTERESTS		87.5	95.1
NON-CURRENT LIABILITIES			
<i>Borrowings</i>	15	70.7	84.8
<i>Severance and pension obligations</i>	16	24.3	25.3
<i>Provisions for risks and charges</i>	17	1.2	1.1
<i>Deferred tax liabilities</i>	8	5.7	4.1
TOTAL NON-CURRENT LIABILITIES		101.9	115.3
CURRENT LIABILITIES			
<i>Borrowings</i>	15	84.4	68.0
<i>Trade and other payables</i>	18	146.3	149.5
<i>Income tax liabilities</i>		10.5	3.0
<i>Provisions for risks and charges</i>	17	5.1	4.9
<i>Derivative financial instruments</i>	7	–	1.7
TOTAL CURRENT LIABILITIES		246.3	227.1
TOTAL LIABILITIES		348.2	342.4
TOTAL EQUITY AND LIABILITIES		435.7	437.5

CONSOLIDATED INCOME STATEMENT

FOR THE FIRST HALF OF 2006 COMPARED WITH THE FIRST HALF OF 2005 (MILLIONS OF EURO)

INCOME STATEMENT	Note	Q2 2006	Q2 2005	H1 2006	H1 2005
REVENUES	1	103.4	91.6	180.7	156.5
<i>Other revenues</i>		1.7	1.0	3.1	1.9
OPERATING COSTS					
<i>Change in work in progress, semifinished and finished goods</i>		3.5	6.8	21.2	20.4
<i>Change in inventory of raw, ancillary and consumable materials and goods for resale</i>		1.1	1.3	0.5	2.3
<i>Cost of raw, ancillary and consumable materials</i>		(36.3)	(38.3)	(72.4)	(71.6)
<i>Services, rentals and leases</i>		(22.9)	(21.5)	(42.7)	(38.6)
<i>Personnel costs</i>	19	(33.2)	(32.3)	(66.0)	(63.2)
<i>Depreciation and amortisation expense</i>	20	(3.7)	(2.4)	(6.4)	(5.2)
<i>Provisions for risks and charges</i>		–	0.3	(0.2)	–
<i>Other operating costs</i>		(0.9)	(0.6)	(1.8)	(1.2)
TOTAL OPERATING COSTS		(92.4)	(86.7)	(167.8)	(157.1)
OPERATING PROFIT		12.7	5.9	16.0	1.3
FINANCIAL INCOME AND EXPENSE					
<i>Financial income</i>	21	2.1	2.1	4.0	5.6
<i>Financial expense</i>	22	(3.8)	(4.0)	(6.6)	(8.8)
TOTAL FINANCIAL INCOME AND EXPENSE		(1.7)	(1.9)	(2.6)	(3.2)
PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES		0.1	–	0.1	–
PROFIT (LOSS) BEFORE TAX		11.1	4.0	13.5	(1.9)
INCOME TAXES FOR THE PERIOD	23	(5.6)	(1.8)	(6.7)	0.9
PROFIT (LOSS) FOR THE PERIOD		5.5	2.2	6.8	(1.0)
ATTRIBUTABLE TO:					
PARENT COMPANY SHAREHOLDERS		5.5	2.1	6.9	(1.1)
MINORITY INTERESTS		–	0.1	(0.1)	0.1
		5.5	2.2	6.8	(1.0)
EARNINGS PER SHARE (in euros)		0.16	0.06	0.20	-0.03

CHANGES IN CONSOLIDATED EQUITY

AT 30 JUNE 2006 AND 30 JUNE 2005 (MILLIONS OF EUROS)

Description	Share capital	Share premium reserve	Treasury shares	Translation reserve	Fair value reserve	Other reserves	Retained earnings	Net profit (loss) of Group	Total Group equity	Minority interests	Total equity
Balances at 01 Jan 2005	18.8	16.4	-	(1.2)	1.1	28.5	26.8	16.8	107.2	2.3	109.5
Effect of merger of Comitec S.r.l. in IMA S.p.A.	-	-	-	-	-	(0.2)	0.2	-	-	-	-
Allocation of result for 2004											
- dividends	-	-	-	-	-	-	-	(14.0)	(14.0)	(0.2)	(14.2)
- reserves	-	-	-	-	-	2.2	0.6	(2.8)	-	-	-
Purchase and sale of treasury shares	-	-	(10.9)	-	-	-	-	-	(10.9)	-	(10.9)
Gains on transactions in treasury shares	-	-	0.2	-	-	-	-	-	0.2	-	0.2
Valuation of financial instruments in equity	-	-	-	-	(3.3)	-	-	-	(3.3)	-	(3.3)
Exchange rate differences on translation of financial statements in for. cur.	-	-	-	1.7	-	-	-	-	1.7	0.3	2.0
Net profit (loss) for the period	-	-	-	-	-	-	-	(1.1)	(1.1)	0.1	(1.0)
Balances at 30 Jun 2005	18.8	16.4	(10.7)	0.5	(2.2)	30.5	27.6	(1.1)	79.8	2.5	82.3
Share capital increases	-	-	-	-	-	-	-	-	-	0.3	0.3
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	0.4	0.4
Purchase and sale of treasury shares	-	-	(4.3)	-	-	-	-	-	(4.3)	-	(4.3)
Gains on transactions in treasury shares	-	-	0.3	-	-	-	-	-	0.3	-	0.3
Valuation of financial instruments in equity	-	-	-	-	1.3	-	-	-	1.3	-	1.3
Exchange rate differences on translation of financial statements in for. cur.	-	-	-	0.8	-	-	-	-	0.8	-	0.8
Net profit (loss) for the period	-	-	-	-	-	-	-	13.6	13.6	0.4	14.0
Balances at 31 Dec 2005	18.8	16.4	(14.7)	1.3	(0.9)	30.5	27.6	12.5	91.5	3.6	95.1
Allocation of result for 2005											
- dividends	-	-	-	-	-	-	-	(13.8)	(13.8)	(0.3)	(14.1)
- reserves	-	-	-	-	-	0.5	(1.8)	1.3	-	-	-
Purchase and sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Gains on transactions in treasury shares	-	-	-	-	-	-	-	-	-	-	-
Valuation of financial instruments in equity	-	-	-	-	1.8	-	-	-	1.8	-	1.8
Exchange rate differences on translation of financial statements in for. cur.	-	-	-	(1.8)	-	-	-	-	(1.8)	(0.3)	(2.1)
Net profit (loss) for the period	-	-	-	-	-	-	-	6.9	6.9	(0.1)	6.8
Balances at 30 Jun 2006	18.8	16.4	(14.7)	(0.5)	0.9	31.0	25.8	6.9	84.6	2.9	87,5

CONSOLIDATED STATEMENT OF CASH FLOWS

AT 30 JUNE 2006 AND 30 JUNE 2005 (MILLIONS OF EUROS)

	30 June 2006	30 June 2005
OPERATIONS		
Net profit (loss) for the period	6.9	(1.1)
Adjustments for:		
- <i>Depreciation and amortisation</i>	5.4	4.9
- <i>(Reversals) or impairment of assets</i>	0.8	-
- <i>Capital (gains) losses on disposal of non-current assets</i>	-	(0.2)
- <i>Changes in provisions for risks and charges and staff severance obligations</i>	(0.7)	(0.5)
- <i>Unrealised losses (gains) on exchange rate differences</i>	(0.5)	0.8
- <i>Income taxes</i>	6.7	(0.9)
- <i>Minority interests</i>	(0.1)	0.1
- <i>Share of income on investments in associates</i>	(0.1)	-
Operating profit (loss) before changes in working capital	18.4	3.1
<i>(Increase) decrease in trade and other receivables</i>	5.6	7.2
<i>(Increase) decrease in inventories</i>	(22.5)	(24.6)
<i>Increase (decrease) in trade and other payables</i>	(4.7)	15.9
<i>Income taxes paid</i>	(0.6)	(1.0)
CASH FLOW GENERATED (ABSORBED) BY OPERATIONS (A)	(3.8)	0.6
INVESTMENT ACTIVITY		
<i>Acquisitions of companies</i>	(3.6)	-
<i>Investments in intangible assets</i>	(0.8)	(1.9)
<i>Investments in property, plant and equipment</i>	(2.5)	(2.3)
<i>Exchange rate differences on property, plant and equipment and intangible assets</i>	0.7	(0.6)
<i>Repayment of finance lease debts</i>	(1.5)	(0.5)
<i>Investments in associates</i>	(0.2)	(0.3)
<i>Consideration received for sale of non-current assets</i>	0.3	0.1
<i>Net change in financial assets and other non-current receivables</i>	0.2	(0.3)
<i>Change in reserves attributable to minority interests</i>	(0.6)	0.1
<i>Payment/collection of interest</i>	(2.2)	(1.7)
CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITY (B)	(10.2)	(7.4)
FINANCE ACTIVITY		
<i>Granting of loans</i>	7.0	5.9
<i>Repayment of borrowings</i>	(9.1)	(15.2)
<i>Increase (decrease) in other payables to banks</i>	2.5	20.9
<i>Dividends paid</i>	(13.8)	(14.0)
<i>Purchase of treasury shares</i>	-	(10.6)
<i>Translation of financial statements in foreign currency</i>	(1.8)	1.7
CASH FLOW GENERATED (ABSORBED) BY FINANCE ACTIVITY (C)	(15.2)	(11.3)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)	(29.2)	(18.1)
CASH AND CASH EQUIVALENTS AT START OF PERIOD (E)	57.8	47.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD (F=D+E)	28.6	28.9

THE CONSOLIDATED STATEMENT OF CASH FLOWS HAS BEEN PREPARED USING THE INDIRECT METHOD, BECAUSE IT IS CONSIDERED TO BETTER REFLECT THE CASH FLOWS FROM GROUP OPERATING ACTIVITIES.



Nature, in its harmony and perfection is a source of inspiration to the IMA designers. This, together with the rigorous criteria of precision and consistency in the production of solid oral doses, is incorporated into the vast range of IMA's automatic machines for the pharmaceutical, cosmetic and nutritional industries.



**EXPLANATORY NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS**

A) OVERVIEW

The Report on Operations for the first half of 2006 was approved by the Board of Directors on 9 August 2006.

The IMA Group designs, manufactures and sells machinery and plant mainly to the pharmaceuticals, cosmetics and tea-packaging industries. In the market segment in which the IMA Group operates, the first half of the year is generally not representative of the year as a whole, as activity tends to intensify in the second half.

This seasonality, which also affects rival companies operating in the same segment, manifests itself in the distribution pattern of new orders and revenues, of which around 60% of the annual total are concentrated in the second six months of the year.

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. In the first six months FINVACCHI S.p.A. transferred to SO.FI.MA. Società Finanziaria Macchine Automatiche S.p.A. 51% of the shares in IMA S.p.A. At the same time Lopam Fin. S.p.A., Interlopam Invest N.V. and Cofiva Holding S.p.A. transferred to SO.FI.MA. the shares held in IMA S.p.A. amounting to 16.55%. The transfer has no effects on the control structure of IMA S.p.A., because SO.FI.M.A. S.p.A, which held 67.55% of IMA S.p.A. at 30 June 2006, is a subsidiary of Lopam Fin S.p.A. During the period under examination, 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. IMA's dealings with the Group's marketing companies relate to the sale, distribution and related customer service activities in their respective territories of products manufactured by IMA's various divisions.

IMA's manufacturing subsidiaries have similar relationships with the marketing companies. The financial companies of the Group hold equity investments in a number of foreign-based companies with which they have financial relations.

To summarize, the parent company IMA S.p.A. manufactures packaging and filling equipment for the tea and pharmaceutical sectors, as well as end-of-line machines for the pharmaceutical and cosmetics markets. 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.

All the figures in the half-year report at 30 June 2006 are in millions of euros, unless otherwise indicated.

B) GENERAL PREPARATION POLICIES

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

The half-year report was prepared in accordance with Article 81 of Consob Regulation no. 11971/1999 (regulation implementing Legislative Decree 58 of 24 February 1998 relating to the rules for issuers). As envisaged by Consob Resolution 14990 of 14 April 2005, and

in consideration of Regulation (EC) 1606/2002, the report contains the information that IAS 34 requires for interim financial reports.

The IMA Group already applied international accounting standards during 2005. The consolidated accounts at 31 December 2005, which were the first accounts prepared under the IASs/IFRSs, were fully audited and include the statements of reconciliation envisaged under IFRS 1 and accompanied by the relevant notes.

For the purposes of preparing the present report, the Parent Company and the Group's Italian and foreign subsidiaries have drawn up balance sheets, income statements and cash flow statements that comply with international accounting standards.

As permitted under Legislative Decree 38 of 28 February 2005, the Parent Company I.M.A. S.p.A. adopted the International Accounting Standards from 1 January 2006 for its statutory financial statements. The comparative figures contained in the financial statements of the Parent Company, which accompany this Report, have been adequately adjusted to comply with IASs/IFRSs.

As a result, the Parent Company has determined the effects of the transition to the IFRS and has prepared the reconciliations required by paragraphs 39 and 40 of 'IFRS 1: First-Time Adoption of International Financial Reporting Standards', which are accompanied by explanatory comments on the basis of preparation and on items in the statements of reconciliation. These reconciliations are provided in an Appendix.

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, or at cost calculated as the fair value applying at the date of transition to the IFRS.

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

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

The cost of ordinary maintenance is recognised 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 recognised 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.

LEASES

Finance leases are accounted for in accordance with IAS 17, which envisages that:

- the cost of the leased assets is recognised under property, plant and equipment and depreciated on a straight-line basis over the assets' estimated useful life. A corresponding financial liability is recognised, consisting of the amount payable to the lessor, which is equal to the value of the leased asset;
- Lease payments are separated into interest and principal components, which are treated as the reimbursement of the liability with the lessor.

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

INTANGIBLE ASSETS

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

These assets are recognised at their purchase or production cost.

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

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

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

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

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

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

IMPAIRMENT OF ASSETS

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

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

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

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

If the conditions that led to an impairment cease to obtain, the restoration of the value of the asset should not exceed the depreciated historical cost that would have been considered if the impairment had not occurred. These reversals are recognised 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 booked at cost, which corresponds to the fair value including ancillary charges. Subsequently, financial assets classified as available-for-sale are valued at fair value and financial receivables are valued at amortised cost.

INVENTORIES

Inventories are booked at the lower of cost and estimated net realisable value.

Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

CONSTRUCTION CONTRACTS

Construction contracts are defined in IAS 11 as a contract specifically negotiated for the construction of an asset or a group of interrelated assets with respect to their design, technology and function or final use. Contract costs are recognised in the year they are incurred. Contract revenues are recognised on a state-of-completion basis at the balance sheet date where the outcome of a construction contract can be estimated reliably.

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

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

Contract revenue and costs are recognised 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 Group’s balance sheet as follows:

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

**TRADE RECEIVABLES
AND OTHER RECEIVABLES**

Receivables falling due within a period considered to be normal commercial practice or which earn interest at market rates are not discounted. Instead, they are stated at original nominal value, net of any writedowns, which are deducted directly from the value of the receivables to bring them in line with the estimated recoverable value.

Receivables falling due beyond the period considered normal commercial practice and earning no explicit interest are recognised at amortised cost using the effective interest rate method, net of writedowns.

Receivables assigned without recourse are removed from the balance sheet because all the risks and benefits associated with these receivables are substantially assigned to the assignee.

**CASH AND CASH
EQUIVALENTS**

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

TREASURY SHARES

In accordance with IAS 32, the cost of the repurchase of own shares ('treasury shares') is deducted from equity. No gain or loss is recognised in income on the purchase, sale, issue, or cancellation of treasury shares.

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

**PROVISIONS FOR RISKS
AND CHARGES**

Provisions for risks and charges are set aside to cover 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 is recognised, although adequate information is provided in the notes to the financial statements.

EMPLOYEE BENEFITS

Employee benefits mainly include the staff termination pay of the Group Italian companies and pension funds. They fall under the category 'defined-benefit plans' applying after the termination of the employment contract and are valued as envisaged 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 recognised as income or expense.

BORROWINGS

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

FINANCIAL RISK MANAGEMENT

Financial risk factors

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

To 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.

a) 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.

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 Group's medium-term borrowings.

The objective of interest rate risk management is to contain and stabilise 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 recognised 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 recognised asset or liability or a highly probable forecast transaction (the underlying) that could affect profit or loss.

Hedging instruments are valued at their fair value at the reporting date as estimated by independent surveyors.

The fair value of derivatives on exchange rates is calculated with reference to their intrinsic and time value. The intrinsic component is recognised in the fair value reserve in equity, while the time component is taken directly to the income statement under financial expense/income. When the hedged underlying becomes manifest, the fair value reserve is removed 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 designated date. The fair value is recognised in the relevant reserve in equity and reversed to income as soon as the underlying financial expense/income manifests itself.

TAXES

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

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

REVENUE RECOGNITION

Revenues are recognised 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 recognised at the moment title passes, which generally coincides with shipping. The only exception is long-term contract work in progress, 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 cash flow statements of Group companies are prepared using the currency of the primary economic environment in which the companies operate (functional currency).

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

Transactions and balances

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

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

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

Group companies

The translation into euros of the financial statements of foreign companies 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 differences deriving from the translation of initial net equity at the rates current at the end of the period and from the translation of income and expenses from the income statement at the average exchange rates in the period are recognised as a separate component of equity called the translation adjustment reserve.

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

SEGMENT INFORMATION

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

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

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

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

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

DIVIDENDS

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

EARNINGS PER SHARE

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

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 statement of cash flows, 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.

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/Impairment of non-current assets;
- Construction contracts;
- 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.

D) CONSOLIDATION PRINCIPLES

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

Consolidation is carried out on a line-by-line basis. The criteria used in the application of this method are primarily the following:

- the book value of the equity investments held by the Parent Company or by other consolidated companies is written off against the related net equity, and the assets and liabilities of investee companies are entered in the consolidated accounts;
- any difference between the total cost of acquisition and the Group's share of the fair values of the net identifiable assets and potential liabilities of the consolidated company is recognised as goodwill under intangible assets;
- significant transactions between consolidated companies are eliminated as are the receivables and payables and any unrealized profits resulting from intercompany transactions;

- minority interests in equity and net profit are shown as separate items in the consolidated balance sheet and income statement, respectively;
- companies acquired or sold during the period are consolidated for the period in which a majority interest was held.

IAS 31 defines 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 investor. Companies acquired or sold during the period are consolidated for the period in which joint control was exercised.

E) SCOPE OF CONSOLIDATION

The half-year report at 30 June 2006 contains the financial and operating information of I.M.A. Industria Macchine Automatiche S.p.A. (Parent Company) and all the companies over which it exercises direct or indirect control.

In the first six months of 2006, the following changes in the scope of consolidation of the Group took place:

- 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, IMA's interest is to increase by an additional 20% in 2007 through share capital increase and a call option for 11% of the shares in 2008, provided that specific technical results are achieved;
- as part of the Group ongoing rationalisation process, on 28 February 2006 Holteco B.V. was put in liquidation. No significant liabilities are expected to arise from this. Given the irrelevance of the amounts, the company was not consolidated in the first six months of 2006;
- 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., with offices in Luxembourg, was drawn up. No material charges came from the dissolution.

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

COMPANIES CONSOLIDATED
ON A LINE-BY-LINE BASIS

	Registered office		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%	–
• IMA Kilian GmbH & Co. KG	Cologne (Germany)	EUR	3,600,000	–	100% (1)
• Precision Gears Pvt Ltd.	Mumbai (India)	RS (*)	17,852,100	51%	–
• Zibo IMA Xinhua Machinery Manufacturing Co. Ltd.	Zibo (PRC)	USD	820,727	82%	–
• Zibo IMA Xinhua Pharmatech Co. Ltd.	Zibo (PRC)	USD	3,047,216	82%	–
• Tianjin IMA Machinery Co. Ltd.	Tianjin (PRC)	USD	206,204	65%	–
• Nova Packaging Systems Inc.	Leominster (USA)	USD	8,050,000	–	90.68% (2)
• Swiftpack Automation Ltd.	Alcester (GB)	LST	1,403,895	–	90.68% (3)
Commercial companies:					
• IMA UK Ltd.	Wokingham (GB)	LST	50,000	100%	–
• IMA North America Inc.	Bristol (USA)	USD	2,500	100%	–
• I.M.A. Est Verp. Handels GmbH	Vienna (Austria)	EUR	280,000	100%	–
• IMA Germany GmbH	Cologne (Germany)	EUR	90,000	100%	–
• IMA France E.u.r.l.	Rueil-Malmaison (France)	EUR	45,735	100%	–
• IMA Pacific Co. Ltd.	Bangkok (Thailand)	THB (*)	40,219,000	99.99%	–
• IMA Packaging and Processing Equipment (Beijing) Co. Ltd.	Beijing (PRC)	USD	1,367,285	100%	–
• Imautomatiche Lda	Madeira (Portugal)	EUR	5,000	100%	–
• IMA Iberica Processing and Packaging S.L.	Barcelona (Spain)	EUR	590,000	100%	–
Other companies:					
• Info Area S.r.l.	Ozzano E. (Bologna)	EUR	98,800	100%	–
• IMA Kilian Verwaltungs GmbH	Cologne (Germany)	EUR	25,000	–	100% (1)
Financial companies:					
• Packaging Systems Holdings LLC	Wilmington (USA)	USD (**)	8,050,000	90.68%	–

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

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

Notes (details of indirect investments):

(1) Owned by IMA Germany GmbH

(2) Owned by Packaging Systems Holdings LLC

(3) Owned by Nova Packaging Systems Inc.

**COMPANIES CONSOLIDATED
USING THE PROPORTIONAL
METHOD**

	Registered office		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 indirect investments):

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

The half-year report at 30 June 2006 includes figures for and information on IMA-Telstar S.L. and Telstar Huadong Co. Ltd., companies consolidated using the proportional method.

**INVESTMENTS VALUED
USING THE
EQUITY METHOD**

	Registered office		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%	–
Consorzio Info Area	Ozzano E. (Bologna)	EUR	(*)50,000	25%	25% (5)
Scriba Nanotecnologie S.r.l.	Bologna	EUR	15,000	20%	–

(*) Interests in consortium capital

Notes (details of indirect investments):

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

The half-year report at 30 June 2006 includes 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. 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.

**INVESTMENTS VALUED
AT COST**

	Registered office		Share capital	Direct investment	Indirect investment
Holteco B.V.	Amsterdam (Netherlands)	EUR	184,000	100%	–

Holteco B.V. was valued at cost as the liquidation procedure started in the first half of 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 half-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. manufactures 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.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceutical, cosmetics, chemicals and food industries.
- Precision Gears Pvt. 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 optional unit;
- 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.

The following table gives a breakdown of revenues by business segment, with comparative figures for the corresponding period of 2005 (millions of euros):

	1 st half 2006	1 st half 2005	Change
Tea, herbal tea and coffee packaging	38.0	34.3	3.7
Pharmaceuticals packaging	102.7	89.4	13.3
Pharmaceuticals processing	38.1	30.0	8.1
Other	1.9	2.8	(0.9)
Total	180.7	156.5	24.2

In the first half of 2006 consolidated revenues amounted to 180.7 million euros, compared with 156.5 million euros in the first six months of 2005. The Telstar Group was included in the scope of consolidation in the second half of 2005 for pharmaceuticals packaging and accounted for 3.8 million euros of revenues for the first half of 2006.

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 first half of 2006 in the pharmaceuticals segment. Once again, the Group reveals itself as highly flexible to changes in market demand, partly due to its organisational model, which enables it to cope with increases in revenues, even significant ones, over a short period of time. The recovery in the entire pharmaceuticals segment is a sign that the crisis of the last two years is now over. The following table shows operating profit by segment (millions of euros):

	1 st half 2006	1 st half 2005	Change
Tea, herbal tea and coffee packaging	13.2	11.3	1.9
Pharmaceuticals packaging	4.6	(2.8)	7.4
Pharmaceuticals processing	(1.7)	(7.4)	5.7
Other	(0.1)	0.2	(0.3)
Total	16.0	1.3	14.7

It is clear that there is general improvement due to different reasons. In the tea segment, this is due to a favourable range of products. In the pharmaceuticals packaging segment there were no troubleshooting charges on new machines, and actions for reducing production costs are now showing first successes. In the pharmaceuticals processing segment, improvement comes from the prices/rebates ratio and the ending of the negative effects of the relocation of subsidiary IMA Kilian & Co. KG and its subsequent restructuring. Structure costs were substantially in line with or moderately rose from the prior period in all segments and on a like-for-like basis.

IMA Group revenues in the first half of 2006 are broken down by geographical and business segment as follows (millions of euros):

REVENUES BY GEOGRAPHICAL SEGMENT

	1 st half 2006	1 st half 2005	Change
European Union (excluding Italy)	82.7	64.0	18.7
Other European countries	8.1	12.1	(4.0)
North America	46.3	32.2	14.1
Asia	18.8	18.0	0.8
Other countries	12.8	14.9	(2.1)
Total foreign markets	168.7	141.2	27.5
Italy	12.0	15.3	(3.3)
Total	180.7	156.5	24.2

REVENUES BY BUSINESS SEGMENT

	1 st half 2006	1 st half 2005	Change
Machines and formats	101.5	97.7	3.8
Construction contracts	35.5	19.0	16.5
Spare parts	27.5	24.4	3.1
Technical assistance	10.0	9.2	0.8
Other services	6.2	6.2	–
Total	180.7	156.5	24.2

**2. PROPERTY, PLANT
AND EQUIPMENT**

Property, plant and equipment shows a net increase of 0.8 million euros. Movements in the item break down as follows (millions of euros):

	Land	Buildings leasehold improv.	Plant and machinery	Indust. & comm. equip.	Other assets	Assets under constr. and advances	Total
Balances at 1 Jan 2006	14.7	35.4	15.0	1.9	3.8	2.5	73.3
Increases for the period	2.5	0.5	0.8	0.2	0.7	0.3	5.0
Change in cons. scope	–	–	0.1	0.1	0.1	–	0.3
Sales and disposals.	–	(0.1)	(0.1)	–	(0.1)	–	(0.3)
Depreciation	–	(0.9)	(1.7)	(0.4)	(0.8)	–	(3.8)
Reclassifications	–	0.8	0.8	0.1	–	(1.7)	–
Translation differences	(0.1)	(0.1)	(0.1)	–	(0.1)	–	(0.4)
Balances at 30 Jun 2006	17.1	35.6	14.8	1.9	3.6	1.1	74.1

“Land” includes 10.7 million euros in respect of property in Ozzano dell’Emilia (Bologna) and Bentivoglio (Bologna) owned by the Parent Company; 3.2 million euros refers to land in Calenzano (Florence) and 2.5 million euros to land in Terrassa (Spain) under a finance lease.

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

‘Other assets’ comprise (in millions of euros):

	30 Jun 2006	31 Dec 2005
Electronic office machines	1.4	1.5
Office furniture and fittings	1.2	1.3
Vehicles	0.8	0.7
Other	0.2	0.3
Total	3.6	3.8

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

The increase for the period of 2.5 million euros in Land relates to the amount reported by the joint venture IMA-Telstar S.L. following the execution on 29 May 2006 of a capital lease contract for a building land in Terrassa (Spain), as illustrated in Note 15. This contract also provides for the construction of an industrial building.

Increases for the period refer mainly to charges for the expansion and modification of existing buildings and plant, the capitalisation of in-house built equipment, and the purchase of electronic machinery and motor vehicles.

Reclassifications mainly regards 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.

3. INTANGIBLE ASSETS

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

	Development costs	Industrial patent rights	Software, lic. trademarks and similar	Goodwill	Assets under dev. and advances	Total
Balances at 1 Jan 2006	6.2	1.1	3.3	47.5	1.2	59.3
Increases for period	–	0.2	–	–	0.6	0.8
Purchase of VIMA S.r.l.	1.5	–	–	4.3	–	5.8
Change in cons. scope	1.0	0.1	–	–	–	1.1
Amortisation	(0.7)	(0.2)	(0.7)	–	–	(1.6)
Value decrease/increase	–	–	–	1.5	–	1.5
Write-downs/Impairment	–	–	–	(0.8)	–	(0.8)
Translation differences	–	–	–	(0.3)	–	(0.3)
Balances at 30 Jun 2006	8.0	1.2	2.6	52.2	1.8	65.8

Development costs include the costs incurred by the Parent Company for projects eligible for being included in the balance sheet under IAS 38. Specifically, capitalised projects refer to the CA1, machines for packaging filter bags and coffee in pods, the Sterifill F200 and F2000 products, Impressa 130 and the C300, an error-control tablet counting machine, which were considered new products since they were not available previously and are targeted at new market segments. Due to the acquisition of the Telstar Group in the prior year, this also includes the know-how gained in the freeze-drying sector in the production of biotech-derived pharmaceuticals; the useful life was estimated in 7 years. Following the inclusion of VIMA S.r.l. in the scope of consolidation, 2.5 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.

Software, licences, trademarks and other rights mainly include application, management and technical software.

Goodwill comprises the following (millions of euros):

	30 Jun 2006	31 Dec 2005
Acquisition of G.S. S.r.l. Coating System division	7.4	7.4
Acquisition of ICO OLEODINAMICI S.p.A. division	3.1	3.1
Acquisition of CO.MA.DI.S. S.p.A.	3.8	3.8
B.F.B. S.p.A.	1.8	1.8
IMA Kilian GmbH & Co. KG	14.8	14.8
Nova Group	13.6	13.2
Telstar Group	3.4	3.4
VIMA Impianti S.r.l.	4.3	–
Total	52.2	47.5

In September 2004 the Company bought 90.68% of Packaging Systems Holdings LLC at the same time entering into a put&call option for the residual 9.32%, which was purchased by IMA S.p.A. on 11 July 2006 as reported in Note 28 below. The 1.5 million euros posted under ‘Value decrease/increase’ is the change in the value of goodwill for the acquisition of the Nova Group associated with the determination of the purchase price.

Regarding the goodwill of VIMA Impianti S.r.l., reference should be made to Note 24.

The translation difference of 0.3 million euros refers to the translation of the Nova Group goodwill at the end-of-period exchange rate.

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 the CGU Nova Group as was purchased 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 8.26%, corresponding to the average weighted cost of capital calculated according to the financial statements of the Nova Group (and higher than the average weighted cost of capital of IMA).

Cash flows beyond 5 years have been extrapolated using a growth rate of 3%, which is lower than the average long-term growth rate in the pharmaceuticals sector (7-8%) since it relates to one single production type (tablet counting machines).

Based on the above, the value in use of the Cash Generating Unit was lower by 0.8 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.

Developments in the second half of the year, which are key to the year’s results and order acquisition for the following year, will provide a more complete picture of prospects for the various CGUs.

Assets under development and payments on account include 1.7 million euros for the capitalisation of development costs incurred by the Parent Company during the years 2004 and 2005 and the first half of 2006 mainly for in-house projects and manufacturing and materials. These development costs relate to the implementation of brand new products in the pharmaceuticals packaging and processing segments and eligible for recognition as an intangible asset.

**4. EQUITY INVESTMENTS
IN ASSOCIATES**

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

	% holding	30 Jun 2006	31 Dec 2005
B.C. S.r.l.	30%	0.6	0.5
LA.CO. S.r.l.	30%	0.5	0.5
Scriba Nanotecnologie S.r.l.	20%	0.2	–
Total		1.3	1.0

The increase is due to the acquisition of 20% of Scriba Nanotecnologie S.r.l. in February 2006, and the adjustment of the investment in B.C. S.r.l. to its equity value.

The book values of the equity investments of LA.CO. S.r.l. and Scriba Nanotecnologie S.r.l. include goodwill of 0.1 million euros and 0.2 million euros respectively.

Finally, in July 2005 a consortium was formed between 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 it is extended or early terminated as resolved unanimously by the partners in the meeting.

The following table summarises key financial data at 31 December 2005 of associated companies:

	Assets	Liabilities	Revenues	Net profit
B.C. S.r.l.	3.0	1.2	3.1	0.1
LA.CO. S.r.l.	1.9	1.5	2.9	0.1

5. FINANCIAL ASSETS

The non-current financial assets, which amounts to 3.3 million euros, includes investments in securities totalling 2.9 million euros (3.2 million euros at 31 December 2005), which mainly comprise listed bond funds pledged as collateral for non-current loans received and classified as available for sale. This section also includes financial receivables of 0.3 million euros (0.3 million euros at 31 December 2005) and investments in other companies of 0.1 million euros (0.1 million euros at 31 December 2005).

The current financial assets, which amounts to 4.8 million euros, includes investments of IMA S.p.A. in government securities totalling 0.6 million euros (0.4 million euros at 31 December 2005) and deposits of 4.2 million euros (4.2 million euros at 31 December 2005) maturing in the fourth quarter of 2006 made by IMA-Telstar S.L. with international leading credit institutions in order to use in the best way possible the liquidity deriving from the share capital increase paid by IMA S.p.A. in IMA-Telstar S.L. for the latter's acquisition.

6. RECEIVABLES FROM OTHERS

These include various guarantee deposits.

7. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments break down as follows (millions of euros):

	Assets 30 Jun 2006	Liabilities 30 Jun 2006	Assets 31 Dec 2005	Liabilities 31 Dec 2005
(Non-current) Interest rate swaps cash flow hedges	0.2	–	0.1	–
(Current) exchange rate hedging instruments – cash flow hedges	0.7	–	–	1.7
Total	0.9	–	0.1	1.7

INTEREST RATE DERIVATIVES

The amount of 0.2 million euros is the fair value of two options entered into during 2005 and 2006 with a leading credit institution to hedge interest rate risk; such options are separately linked to two medium-term loans maturing in June and October 2011.

FOREIGN EXCHANGE DERIVATIVES

The notional amounts of the exchange rate hedging instruments fell from 39.4 million US Dollars at 31 December 2005 to 30.3 million US Dollars at 30 June 2006.

8. DEFERRED TAX ASSETS AND LIABILITIES

At 30 June 2006, deferred tax assets amounted to 6.2 million euros (5.3 million euros at 31 December 2005). They mainly regard temporary differences in respect of the elimination of unrealised intra-group profits on sales of finished goods and the tax benefit deriving from loss carry-forward.

At 30 June 2006 deferred taxes of 5.7 million euros (4.1 million euros at 31 December 2005) mainly relate to temporary differences between the book value and the value recognised for tax purposes of some of property, plant and equipment and intangible assets.

9. INVENTORIES

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

	Gross value	Impair. provision	Net value	Net value at 31 Dec 2005
Raw materials, supplies and consumable stores	22.0	(5.2)	16.8	15.6
Work in progress and semifinished products	141.1	(17.1)	124.0	100.7
Finished goods and merchandise	6.0	(2.2)	3.8	5.8
Total	169.1	(24.5)	144.6	122.1

The increase in inventories from 31 December 2005 is due to the construction of machinery to be delivered to customers during the second half of the year, and to the significant size of the order book acquired at the end of June.

Please note that, during the period, the Parent Company and IMA Kilian GmbH & Co. KG made provisions of 1.6 million and 0.5 million euros respectively for writedowns of work in progress and semifinished goods.

**10. TRADE RECEIVABLES
AND OTHER RECEIVABLES**

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

	30 Jun 2006	31 Dec 2005
Trade receivables	91.7	98.8
Advances to suppliers	3.9	5.5
Tax receivables	2.5	1.6
Deferrals	3.0	1.9
Other receivables	2.2	1.1
Total	103.3	108.9

TRADE RECEIVABLES

Trade receivables include customer receivables of 73.1 million euros (81.3 million euros at 31 December 2005), amounts due on contract work in progress of 17.7 million euros (15.8 million euros at 31 December 2005), and commercial receivables from associates of 0.9 million euros (1.7 million euros at 31 December 2005).

Customer receivables show a 8.2 million euro decrease following collections during the period and the Group's prudent management of receivables. Trade receivables with customers falling due after one year (equal to 0.6 million euros) regard orders large enough to justify deferred payment terms. Payment extensions granted to customers who reside in countries with particular risks are backed by appropriate financial instruments to secure collection. There are no customer receivables due after five years. Customer receivables are shown net of the provision for bad debts of 2.1 million euros (2.0 million at 31 December 2005). The period saw the non-recourse assignment of receivables with an overall nominal value of around 0.3 million euros. Assigned receivables that had not yet fallen due at 30 June 2006 amounted to around 2.8 million euros, of which 0.8 million euros are assigned to factoring companies and 2.0 million euros to other financial institutions.

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

	30 Jun 2006	31 Dec 2005
Construction contracts (costs incurred plus recognised margins)	33.2	22.5
Advances received	(15.5)	(6.7)
Due from customers	17.7	15.8

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 (millions of euros):

	30 Jun 2006	31 Dec 2005
Advances received	(5.0)	(5.9)
Construction contracts (costs incurred plus recognised margins)	3.5	4.6
Due to customers	(1.5)	(1.3)

TAX RECEIVABLES

Tax receivables mainly consist of VAT receivables.

DEFERRALS

This mainly include prepaid insurance premiums, maintenance fees and advisory fees.

OTHER RECEIVABLES

Other receivables essentially include receivables from social security institutions and advances to employees.

11. CASH AND CASH EQUIVALENTS

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

	30 Jun 2006	31 Dec 2005
Bank current accounts	28.2	55.8
Demand deposits	–	1.7
Cheques and cash	0.4	0.3
Total	28.6	57.8

Cash and cash equivalents decreased by 29.2 million euros due to the natural slow-down in collections and the increase in inventories from 31 December 2005. For a better understanding of the performance of this item, reference should be made to Note 15 dealing with a breakdown of net debt.

12. SHARE CAPITAL

The share capital reported in the consolidated financial statements at 30 June 2006 refers to the 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.

13. TREASURY STOCK

During the first half of 2006 no treasury shares were purchased.

In the first half of 2005, the Parent Company carried out the following operations involving its equity instruments:

- acquisition of 1,349,121 own shares for 13.3 million euros (in January and February 2005);
- sale of 250,000 own shares for 2.7 million euros in May and June 2005; these sales generated a capital gain of 0.2 million euros, net of tax effects.

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

The table below shows the number of shares in circulation:

in thousands	
Balance at 1 Jan 2005	36,100
Treasury shares acquired	(1,349)
Treasury shares sold	250
Balance at 30 Jun 2005	35,001
Treasury shares acquired	(938)
Treasury shares sold	446
Balance at 31 Dec 2005	34,509
Treasury shares acquired	–
Treasury shares sold	–
Balance at 30 Jun 2006	34,509

In May 2006, a total dividend of 13.8 million euros was paid, equal to 0.40 euros (gross) per ordinary share in circulation (14.0 million euros, equal to 0,40 euros per ordinary share in May 2005).

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 stabilise the value of the stock on the market, in compliance with all applicable rules. The Shareholders' meeting authorised the Board of Directors of IMA S.p.A. to purchase, for a 12-month period, up to a maximum of 3,610,000 ordinary shares at a price equal to the average Stock market price for the prior five days +/- a maximum 10%. It is reasonably estimated that throughout the duration of the plan, no more than 450,000 shares will be purchased with a maximum countervalue of 6 million euros.

14. FAIR VALUE RESERVE

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

Balance at 1 Jan 2005	1.1
<i>Available for sale</i>	
Valuation at fair value	0.1
<i>Cash flow hedges / hedging instruments</i>	
Valuation at fair value	(3.7)
Fair value - tax effect	1.1
Realisation recognised in income	(1.2)
Realisation recognised in income - tax effect	0.4
Balance at 30 Jun 2005	(2.2)
Balance at 1 Jan 2006	(0.9)
<i>Cash flow hedges / hedging instruments</i>	
Valuation at fair value	1.5
Fair value - tax effect	(0.5)
Realisation recognised in income	1.1
Realisation recognised in income - tax effect	(0.3)
Balance at 30 Jun 2006	0.9

15. BORROWINGS

These include payables to banks of 145.6 million euros (146.0 million euros at 31 December 2005) and payables to other lenders of 9.5 million euros (6.8 million euros at 31 December 2005).

PAYABLES TO BANKS

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

	30 Jun 2006	31 Dec 2005
Non-current:		
Applied research and technological innovation loans	17.9	18.9
Other	45.1	60.3
	63.0	79.2
Current:		
Current accounts	6.5	7.0
Advances on export transactions	41.8	39.9
Advances on export transactions to be carried out	0.1	–
Applied research and technological innovation loans	4.2	3.3
Other	30.0	16.6
	82.6	66.8
Total	145.6	146.0

Payables to Credit Institutions compared with 31 December 2005 are stable overall.

Certain loans and financings are guaranteed by the compliance with certain financial covenants calculated on the Parent Company's financial statements and/or the Group consolidated accounts. There are no covenants calculated on the half-year report.

Applied research and technological innovation loans

Over the period, maturing instalments were paid regularly in the overall amount of 1.2 million euros. In addition, the group received new lending of 1.0 million euros, of which 0.9 million euros to IMA S.p.A. and 0.1 million euros to VIMA Impianti S.r.l.

Other

The main changes in this item regard ordinary repayments amounting to 7.7 million euros and a new loan to the Parent Company for 6.0 million euros for the purchase of VIMA Impianti S.r.l.

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

	30 Jun 2006	31 Dec 2005
Due within 1 year	82.6	66.8
Due from 1 to 5 years	58.4	73.7
Due after more than 5 years	4.6	5.5
Total	145.6	146.0

PAYABLES TO OTHER LENDERS

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

	30 Jun 2006	31 Dec 2005
Non-current:		
• Payables to leasing companies	7.4	5.6
• Other	0.3	–
	7.7	5.6
Current:		
• Payables to leasing companies	1.0	1.0
• Payables to factoring companies	0.2	0.2
• Other	0.6	–
	1.8	1.2
Total	9.5	6.8

At 30 June 2006 payables to leasing companies included 5.9 million euros (6.5 million euros at 31 December 2005) in respect of a lease held by Libra P.T. S.r.l. (merged into I.M.A. S.p.A. with effect from 1 January 2004) for land and an industrial building on the property, which was delivered in August 2003. The non-current portion regards payables due from 1 to 5 years totalling 4.9 million euros.

In May 2006 the joint venture IMA-Telstar S.L. made a finance lease contract for a building land in Terrassa (Spain) for an amount of 2.5 million euros, of which 0.8 million euros is due from 1 to 5 years and 1.7 million euros is due after more than 5 years. The contract provides for the construction of a building and monthly payments for the principal amount starting from the completion of the building, which could be presumably in January 2008.

Net debt at 30 June 2006 amounted to 118.4 million euros and breaks down as follows:

millions of euros	30 Jun 2006	31 Mar 2006	31 Dec 2005	30 Jun 2005
Net debt	118.4	110.6	86.8	101.8
Of which:				
• Cash and current financial assets	(33.4)	(34.2)	(62.4)	(29.5)
• Non-current financial assets	(3.3)	(3.7)	(3.6)	(3.6)
• Current financial liabilities	84.4	63.2	68.0	84.5
• Non-current financial liabilities	70.7	85.3	84.8	50.4

With reference to 31 December 2005, the change in net debt is mainly attributable, as in previous years, to the substantial inventories needed to cope with planned deliveries, as well as the financial outlay of 8.7 million euros following the acquisitions of VIMA Impianti S.r.l. and Scriba Nanotecnologie S.r.l. during the first quarter of 2006 and the payment of 3.0 million US Dollars for the acquisition of Packaging Systems Holdings LLC in May 2006. In June 2006 IMA-Telstar S.L. contracted a debt for a finance lease of 2.5 million euros. Due to this and the above said transactions, the negative impact on net debt at 30 June 2006 is 14.8 million euros.

As compared with 31 March 2006 the change in net debt is due to a part of these transactions, with a total negative impact of 8.7 million euros, and to the payment of dividends of 13.8 million in May 2006.

16. SEVERANCE AND PENSION PROVISIONS

This item includes post-employment benefits valued on the basis of an actuarial assessment of the obligation. It mainly comprises severance indemnity provisions by the Group's Italian companies.

The principal economic and financial assumptions used by the actuary are as follows:

	30 Jun 2006	31 Dec 2005
• Annual discount rate	4.7%	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 (millions of euros):

Balance at 31 Dec 2005	25.3
Change in scope of consolidation	0.3
Costs in respect of employment services during the period	1.2
Financial expense	0.5
Net actuarial losses (gains) recognised during the period	(0.9)
Severance payments made during period	(2.1)
Balance at 30 Jun 2006	24.3

17. PROVISIONS FOR RISKS AND CHARGES

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

	Balance at 31 Dec 2005	Allocations	Uses	Translation differences	Balance at 30 Jun 2006
Non-current:					
• Agency termination indemnities	1.1	–	–	–	1.1
• Legal disputes	–	0.1	–	–	0.1
	1.1	0.1	–	–	1.2
Current:					
• Product guarantee provision	4.4	0.5	(0.5)	–	4.4
• Other	0.5	0.2	–	–	0.7
	4.9	0.7	(0.5)	–	5.1
Total	6.0	0.8	(0.5)	–	6.3

The product guarantee provision is established on the basis of estimated expenses for interventions under guarantee after 30 June 2006 for machines sold previous to that date.

Other risk provisions mainly include provisions for taxes covering any estimated liabilities as may come up following the controls carried out by the tax authorities during the prior year.

18. TRADE PAYABLES AND OTHER PAYABLES

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

	30 Jun 2006	31 Dec 2005
Trade payables	81.5	86.4
Advances from customers	38.1	34.5
Social security payables	2.5	4.1
Tax payables	2.1	3.5
Employee payables	16.2	13.4
Payables in respect of acquisitions	4.1	5.6
Other	1.8	2.0
Total	146.3	149.5

TRADE PAYABLES

These include trade payables to suppliers of 75.2 million euros (78.0 million euros at 31 December 2005), agent payables of 4.2 million euros (5.5 million euros at 31 December 2005) and trade payables to associates of 2.1 million euros (2.9 million euros at 31 December 2005).

ADVANCES FROM CUSTOMERS

The increase in advances from customers for uncompleted contracts with respect to 31 December 2005 is due mainly to the large volume of orders to be completed in the second half of the year.

Information on the amounts due for construction contracts is provided in Note 10.

TAX PAYABLES

Tax payables refer mostly to withholding taxes for employees.

EMPLOYEE PAYABLES

The increase in this item compared with 31 December 2005 is due principally to accrued holiday entitlement used by personnel in July and August.

PAYABLES IN RESPECT OF ACQUISITIONS

This includes the residual debt for the acquisition of the 90.68% interest in Packaging Systems Holdings LLC amounting to 0.3 million US Dollars (equal to 0.2 million euros), which is due in May 2009. In May 2006 the amount of 3.0 million US Dollars was paid, as envisaged in the contract. With regard to this acquisition, the Parent Company and the management of the US Group made an agreement providing for the mutual right to purchase/sell the shares held by the management. Such right is to be exercised from April 2009 at a price that is commensurated with the results achieved in the industrial sector. On 11 July the Parent Company IMA. S.p.A. purchased the residual 9.32% shares amounting to 4.9 million US Dollars paid as the shares were transferred following the early termination of the agreement, as indicated in Note 28. At 30 June 2006 the debt for the purchase of the remaining shares is 3.9 million euros (at 31 December 2005 it was estimated to be 2.6 million euros).

19. PERSONNEL COSTS

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

	1 st half 2006	1 st half 2005	Change
Wages and salaries	47.6	44.8	2.8
Social security contributions	12.4	11.9	0.5
Remuneration of directors	0.7	0.6	0.1
Pensions - defined-benefit plans	1.2	1.8	(0.6)
Pensions - defined-contribution plans	0.5	0.5	–
Other personnel costs	3.6	3.6	–
Total	66.0	63.2	2.8

It should be noted that the figure for the first half of 2006 includes 0.9 million euros in personnel costs for IMA-Telstar S.L. and Telstar Huadong Co. Ltd., and 1.0 million euros for VIMA Impianti S.r.l., which were not included in the scope of consolidation of the first quarter of the prior year.

In the first half of 2006, the IMA Group employed an average of 2,682 people as follows:

	1 st half 2006	1 st half 2005	Year 2005
Management	68	66	65
Office workers	1,786	1,749	1,796
Production workers	828	802	825
Total	2,682	2,617	2,686

The average for the first quarter includes 43 employees of VIMA Impianti S.r.l.

20. DEPRECIATION AND AMORTISATION EXPENSE

This includes depreciation of 3.8 million euros (3.7 million euros in the first quarter of 2005), amortisation of 1.6 million euros (1.1 million euros during the first half of 2005), write-downs of goodwill of 0.8 million euros, as indicated in Note 3, and other write-downs of 0.2 million euros (0.4 million euros in the first half of 2005).

21. FINANCIAL INCOME

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

	1 st half 2006	1 st half 2005	Change
Interest income from banks	0.5	0.5	–
Interest income from customers and other financial income	0.1	0.1	–
Income from derivatives	0.1	1.0	(0.9)
Exchange rate gains	3.3	4.0	(0.7)
Total	4.0	5.6	(1.6)

22. FINANCIAL EXPENSE

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

	1 st half 2006	1 st half 2005	Change
Interest expense on bank payables	3.1	2.3	0.8
Interest expense on discounting	–	0.1	(0.1)
Interest expense on finance leases	0.1	0.1	–
Expense on derivatives	0.3	1.1	(0.8)
Other financial expense	0.2	0.2	–
Exchange rate losses	2.9	5.0	(2.1)
Total	6.6	8.8	(2.2)

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

At 30 June 2006, exchange rate gains and losses included, respectively, an unrealised gain of 1.6 million euros (2.3 million euros in the first half of 2005) and an unrealised loss of 1.1 million euros (3.1 million euros in the first half of 2005).

23. INCOME TAXES FOR THE PERIOD

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

24. 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	0.3	0.3
Know-how	1.0	2.5
Inventories	2.1	2.1
Bank payables	(2.6)	(2.6)
Other assets/liabilities	0.1	(0.5)
Total	0.9	1.8
Book value of equity interest		6.1
Goodwill		4.3

The difference in the fair value of ‘Other assets/liabilities’ relates to the tax effects of the recognition of know-how.

VIMA Impianti S.r.l. was consolidated for all the first half of 2006.

25. GUARANTEES GRANTED

At 30 June 2006, the Group had granted sureties to customers in the amount of 8.3 million euros for the proper operation of machinery, bid bonds and advances not yet received, sureties in favour of the municipality of Ozzano dell’Emilia (Bologna) totalling 0.7 million euros to secure performance of contracts, sureties totalling 1.3 million euros to guarantee the proper exercise of the options to acquire the remainder of the Nova Group and sureties to others amounting to 0.5 million euros to secure leases, sundry utilities and customs duties.

Sureties granted against advances received amounted to about 16.7 million euros (23.5 million at 31 December 2005).

26. COMMITMENTS

At 30 June 2006 the Group has commitments to purchase intangible assets amounting to 0.1 million euros in respect of industrial patent rights. The Group also has commitments to purchase property, plant and equipment amounting to 0.2 million euros (0.1 million euros at 31 December 2005), mainly in respect of costs of expansion and upgrade of existing plant and machinery.

The Group has commitments of 1.7 million euros of future minimum payments for non-cancellable operating lease transactions for software and motor vehicles (0.7 million euros is due within one year, 1.0 million euros is due from one to five years), and commitments for rents of 28.7 million euros (3.7 million euros is due within one year, 22.1 million euros is due from one to five years and 2.9 million euros is due after more than five years). Fees paid during the first half of 2006 for operating lease contracts and rentals were 2.1 million euros (2.2 million euros in the first half of 2005).

**27. RELATED-PARTY
TRANSACTIONS**

As described earlier, intra-group transactions are related to the organisational 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 responsible for the administration and management of the company or entities controlled by such persons.

These transactions are approved from time to time by the Board of Directors (the only body entitled to resolve on these non-delegable transactions), which gives reason and opportunity for each of them.

These transactions are mainly real estate operations (leased premises used by the Company or the Group) or commercial and/or supplementary production agreements. None is of special economic or strategic interest to the Company or the Group, and they are conducted on an arm's length basis.

In any event, the following notes describe and explain the reasons for the main commercial or manufacturing relationships with related parties with the characteristics described above.

Naturapack S.r.l. is a company – related party - 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.

The following table details the main transactions carried out by I.M.A. S.p.A. and other Group companies with related parties, primarily the directors of the Parent Company, at 30 June 2006 (millions of euros):

	Receivables	Payables	Revenues	Costs
Datasensor S.p.A.	–	0.1	–	0.1
Italbe S.r.l.	–	–	–	0.1
Lopam S.r.l.	–	–	–	0.2
Morosina S.p.A.	–	–	–	0.1
Naturapack S.r.l.	0.7	–	0.7	0.2
Luca Poggi	–	0.1	–	0.1
Sporting Club Gira S.r.l.	–	–	–	0.1
Viaggi Nuova Era S.r.l.	–	1.5	–	1.8

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

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

	Receivables	Payables	Revenues	Costs
B.C. S.r.l.	–	0.7	–	1.5
LA.CO. S.r.l.	–	0.7	–	0.7
Consorzio Info Area	0.9	0.7	1.5	1.4

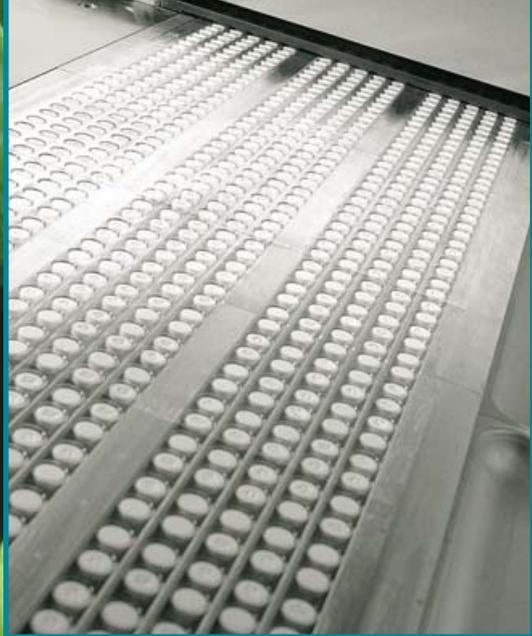
Receivables and payables vis-à-vis related parties included in the consolidated balance sheet are of commercial origin.

The above positions are primarily held by the Parent Company.

**28. POST-BALANCE SHEET
EVENTS**

These events took place after 30 June 2006:

- On 11 July IMA. S.p.A. purchased the residual 9.32% of the shares of Packaging Systems Holdings LLC from the management of the US Group for an amount of 4.9 million US Dollars, which was paid 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. Such right was to be exercised from April 2009 at a price that is commensurated with the results achieved in the industrial sector. The present agreement, which envisages the termination of any relationship with management, including employment, was made by IMA. S.p.A. as part of the managerial reorganisation 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;
- in July 91,750 treasury shares were purchased, as planned and explained in Note 13 above. At 31 July 2006, as per the communication under Articles 87 and 101 of the Issuers' Regulation, treasury shares are held in the amount of 4.662% of the share capital.



Protect, contain and preserve - thereby ensuring the integrity and maintaining the benefits and effects of the product for the long term. This is the philosophy of IMA blisters, the style of packaging which IMA brought to the pharmaceutical market 30 years ago.

NOTES TO THE STATUTORY FINANCIAL STATEMENTS OF THE PARENT COMPANY

The statutory financial statements of the Parent Company IMA S.p.A. were prepared in conformity with the IAS/IFRS issued by the I.A.S.B. – International Accounting Standards Board now in force and the interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee (SIC/IFRIC).

The comparative figures reported in the financial statements have been adequately adjusted to the IAS/IFRS and their present interpretations. There is a possibility that, given the continuous developments in this matter, these can be changed during 2006.

BALANCE SHEET

AT 30 JUNE 2006 AND 31 DECEMBER 2005 (MILLIONS OF EUROS)

ASSETS	30 June 2006	31 December 2005
NON-CURRENT ASSETS		
<i>Property, plant and equipment</i>	60.8	61.9
<i>Intangible assets</i>	20.3	20.7
<i>Investments in subsidiaries</i>	58.8	51.4
<i>Investments in associates</i>	12.2	12.0
<i>Investments in other companies</i>	–	–
<i>Financial assets</i>	3.0	3.2
<i>Receivables from others</i>	0.3	0.4
<i>Derivative financial instruments</i>	0.2	–
<i>Deferred tax assets</i>	–	–
TOTAL NON-CURRENT ASSETS	155.6	149.6
CURRENT ASSETS		
<i>Inventories</i>	101.8	86.7
<i>Trade and other receivables</i>	99.3	105.8
<i>Income tax receivables</i>	–	–
<i>Financial assets</i>	0.6	0.5
<i>Derivative financial instruments</i>	0.6	–
<i>Cash and cash equivalents</i>	13.8	36.2
TOTAL CURRENT ASSETS	216.1	229.2
TOTAL ASSETS	371.7	378.8
EQUITY AND LIABILITIES	30 June 2006	31 December 2005
EQUITY		
<i>Share capital</i>	18.8	18.8
<i>Share premium reserve</i>	16.4	16.4
<i>Treasury shares</i>	(14.7)	(14.7)
<i>Fair value reserve</i>	0.7	(0.8)
<i>Other reserves</i>	28.9	28.5
<i>Retained earnings</i>	17.7	17.7
<i>Net profit (loss) for the period</i>	10.6	14.2
TOTAL EQUITY	78.4	80.1
NON-CURRENT LIABILITIES		
<i>Borrowings</i>	66.0	82.0
<i>Severance and pension obligations</i>	22.6	23.8
<i>Provisions for risks and charges</i>	0.9	0.9
<i>Deferred tax liabilities</i>	2.9	2.1
TOTAL NON-CURRENT LIABILITIES	92.4	108.8
CURRENT LIABILITIES		
<i>Borrowings</i>	63.0	48.9
<i>Trade and other payables</i>	122.4	133.1
<i>Income tax liabilities</i>	11.2	2.2
<i>Provisions for risks and charges</i>	4.3	4.2
<i>Derivative financial instruments</i>	–	1.5
TOTAL CURRENT LIABILITIES	200.9	189.9
TOTAL LIABILITIES	293.3	298.7
TOTAL EQUITY AND LIABILITIES	371.7	378.8

INCOME STATEMENT

FOR THE FIRST HALF OF 2006 COMPARED WITH THE FIRST HALF OF 2005 (MILLIONS OF EUROS)

INCOME STATEMENT	H1 2006	H1 2005
REVENUES	138.2	123.1
<i>Other revenues</i>	3.7	3.9
OPERATING COSTS		
<i>Change in work in progress, semifinished and finished goods</i>	15.0	16.9
<i>Change in inventory of raw, ancillary and consumable materials and goods for resale</i>	0.1	1.3
<i>Cost of raw, ancillary and consumable materials</i>	(55.2)	(57.4)
<i>Services, rentals and leases</i>	(36.2)	(34.6)
<i>Personnel costs</i>	(43.2)	(42.7)
<i>Depreciation and amortisation expense</i>	(4.0)	(4.2)
<i>Provisions for risks and charges</i>	0.1	0.1
<i>Other operating costs</i>	(1.0)	(0.8)
TOTAL OPERATING COSTS	(124.4)	(121.4)
OPERATING PROFIT	17.5	5.6
FINANCIAL INCOME AND EXPENSE		
<i>Financial income</i>	7.3	6.1
<i>Financial expense</i>	(4.9)	(6.7)
TOTAL FINANCIAL INCOME AND EXPENSE	2.4	(0.6)
PROFIT (LOSS) FROM INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND OTHER COMPANIES	–	–
PROFIT (LOSS) BEFORE TAX	19.9	5.0
INCOME TAXES FOR THE PERIOD	(9.3)	(2.2)
PROFIT (LOSS) FOR THE PERIOD	10.6	2.8

**REPORT OF THE INDEPENDENT AUDITORS ON THE
LIMITED REVIEW
OF THE HALF-YEAR REPORT**

**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 ON THE LIMITED REVIEW OF THE INTERIM FINANCIAL REPORTING FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006 PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

To the Shareholders of
IMA – Industria Macchine Automatiche SpA

1. We have performed a limited review of the consolidated condensed interim financial statements consisting of the condensed balance sheet, condensed income statement, condensed statement of changes in shareholders' equity and cash flows (hereinafter "accounting statements") and the related explanatory and supplementary notes included in the interim financial reporting of the IMA - Industria Macchine Automatiche SpA Group for the period ended 30 June 2006. The interim financial reporting is the responsibility of IMA – Industria Macchine Automatiche SpA's Directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying the consistency with the remaining part of the interim financial reporting.

2. Our work was conducted in accordance with the criteria for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the accounting statements. The limited review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: Bari 70125 Viale della Repubblica 110 Tel. 0805429863 – Bologna 40122 Via delle Lame 111 Tel. 051526611 – Brescia 25124 Via Cefalonia 70 Tel. 0302219811 – Firenze 50129 Viale Milton 65 Tel. 0554627100 – Genova 16121 Piazza Dante 7 Tel. 01029041 – Napoli 80121 Piazza dei Martiri 30 Tel. 0817644441 – Padova 35137 Largo Europa 16 Tel. 0498762677 – Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 – Parma 43100 Viale Tanara 20/A Tel. 0521242848 – Roma 00154 Largo Fochetti 29 Tel. 06570251 – Torino 10129 Corso Montevicchio 37 Tel. 011556771 – Trento 38100 Via Manzoni 16 Tel. 0461237004 – Treviso 31100 Viale Felissent 90 Tel. 0422696911 – Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 – Udine 33100 Via Poscolle 43 Tel. 043225789 – Verona 37122 Corso Porta Nuova 125 Tel. 0458002561



Regarding the comparative data of the prior year consolidated financial statements and of the prior year interim financial reporting presented in the accounting statements, reference should be made to our reports dated 29 March 2006 and 29 September 2005.

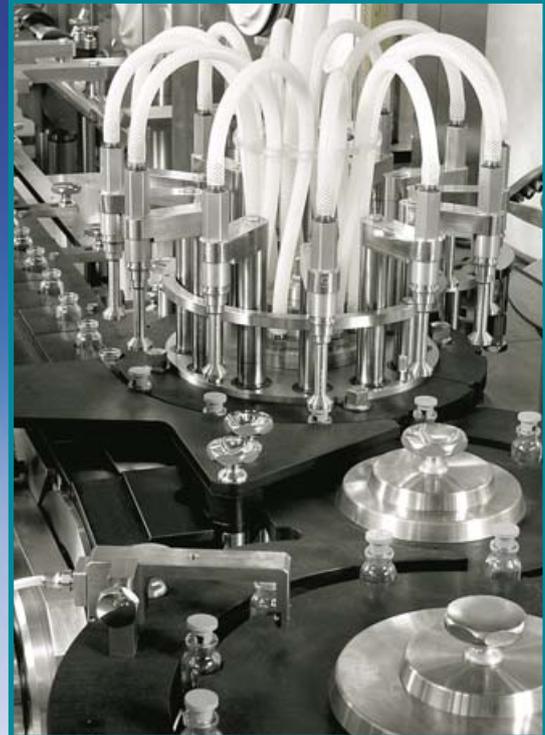
3. Based on our review, no significant changes or adjustments came to our attention that should be made to the consolidated accounting statements and related explanatory and supplementary notes, identified in paragraph 1 of this report, in order to make them consistent with the international accounting standard IAS 34 and with the criteria for the preparation of interim financial reporting established by Article 81 of CONSOB Regulation approved by Resolution no. 11971 of 14 May 1999 and subsequent amendments and integrations.

Bologna, 9 August 2006

PricewaterhouseCoopers SpA

Roberto Megna
(Partner)

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



White room processing under controlled conditions is important for liquid filling and is particularly paramount in injectables. IMA is rightly renowned for the rigorous protection of both the product and the machine operator, guaranteed by the advanced state-of-the-art and beyond technology of the IMA machines.

**IFRS 1 RECONCILIATIONS:
FIRST-TIME ADOPTION OF INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

RECONCILIATION OF THE BALANCE SHEET AT 1 JANUARY 2005

Notes	ASSETS	Italian GAAP	IFRS transition effects	IFRS
	NON-CURRENT ASSETS			
1.	<i>Property, plant and equipment</i>	43.4	21.5	64.9
2.	<i>Intangible assets</i>	17.4	1.9	19.3
	<i>Investments in subsidiaries</i>	48.8	1.0	49.8
	<i>Investments in associates</i>	0.2	–	0.2
	<i>Investments in other companies</i>	–	–	–
	<i>Financial assets</i>	3.2	–	3.2
	<i>Receivables from others</i>	0.7	–	0.7
3.	<i>Deferred tax assets</i>	4.1	(4.1)	–
	TOTAL NON-CURRENT ASSETS	117.8	20.3	138.1
	CURRENT ASSETS			
4.	<i>Inventories</i>	97.6	(18,6)	79.0
	<i>Trade and other receivables</i>			–
5.	- Customers	44.6	17.8	62.4
	- Subsidiaries	30.4	–	30.4
	- Associates	–	–	–
	- Advances, tax credits and other receivables	8.4	(2.4)	6.0
	<i>Total trade and other receivables</i>	<u>83.4</u>	<u>15.4</u>	<u>98.8</u>
	<i>Income tax receivables</i>	4.9	–	4.9
	<i>Financial assets</i>	0.6	–	0.6
	<i>Derivative financial instruments</i>	–	1.5	1.5
6.	<i>Cash and cash equivalents</i>	36.4	(3.3)	33.1
	TOTAL CURRENT ASSETS	222.9	(5.0)	217.9
	TOTAL ASSETS	340.7	15.3	356.0
	EQUITY AND LIABILITIES			
	EQUITY			
	<i>Share capital</i>	18.8	–	18.8
	<i>Share premium reserve</i>	16.4	–	16.4
	<i>Treasury shares</i>	–	–	–
	<i>Fair value reserve</i>	–	1.0	1.0
	<i>Other reserves</i>	26.7	(0.4)	26.3
7.	<i>Retained earnings</i>	6.4	11.3	17.7
	<i>Net profit (loss) for the period</i>	16.1	–	16.1
	TOTAL EQUITY	84.4	11.9	96.3
	NON-CURRENT LIABILITIES			
8.	<i>Borrowings</i>	45.2	4.9	50.1
	<i>Severance and pension obligations</i>	21.1	1.2	22.3
	<i>Provisions for risks and charges</i>	0.8	–	0.8
	<i>Deferred tax liabilities</i>	–	2.8	2.8
	TOTAL NON-CURRENT LIABILITIES	67.1	8.9	76.0
	CURRENT LIABILITIES			
	<i>Borrowings</i>	46.0	1.7	47.7
	<i>Trade and other payables</i>			–
	- Suppliers	60.6	–	60.6
	- Subsidiaries	27.6	–	27.6
	- Associates	0.5	–	0.5
9.	- Advances received	29.5	(7.5)	22.0
	- Tax and other payables	20.5	0.2	20.7
	<i>Total trade and other payables</i>	<u>138.7</u>	<u>(7.3)</u>	<u>131.4</u>
	<i>Income tax liabilities</i>	–	–	–
	<i>Provisions for risks and charges</i>	4.5	–	4.5
	<i>Derivative financial instruments</i>	–	0.1	0.1
	TOTAL CURRENT LIABILITIES	189.2	(5.5)	183.7
	TOTAL LIABILITIES	256.3	3.4	259.7
	TOTAL EQUITY AND LIABILITIES	340.7	15.3	356.0

NOTES TO THE RECONCILIATION OF THE BALANCE SHEET AT 1 JANUARY 2005

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

The following notes describe the main adjustments to balance sheet items:

1. The impact on property, plant and equipment is mainly attributable to the recognition at fair value of certain assets carried under land and buildings, as permitted by IFRS 1. The impact of this valuation came to 11.8 million euros and is also due to the recognition of costs of leased assets for Land, Buildings and Plant as permitted by IFRS 17. The effect of such capitalisation is 9.3 million euros.
2. The changes in intangible assets are as follows:

i. capitalisation of development costs recognised in previous years in the income statement, as permitted under Italian GAAP	1.4
ii. elimination of start-up and expansion costs	(0.1)
iii. elimination of costs included in other intangible assets	(1.3)
iv. elimination of goodwill amortisation	1.9
Total impact	1.9
3. This amount reflects the reclassification of deferred tax assets as to decrease deferred tax liabilities.
4. The effect on inventories is due to:

i. higher value of inventories due to their valuation at weighted average cost compared with LIFO	0.5
ii. reclassification of the cost of construction contracts valued in accordance with the completed contract method under Italian GAAP and under the percentage-of-completion method according to IAS	(5.1)
iii. reclassification to trade receivables of construction contracts in progress previously recognised on a percentage-of-completion basis	(14.0)
Total impact	(18.6)
5. The impact on Trade receivables is due to:

i. the amounts due from customers for construction contracts valued on an accrued revenue basis that were previously recognised on a completed contract basis (see note 4 ii.)	8.0
ii. reclassification of contract work in progress (see note 4 iii.)	14.0
iii. advances from customers for construction contracts mentioned in points i. and ii. above, which under previous GAAP had been recognised under payables in respect of advances	(5.5)
iv. trade receivables in respect of construction contracts for which the amount of advances received exceeded accrued and recognised revenues	(2.0)
v. different method of accounting for the assignment of receivables to factoring companies (note 6)	3.3
Total impact	17.8

6. The amount refers to the different method of accounting for the assignment of receivables to factoring companies, since IFRSs establish more restrictive criteria for the recognition of definitive assignments of receivables than Italian GAAP.
7. The changes in retained earnings are as follows:
- | | |
|---|-------|
| Fair value of land and buildings | 12.1 |
| Finance lease transactions | 1.0 |
| Valuation of inventories and construction contracts | 2.9 |
| Liabilities for employee benefits | (1.2) |
| Provisions for risks and charges | 0.1 |
| Intangible assets | 2.4 |
| Derivatives | 0.3 |
| Tax effect | (6.3) |
| Adjustment to retained earnings | 11.3 |
8. The amount refers to the different value of borrowings valued at amortised cost using the effective interest rate method. The advisory fees relating to R&D loans have been eliminated from intangible assets, where they had been recognised under Italian GAAP, and included in the calculation of amortised cost.
9. Of the total, 5.5 million euros relates to the reduction through reclassification of receivables (see note 5) for advances received from customers on contracts for which the revenues recognised on a percentage of completion basis exceeded the advances, while 2.0 million euros regards the reduction through reclassification of advances from customers for contracts on which advances exceed accrued and recognised revenues.

RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2005

Notes	ASSETS	Italian GAAP	IFRS transition effects	IFRS
	NON-CURRENT ASSETS			
1.	<i>Property, plant and equipment</i>	41.0	20.9	61.9
2.	<i>Intangible assets</i>	16.9	3.8	20.7
	<i>Investments in subsidiaries</i>	50.5	0.9	51.4
	<i>Investments in associates</i>	12.0	–	12.0
	<i>Investments in other companies</i>	–	–	–
	<i>Financial assets</i>	3.0	0.2	3.2
	<i>Receivables from others</i>	0.4	–	0.4
3.	<i>Deferred tax assets</i>	3.4	(3.4)	–
	TOTAL NON-CURRENT ASSETS	127.2	22.4	149.6
	CURRENT ASSETS			
4.	<i>Inventories</i>	112.2	(25.5)	86.7
	<i>Trade and other receivables</i>			
5.	- Customers	43.7	15.6	59.3
	- Subsidiaries	40.0	–	40.0
	- Associates	0.5	–	0.5
	- Advances, tax credits and other receivables	7.7	(1.7)	6.0
	<i>Total trade and other receivables</i>	91.9	13.9	105.8
	<i>Income tax receivables</i>	–	–	–
	<i>Financial assets</i>	15.7	(15.2)	0.5
	<i>Derivative financial instruments</i>	–	–	–
6.	<i>Cash and cash equivalents</i>	37.4	(1.2)	36.2
	TOTAL CURRENT ASSETS	257.2	(28.0)	229.2
	TOTAL ASSETS	384.4	(5.6)	378.8
	EQUITY AND LIABILITIES			
	EQUITY			
	<i>Share capital</i>	18.8	–	18.8
	<i>Share premium reserve</i>	16.4	–	16.4
	<i>Treasury shares</i>	–	(14.7)	(14.7)
	<i>Fair value reserve</i>	–	(0.8)	(0.8)
	<i>Other reserves</i>	30.5	(2.0)	28.5
7.	<i>Retained earnings</i>	4.8	12.9	17.7
	<i>Net profit (loss) for the period</i>	15.5	(1.3)	14.2
	TOTAL EQUITY	86.0	(5.9)	80.1
	NON-CURRENT LIABILITIES			
8.	<i>Borrowings</i>	77.3	4.7	82.0
	<i>Severance and pension obligations</i>	22.2	1.6	23.8
	<i>Provisions for risks and charges</i>	0.9	–	0.9
	<i>Deferred tax liabilities</i>	–	2.1	2.1
	TOTAL NON-CURRENT LIABILITIES	100.4	8.4	108.8
	CURRENT LIABILITIES			
	<i>Borrowings</i>	47.4	1.5	48.9
	<i>Trade and other payables</i>			
	- Suppliers	65.6	(0.1)	65.5
	- Subsidiaries	27.2	(3.4)	23.8
	- Associates	2.0	–	2.0
9.	- Advances received	26.2	(5.9)	20.3
	- Tax and other payables	23.2	(1.7)	21.5
	<i>Total trade and other payables</i>	144.2	(11.1)	133.1
	<i>Income tax liabilities</i>	2.2	–	2.2
	<i>Provisions for risks and charges</i>	4.2	–	4.2
	<i>Derivative financial instruments</i>	–	1.5	1.5
	TOTAL CURRENT LIABILITIES	198.0	(8.1)	189.9
	TOTAL LIABILITIES	298.4	0.3	298.7
	TOTAL EQUITY AND LIABILITIES	384.4	(5.6)	378.8

NOTES TO THE RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2005

The figures in the Italian GAAP column have been reclassified to comply with the provisions of IAS 1 on the presentation of financial statements. The following notes describe the main adjustments to balance sheet items:

1. The impact on property, plant and equipment is mainly attributable to the recognition at fair value of certain assets carried under land and buildings, as permitted by IFRS 1. The impact of this valuation at 31 December 2005 came to 11.5 million euros, which is equal to 11.8 million euros at the transition date, net of higher depreciation for 2005 of 0.3 million euros. Such impact is also due to the posting of costs of leased assets for Land, Buildings and Plant as permitted by IFRS 17. The effect of such capitalisation is 9.0 million euros, which is equal to 9.3 million euros at the transition date, net of greater depreciation of 0.3 million euros.

2. The changes in intangible assets are as follows:

i. capitalisation of development costs recognised in previous years in the income statement, as permitted under Italian GAAP	1.2
ii. elimination of goodwill amortisation	3.8
iii. reclassification to property, plant and equipment of costs incurred on assets not owned by the company	(0.1)
iv. elimination of costs included in other intangible assets	(1.1)
Total impact	3.8

3. This amount reflects the reclassification of deferred tax assets as to decrease deferred tax liabilities.

4. The effect on Inventories is due to the reclassification to trade receivables of construction contracts in progress previously recognised on a percentage-of-completion basis.

5. The impact on trade receivables is due to:

i. reclassification of contract work in progress (see note 4)	25.5
ii. advances from customers for construction contracts	(8.1)
iii. reclassification of deferred income on machinery installation	(3.0)
iv. different method of accounting for the assignment of receivables to factoring companies (note 6)	1.2
Total impact	15.6

6. The amount refers to the different method of accounting for the assignment of receivables to factoring companies, since IFRSs establish more restrictive criteria for the recognition of definitive assignments of receivables than Italian GAAP.

The changes in retained earnings are as follows:

Fair value of land and buildings	12.1
Finance lease transactions	1.0
Valuation of inventories and construction contracts	2.9
Liabilities for employee benefits	(1.2)
Provisions for risks and charges	0.1

Intangible assets	2.4
Derivatives	0.3
Reclassification of treasury shares reserve	1.6
Tax effect	(6.3)
Adjustment to retained earnings	<u>12.9</u>

8. The amount refers to the different value of borrowings valued at amortised cost using the effective interest rate method. The advisory fees relating to R&D loans have been eliminated from intangible assets, where they had been recognised under Italian GAAP, and included in the calculation of amortised cost.
9. Of the total, 5.9 million euros regards the reduction through reclassification of receivables for advances received from customers on contracts for which the revenues recognised exceeded the advances

RECONCILIATION OF THE 2005 INCOME STATEMENT

Notes	INCOME STATEMENT	Italian GAAP	IFRS transition effects	IFRS
	REVENUES	304.5	–	304.5
	<i>Other revenues</i>	7.9	–	7.9
	OPERATING COSTS			
	<i>Change in work in progress, semifinished and finished goods</i>	6.1	–	6.1
	<i>Change in inventory of raw, ancillary and, consumable materials and goods for resale</i>	1.5	–	1.5
	<i>Cost of raw, ancillary and consumable materials</i>	(119.2)	–	(119.2)
1.	<i>Services, rentals and leases</i>	(81.1)	6.4	(74.7)
2.	<i>Personnel costs</i>	(79.1)	(5.4)	(84.5)
	<i>Depreciation and amortisation expense</i>	(9.9)	1.6	(8.3)
	<i>Provisions for risks and charges</i>	0.5	–	0.5
	<i>Other operating costs</i>	(1.7)	(0.1)	(1.8)
	TOTAL OPERATING COSTS	(282.9)	2.5	(280.4)
	OPERATING PROFIT	29.5	2.5	32.0
	FINANCIAL INCOME AND EXPENSE	(1.0)	(1.5)	(2.5)
	PROFIT (LOSS) FROM INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND OTHER COMPANIES	(0.5)	–	(0.5)
	<i>Extraordinary income</i>	2.9	(2.9)	–
	<i>Extraordinary expense</i>	(1.6)	1.6	–
	TOTAL EXTRAORDINARY ITEMS	1.3	(1.3)	–
	PROFIT (LOSS) BEFORE TAX	29.3	(0.3)	29.0
	INCOME TAXES FOR THE PERIOD	(13.8)	(1.0)	(14.8)
	RESULT FOR THE PERIOD	15.5	(1.3)	14.2

NOTES TO THE RECONCILIATION OF THE 2005 INCOME STATEMENT

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

The following notes describe the main adjustments to income statement items:

1. Of the total change in services, rentals and leases, 5.1 million euros is attributable to the reclassification to personnel costs of freelancers' and directors' fees and other personnel-related expenses such as insurance, accommodation, company cars and canteen, which under IAS/IFRS must be included in labour costs, and 1.3 million euros is attributable to the reversal of finance lease instalments.

2. The changes in personnel costs are as follows:

Reclassification from services (see note 1)	5.1
Increased charges for defined-benefit pension plans (TFR)	0.3
Total impact	5.4



Lyophilisation of a drug, by means of sublimation using a freeze dryer, is one of the best methods of ensuring that a drug never loses its efficacy during its lifetime. Whilst the appearance of the product is radically changed its quality and performance stay the same.

**REPORT OF THE INDEPENDENT AUDITORS
ON THE IFRS I RECONCILIATIONS**



PricewaterhouseCoopers SpA

**AUDITORS' REPORT ON THE IFRS 1 RECONCILIATION SCHEDULES
("UNCONSOLIDATED" INDIVIDUAL ACCOUNTS) ILLUSTRATING THE
EFFECTS OF THE TRANSITION TO INTERNATIONAL FINANCIAL
REPORTING STANDARDS (IFRS)**

To the Shareholders of
IMA - Industria Macchine Automatiche SpA

1. We have audited the accompanying IFRS Reconciliation Schedules consisting of the balance sheets at 1 January 2005 and at 31 December 2005 and the income statement for the year ended 31 December 2005 (hereinafter the "IFRS reconciliation schedules") of IMA - Industria Macchine Automatiche SpA and the related explanatory notes presented in accordance with the standards and criteria provided by CONSOB Notice no. 6064313 of 28 July 2006 in section "IFRS 1 Reconciliations: first-time adoption of International Financial Reporting Standards" of the interim financial reporting at 30 June 2006. The aforementioned IFRS Reconciliation Schedules have been derived from the statutory financial statements of IMA - Industria Macchine Automatiche SpA for the year ended 31 December 2005 prepared in accordance with the laws governing the criteria for their preparation that we have audited and on which we issued our report dated 29 March 2006. The IFRS Reconciliation Schedules show the effects of the transition to International Financial Reporting Standards as adopted by the European Union applicable to IMA - Industria Macchine Automatiche SpA, pursuant to article 4 of Law Decree 38/2005, in the preparation of the statutory financial statements at 31 December 2006. The IFRS Reconciliation Schedules are the responsibility of IMA - Industria Macchine Automatiche SpA's Directors. Our responsibility is to express an opinion on these schedules based on our audit.
2. We conducted our audit in accordance with Italian standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the IFRS Reconciliation Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS reconciliation schedules. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

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3. In our opinion, the IFRS Reconciliation Schedules, identified in paragraph 1 of this report, have been prepared, taken as a whole, in compliance with the standards and criteria provided by CONSOB Notice no. 6064313 of 28 July 2006.

4. We draw attention to the following:
 - The IFRS reconciliation schedules, being prepared for the sole purpose of the transition to the first full annual financial statements under IFRS endorsed by the European Commission, do not present comparative data and the necessary explanatory notes which would be required to give a true and fair view of the financial position and results of operations of IMA - Industria Macchine Automatiche SpA in compliance with IFRS.

 - The data presented in the IFRS 1 Reconciliation Schedules will represent the values published for comparative purposes in the first complete IFRS financial statements. Such values might be subject to certain changes, if any of the international financial reporting standards or interpretations are revised or changed before the publication of the first complete financial statements in accordance with IFRS.

Bologna, 9 August 2006

PricewaterhouseCoopers SpA

Roberto Megna
(Partner)

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



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