

# 2006 COMPANY RESULTS

*Innovative Automatic Machine  
System Solutions*

London, April 12th 2007





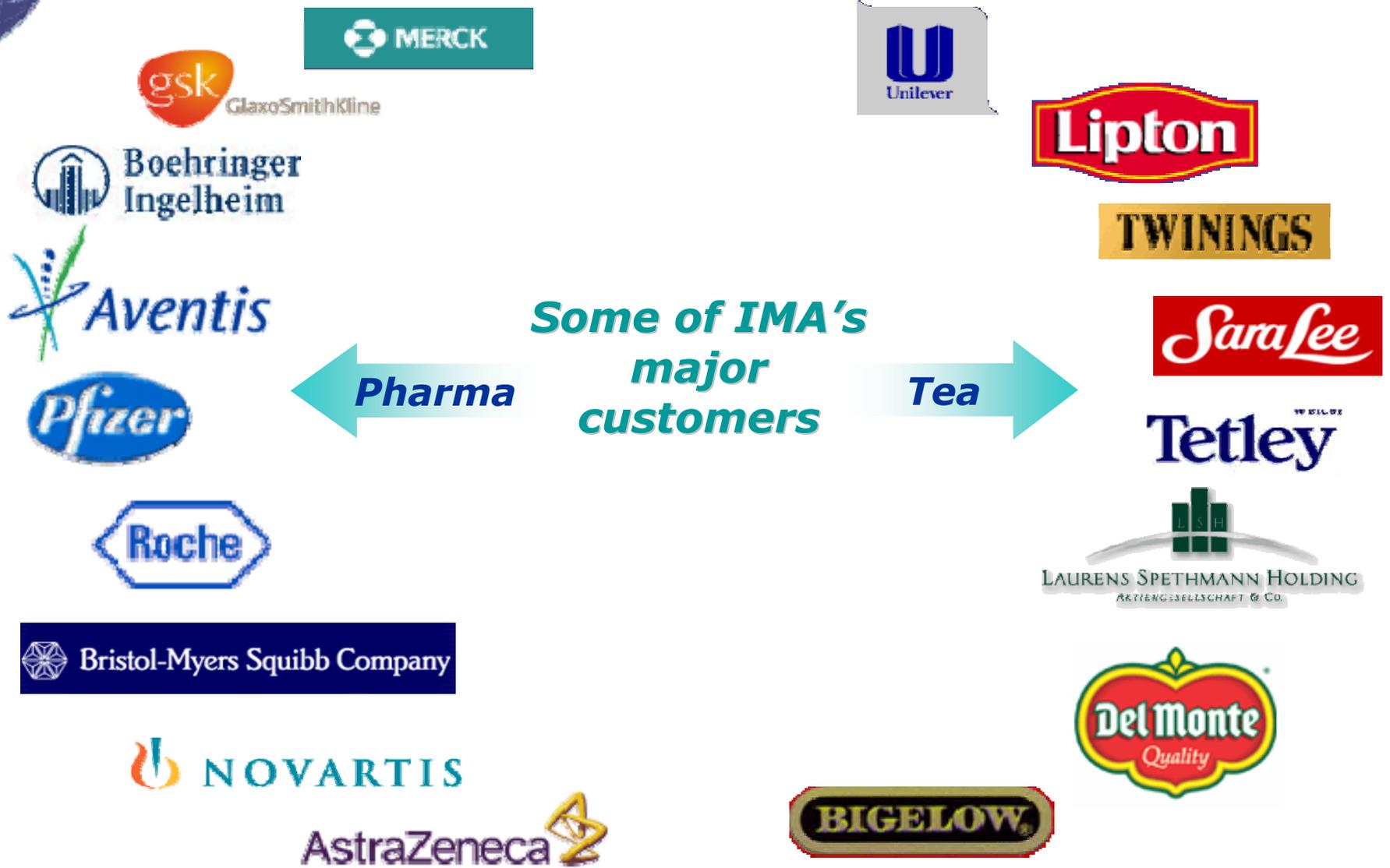
# The IMA Group

## *Today*

- **World leader in the manufacture of automatic machines for the production and packaging of drugs and of tea in filter bags**
- ***System Integrator* in the pharmaceutical sector, also as *main contractor***
- **Worldwide sales (92,3% outside Italy) with a wide-ranging, well-balanced product portfolio**
- **A widespread sales and after-sales assistance network with branches in all main countries**



# IMA: a Leading Group





# IMA: a World Leader

## COMPETITIVE ADVANTAGES

- **Cutting-edge R&D laboratories**
- **Continuous product innovation**
- **A winning business model**
- **High customer loyalty**
- **Excellent positioning thanks to an extensive customer service network and a full product range to offer**
- **High barriers to market entry**

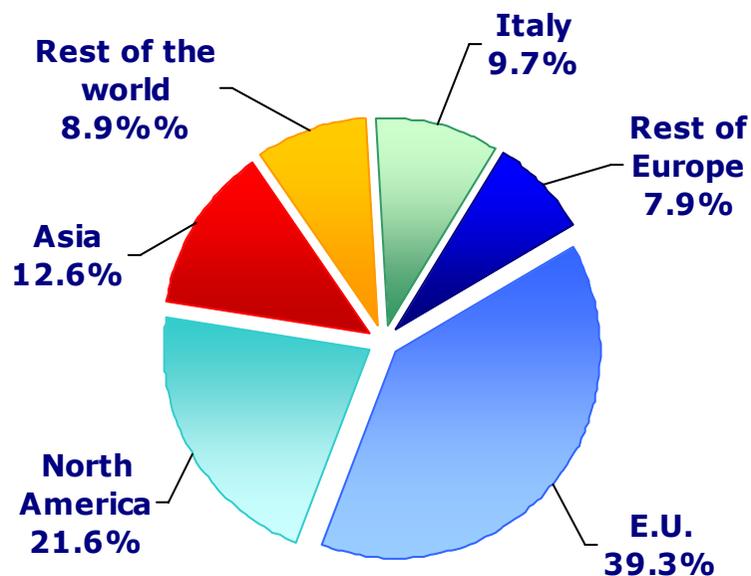
## INVESTMENT PROFILE

- **Leading position in almost all of the segments in which the Group operates**
- **Low cyclical nature of demand**
- **High growth potential, both organic and through acquisitions**
- **Highly professional and strongly motivated management team**
- **Superior products commanding a premium price**

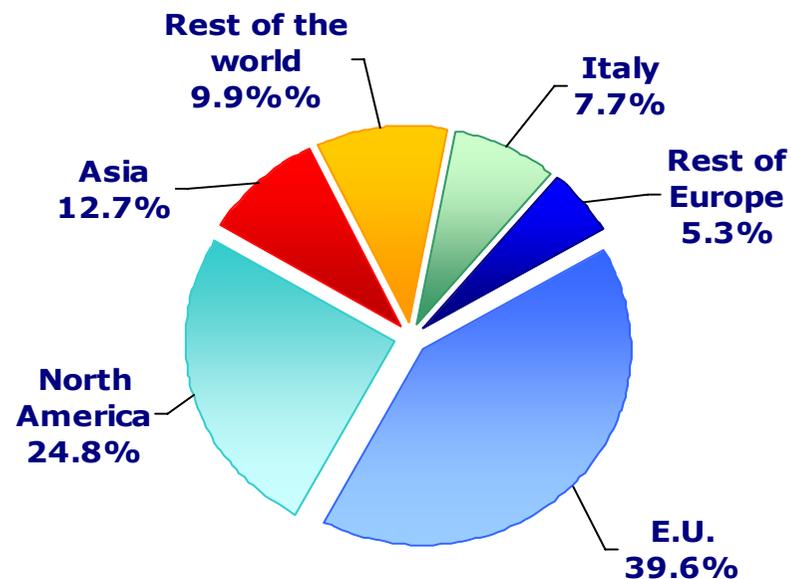


# Balanced sales distribution

**2005**



**2006**



**Sales in 2006: € 425.2 million**  
**Exports: 92.3%**

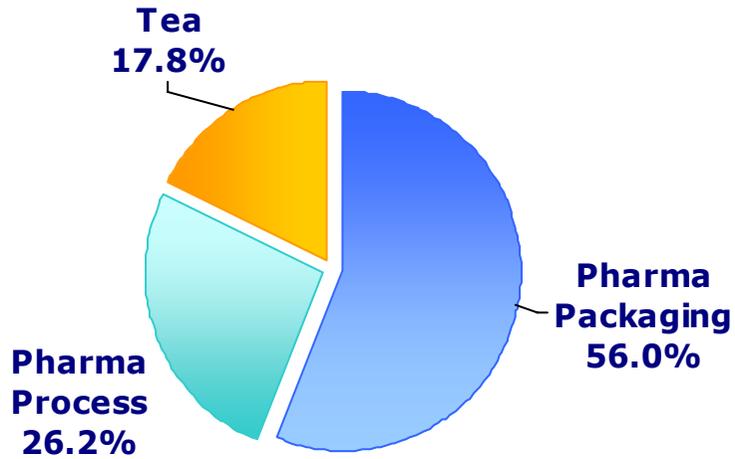




# IMA's balanced offer

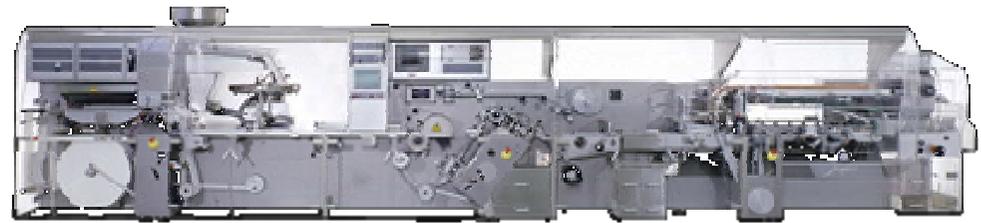
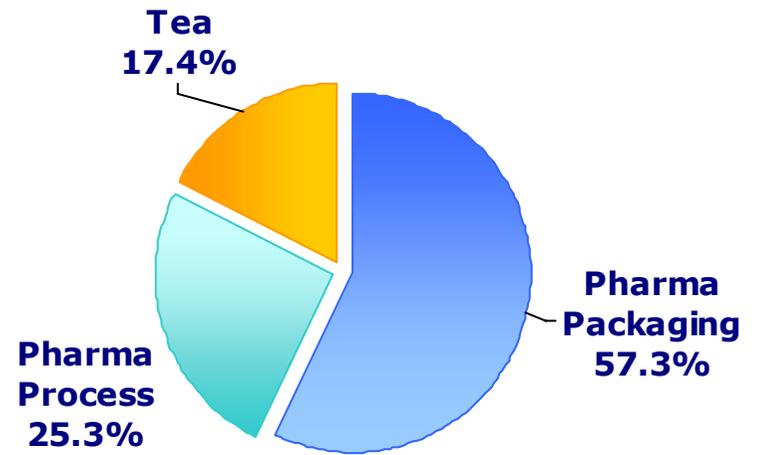
**2005**

**2005 total sales: € 398.8 mil.**



**2006**

**2006 total sales: € 425.2 mil.**

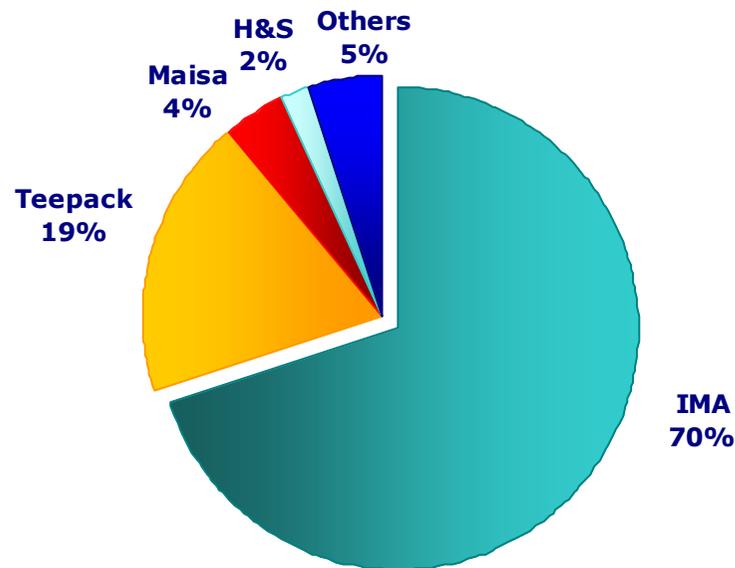




## Tea-bag machinery industry

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- The world market for tea bag machinery is estimated at Euro 100 million
- Tea bag machinery sector is characterised by an high level of concentration with first two players covering more than 80% of the market
- IMA has a leading position with a market share of roughly 70%
- The second player Teepack belongs to a Group (Teekanne) that produces and sells teabags (brand name: Teekanne, Pompadour, etc.)



(\* ) Company estimates



## Pharmaceutical machinery industry

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- **A sector that's still fragmented and dominated by German and Italian firms.**
- **Most firms are specialised in one product line**
- **Very much a "crafts-like" industry with a high degree of customisation**
- **Strong investments for innovation (R&D)**
- **Ever changing and increasingly severe regulatory agency standards**
- **Multinational customers call for an international presence**



## IMA: a world leader

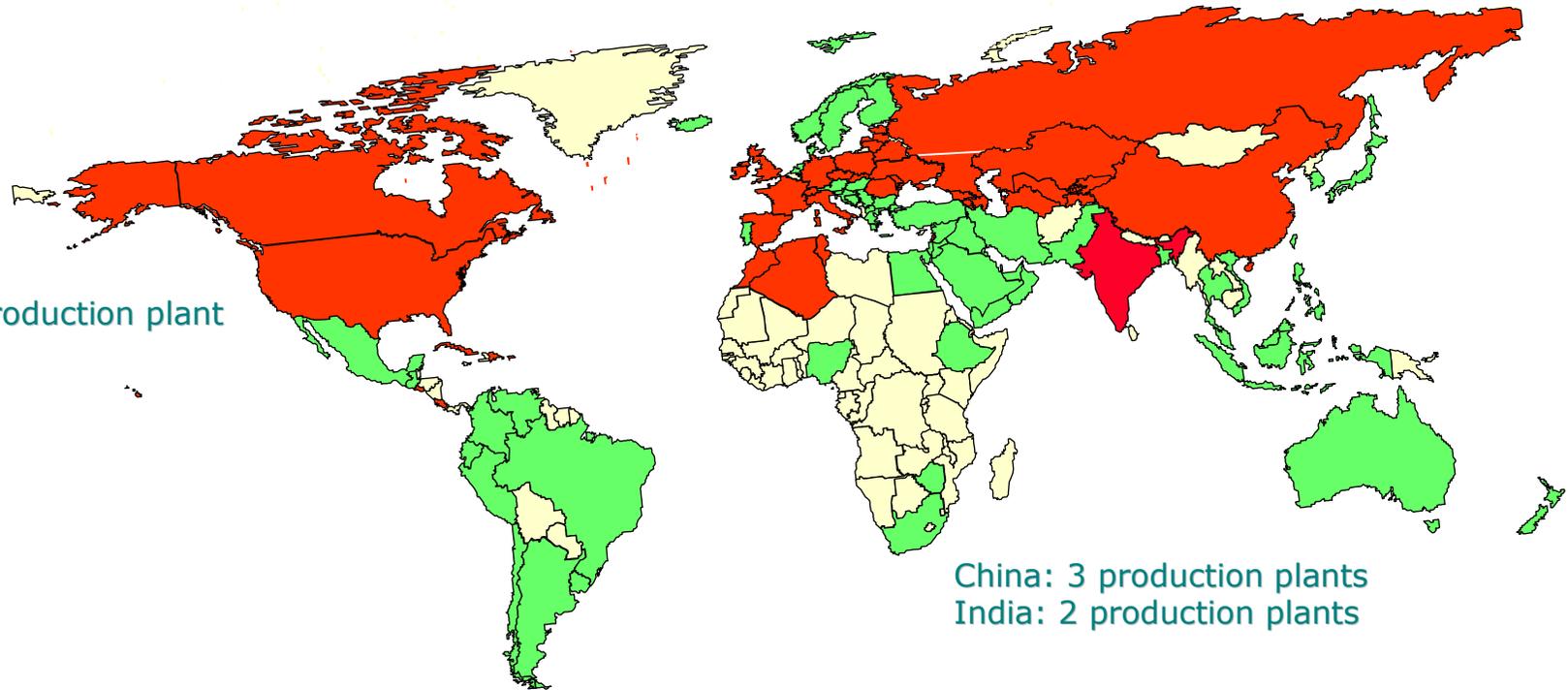
- **IMA is the only company with a truly complete range of processing and packaging machines**
- **More than 400 engineers and project developers are employed in IMA's R&D shops totalling approximately 600,000 work hours**
- **Over 600 registered patents**
- **More than 30 new products launched in the last five years**
- **Sales presence in over 70 countries controlled by a network of subsidiaries and offices in 18**
- **Production facilities in Italy (5), the U.K. (1), the U.S. (1), Germany (1), Spain (1) China (3), and India (2)**



# IMA in the world

Italy: 5 production plants  
Germany: 1 production plant  
UK: 1 production plant  
Spain: 1 production plant

USA: 1 production plant



-  IMA sole Agencies (Export Pharma agencies & Export Solid Dose Dpts)
-  IMA Subsidiaries





# Main pharmaceutical market competitors

	BLISTER	CAPSULE FILLING	TABLETING	COATING	GRANUL. POWDER P.	FILLING	CARTONING	END OF LINE	TUBE FILLING	COUNTERS	FREEZE DRYERS
IMA	Leader	Leader	Leader	Leader	Player	Leader	Follower	Leader	Follower	Leader	Follower
ULHMANN	Leader										
BOSCH	Follower	Leader				Leader	Player				
KLOCKNER	Follower										
ROMACO	Player	Player			Follower	Player	Player		Follower		
CAM	Follower						Leader				
MARCHESINI	Player					Player	Leader	Player	Player		
MG2		Follower									
FETTE			Leader								
IWKA	Player		Player	Follower	Player		Player		Leader		
NIRO/GEA			Player		Leader						
KORSCH			Player								
GLATT				Leader	Leader						
DRIAM				Follower							
BOC											Leader
NORDEN/KALIX							Follower		Leader		
BAUSCH & S.						Leader					
GROENINGER						Follower					
MAR						Player					
PESTER								Leader			
CREMER										Follower	
AYLWARD										Follower	

 Leader

 Follower

 Player





## IMA's market share

In the individual sectors that IMA serves, it has the following market shares (\*):

MARKET	MKT SHARE
Blister	28%
Sterile filling	20%
Non-sterile filling	14%
Tube filling	10%
Cartoning	12%
End-of-Line	20%
Capsule filling	33%
Tableting	25%
Coating	17%
Counting	30%
Freeze Dryers	10%

(\* ) Company estimates





## 2006 Scenario

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### *The Tea sector*

**New orders amounting to 68.9 million Euro were acquired in 2006 (68.4 million in 2005) and the outlook for 2007 is still positive (January 2007 has more than compensated the lower backlog at the end of December 2006 vs. 2005).**

**The favourable trend in the sector may be accounted for by:**

- **On-going investments by the tea industry in East European countries.**
- **Faster replacement of obsolete equipment by European industry.**
- **Good demand for coffee-pod processing systems**



## 2006 Scenario

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### *The Tea sector*

**Strong growth in sales and profitability has been recorded in recent years for IMA's tea sector thanks to:**

- **Product innovation such as to spur demand for replacement of old equipment**
- **Exclusive co-makership agreements with leading multinational groups for the development of innovative solutions**
- **The ability to identify new avenues for growth, such as entry into the coffee-pod processing machine sector**



## 2006 Scenario

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### *The Pharmaceuticals sector*

**In 2006 IMA Group's new orders from the pharmaceuticals/ cosmetics industry were up 11.6% (384.4 million € vs. 343.6 in 2005)**

**Such growth may be accounted for by:**

- **Sharp growth in demand by the drugs industry beginning last quarter 2005 and still going strong;**
- **Success of product lines developed over recent years;**
- **Growing demand in North America, E.U and Japan, good growth in Latin America and Russia, poor demand in rest of Europe and South East Asia.**



## 2006 Scenario

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### *The Pharmaceuticals sector*

**An about 7% growth rate has been recorded for the drugs sector, characterised by:**

- **continual increase in request for offers which have successfully turned into orders;**
- **shorter decision-making lead-times for each investment;**
- **growth in the sale of biotech-derived and generic products;**
- **quotes essentially in line with last year's.**



## Orders - Sales - Backlog 2006 vs. 2005

<i>Euro million</i>	<b>Tea</b>		<b>Packaging</b>		<b>Process</b>		<b>Other</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Sales</b>	73.9	70.9	234.9	223.5	107.4	104.5			<b>425.2</b>	<b>398.9</b>
<b>EBITA</b>	24.1	23.2	24.5	13.3	5.6	2.5			<b>54.2</b>	<b>39.0</b>
<b>Net Invested capital</b>	19.8	13.4	101.0	93.6	87.3	75.5	-4.9	-0.6	<b>203.2</b>	<b>181.9</b>
<b>Order Backlog</b>	34.7	39.8	115.3	97.1	42.0	27.1			<b>192.0</b>	<b>164.0</b>
<b>Orders</b>	68.8	68.4	262.1	237.8	122.3	105.8			<b>453.2</b>	<b>412.1</b>



## Orders - Sales - Backlog 2006 vs. 2005

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Orders:

	2006	2005	Δ	%
Tea & Coffee	68.87	68.48	0.38	0.6%
Pharma Packaging	262.05	237.78	24.28	10.2%
Pharma Process	122.35	105.80	16.55	15.6%
<b>TOTAL</b>	<b>453.27</b>	<b>412.06</b>	<b>41.21</b>	<b>10.0%</b>

Sales:

	2006	2005	Δ	%
Tea & Coffee	73.91	70.88	3.04	4.3%
Pharma Packaging	243.86	223.43	20.43	9.1%
Pharma Process	107.43	104.48	2.94	2.8%
<b>TOTAL</b>	<b>425.20</b>	<b>398.79</b>	<b>26.40</b>	<b>6.6%</b>

Backlog:

	2006	2005	Δ	%
Tea & Coffee	34.72	39.76	-5.04	-12.7%
Pharma Packaging	115.28	97.08	18.20	18.7%
Pharma Process	42.05	27.13	14.92	55.0%
<b>TOTAL</b>	<b>192.04</b>	<b>163.97</b>	<b>28.07</b>	<b>17.1%</b>



# Consolidated profit & loss statement

**31.12.2006 vs. 31.12.2005**

<b>IMA</b>	<b>2006</b>	<b>%</b>	<b>2005</b>	<b>%</b>	<b>var. %</b>
<i>Euro million</i>					
<b>NET SALES</b>	<b>425,20</b>	<b>100,0%</b>	<b>398,79</b>	<b>100,0%</b>	<b>6,6%</b>
Cost of Good Sold	(247,61)	-58,2%	(242,40)	-60,8%	2,1%
<b>GROSS MARGIN</b>	<b>177,59</b>	<b>41,8%</b>	<b>156,39</b>	<b>39,2%</b>	<b>13,6%</b>
Research and development exp.	(19,61)	-4,6%	(18,27)	-4,6%	7,3%
General and administrative exp.	(50,48)	-11,9%	(49,62)	-12,4%	1,7%
Sales and commercial exp.	(53,30)	-12,5%	(49,43)	-12,4%	7,8%
<b>EBITA</b>	<b>54,21</b>	<b>12,7%</b>	<b>39,06</b>	<b>9,8%</b>	<b>38,8%</b>
Amortization of goodwill	(0,76)	-0,2%	(3,48)	-0,9%	-78,3%
<b>EBIT</b>	<b>53,45</b>	<b>12,6%</b>	<b>35,58</b>	<b>8,9%</b>	<b>50,2%</b>
Net financial charges	(6,96)	-1,6%	(7,54)	-1,9%	-7,7%
Other	0,04	0,0%	(0,05)	0,0%	-176,9%
Taxes	(21,67)	-5,1%	(15,01)	-3,8%	44,4%
Minority	(0,02)	0,0%	(0,52)	-0,1%	-95,7%
<b>NET INCOME</b>	<b>24,84</b>	<b>5,8%</b>	<b>12,46</b>	<b>3,1%</b>	<b>99,3%</b>
<b>EBITDA</b>	<b>65,47</b>	<b>15,4%</b>	<b>49,18</b>	<b>12,3%</b>	<b>33,1%</b>



# Consolidated profit & loss statement

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## *2006 vs. 2005 – An analysis of the differences*

**Gross margin is up by 2.6% to 41.8% compared to the previous financial year (39.2%) thanks to:**

- **effective remedial actions to solve technical problems connected with new models;**
- **heightened efficiency following on reorganisation of the German subsidiary Kilian;**
- **specific actions to cut back on production costs.**

**Operating result (EBIT) growth rate is extremely high (+50%) thanks to joint efforts on all accounts. In addition to improved gross margin, fixed costs have been kept under control as follows:**

- **overheads and administrative costs: up 0.85 million euro with incidence on revenue down to 11.9% compared to 12.4% in 2005;**
- **selling costs: net of commissions (8.2 million euro compared to 7.3 million in 2005) with incidence on revenue down to 10.2% (10.6% in 2005).**



## Consolidated profit & loss statement

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### *2006 vs. 2005 – An analysis of the differences*

**In accordance with international accounting principles (IAS/IFRS), goodwill has been verified and hence adjusted, for Ima-Nova, to a value of 0.75 million €.**

**This write-down is ascribable to longer than expected launch lead-times of the new counting machine along with inefficiencies for post merger integration activities.**

**Despite the foregoing, orders and margins have picked up over the last few months and outlook is promising.**



# Consolidated balance sheet

**31.12.2006 vs. 31.12.2005**

<b>IMA</b>	<b>2006</b>	<b>%</b>	<b>2005</b>	<b>%</b>
<i>Million Euro</i>				
Trade receivables	101,40		98,79	
Inventories	122,20		122,11	
Trade payables	(102,90)		(115,39)	
Other, net	(29,16)		(28,11)	
<b>Net working capital</b>	<b>91,53</b>	<b>45,0%</b>	<b>77,40</b>	<b>42,6%</b>
Intangible fixed assets	69,87		59,31	
Tangible fixed assets, net	72,73		73,25	
Investments	1,76		1,01	
<b>Total fixed assets</b>	<b>144,35</b>	<b>71,0%</b>	<b>133,57</b>	<b>73,4%</b>
Severance indemnities & other	(32,66)		(29,07)	
<b>Net employed capital</b>	<b>203,23</b>	<b>100,0%</b>	<b>181,90</b>	<b>100,0%</b>
Net debt	104,20	<b>51,3%</b>	86,84	<b>47,7%</b>
Minority interests	0,99		3,58	
Group share of net equity	98,04	<b>48,2%</b>	91,48	<b>50,3%</b>
<b>All sources</b>	<b>203,23</b>	<b>100,0%</b>	<b>181,90</b>	<b>100,0%</b>



## Consolidated working capital

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**31.12.2006 vs. 31.12.2005**

<b>IMA</b>	<b>2006</b>	<b>%</b>	<b>2005</b>	<b>%</b>
<i>Million Euro</i>		<i>on sales</i>		<i>on sales</i>
Trade receivables	101,40	23,8%	98,79	24,8%
Inventories	122,20	28,7%	122,11	30,6%
Trade payables	(73,75)	(17,3%)	(80,93)	(20,3%)
Other, net	(29,15)	(6,9%)	(34,46)	(8,6%)
<b>Operating Working Capital</b>	<b>120,69</b>	<b>28,4%</b>	<b>105,51</b>	<b>26,5%</b>

**Receivables and inventory are essentially unchanged compared to 2005 despite increase in sales volumes over previous financial years.**

**Reduction in purchase payables is chiefly accountable by different procurement modalities and less costs borne over the last quarter.**

**Reduction in customer advance payments is ascribable to poor order acquisition timing during last quarter which has meant postponing collection to January 2007.**



## Consolidated cash flow

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***31.12.2006 vs. 31.12.2005***

**Net financial indebtedness is up by 17.4 million € over last year's figure because of:**

- **acquisitions to an overall amount of 18.6 million euro;**
- **acquisition of treasury shares to an amount of 4.2 million euro;**
- **leasing outlays to an overall amount of 2.5 million euro.**

**Indebtedness net of foregoing extraordinary expense postings (amounting to a total of 25.3 million euro) would have been down by about 8 million euro.**

**Operating cash flow is down by about 7 million euro over last financial year (13.4 against 20.5) essentially because of:**

- **fewer advance payments from customers;**
- **reduction in business transaction costs.**



# Consolidated cash flow

## 31.12.2006 vs. 31.12.2005

<b>IMA - CASH FLOW</b>	<b>2006</b>	<b>2005</b>
<i>Million Euro</i>		
EBIT	53,40	35,58
Depreciation and amortization	11,26	10,26
Amortization of goodwill	0,76	3,34
Capital expenditure	(12,90)	(11,50)
Change in working capital	(14,13)	5,89
Change in other assets/liabilities	3,56	(0,49)
<b>Operating cash flow</b>	<b>41,95</b>	<b>43,09</b>
Net financial charges	(6,88)	(7,54)
Extraordinary items		
Income taxes	(21,70)	(15,01)
<b>Cash flow from operations</b>	<b>13,38</b>	<b>20,54</b>
Acquisitions	(9,90)	(6,04)
<b>Cash flow from extraordinary operations</b>	<b>(9,90)</b>	<b>(6,04)</b>
Dividends	(13,80)	(13,96)
Other changes in net equity	(2,92)	1,30
Treasury Shares	(4,19)	(14,70)
<b>Change in net financial position</b>	<b>(17,43)</b>	<b>(12,86)</b>
Opening net financial position	86,84	73,98
Closing net financial position	104,20	86,84



## Trend in the Pharmaceuticals Market

**Improved market share thanks to positive sales trends in the drugs sector carried over from October 2005 and expected to continue through to first two months of 2007.**

**Profit loss owing to unfavourable euro exchange rate against the U.S. dollar has been made up, thus proving that such fluctuations may with time be made good by suitable price adjustments.**

**Production costs have been cut down thanks to more favourable procurement channels with room for further improvement on this point.**

**Market penetration capacity has in no way been weakened by these trends and developments, as witnessed to by orders on hand as at December 2006.**



## Trend in the Pharmaceuticals Market

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### *A good demand due to...*

- **Growth rate of the pharmaceuticals industry has been running high (+7% in 2006 vs 5% in 2005) even if lower than in the past**
- **Growth in volumes is stronger still**
- **The demand for generics is currently growing faster than pharmaceuticals as a whole (+15%), representing more than 10% of the total world pharmaceutical market**
- **Bio-tech offers new opportunities (driver for the investment in Ima-Telstar)**
- **Developing countries are pushing investments in the pharmaceuticals industry**
- **Increasing barriers to market entry**



## Trend in the Pharmaceuticals Market

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### *A shaky dollar, but...*

- **Beginning from 2002 IMA has consistently increased USD list prices to make up for the unfavourable currency exchange rate.**
- **Already issued offers refer to 8/12 month orders and are hence unaffected by price list increases.**
- **Ongoing fluctuations in the exchange rate of the USD have constantly retarded margin recovery.**
- **Greater exchange rate stability throughout 2006 has made for greater profits following on price-list hikes in 2005.**



## Group's organisation structure

- **In-house reorganisation for greater efficiency and slimming-down of its business organisation was undertaken and completed by IMA during 2006.**
- **Several divisions and organisations were merged and their management was assigned to young and highly motivated executives who have been working in the company for years.**
- **Mr. Andrea Malagoli, the former Group Chief Financial Officer, has been appointed as Group's Chief Executive Officer and Mr. Alberto Vacchi will remain as Managing Director.**
- **The CEO and Managing Director will henceforth be directly in charge of all company functions which have been reorganised for improved management efficiency.**



## Outlook for 2007

- **Tea & Coffee sector revenues are expected to be slightly below last year's (2006).**
- **Pharma sector revenues are expected to be up by approximately 10%.**
- **Gross margin and EBIT increase may be ascribed to:**
  - **Continuing cost effectiveness actions on main product lines;**
  - **organisation and overhead cost effectiveness actions.**
- **Cash flow stands to gain considerably owing to lower investments, working capital improvement and expected better results.**



**ALWAYS  
A STEP AHEAD**

INDUSTRIA  
MACCHINE  
AUTOMATICHE