

# PRESENTATION TO INVESTORS

## 2003 STAR COMPANY RESULTS

*Innovative Automatic Machine  
System Solutions*

Milan – 26<sup>th</sup> February 2004





# The IMA Group

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## *Today*

- World leader in the automatic systems sector for the pharmaceutical and tea industries
- *System Integrator* in the pharmaceutical sector, also as *main contractor*
- Worldwide sales (91.7% outside Italy) with a wide-ranging, well-balanced product portfolio
- A widespread sales and after-sales assistance network with branches in all main countries



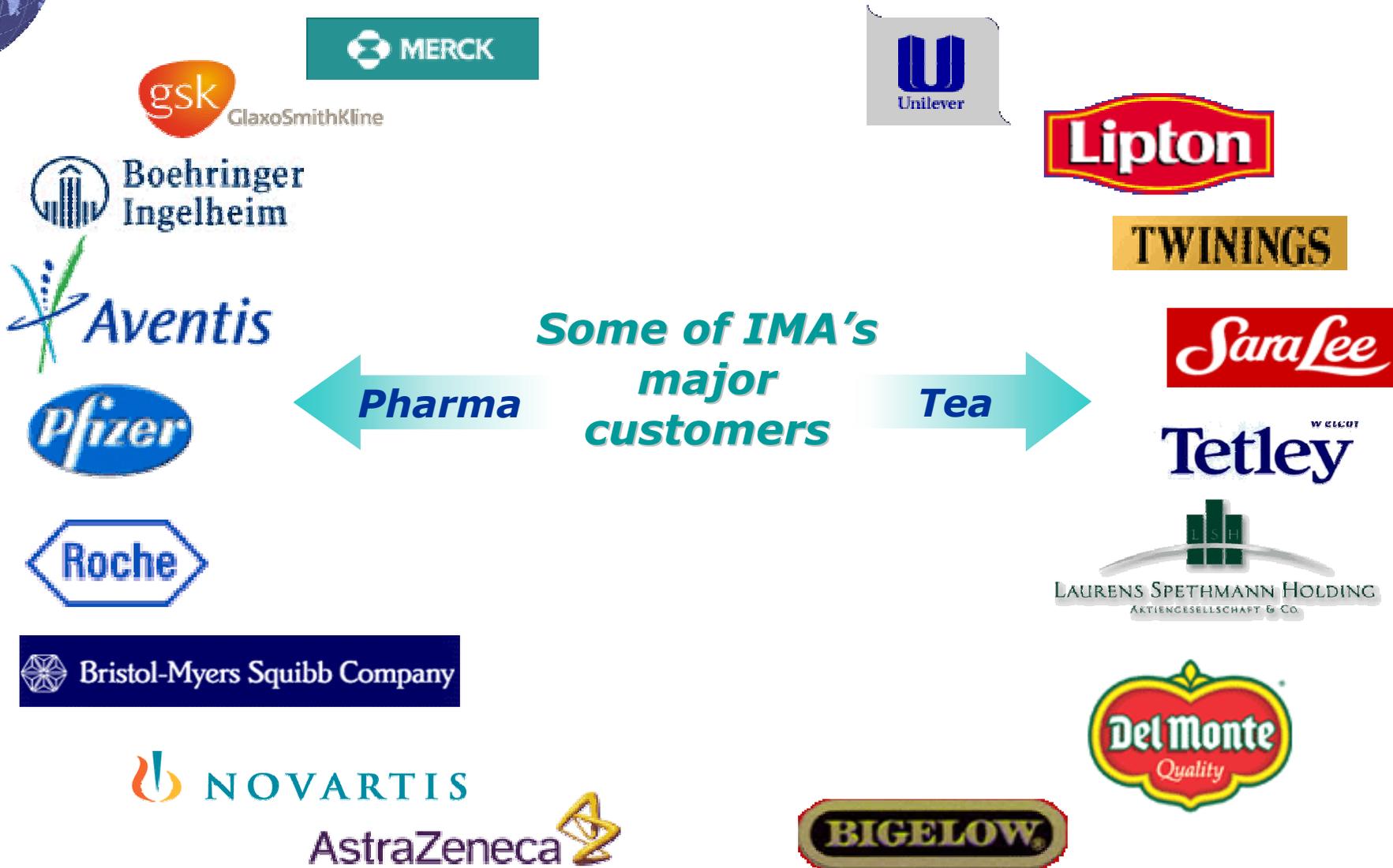
# The IMA Group

## *Further growth tomorrow by:*

- Focusing on the pharmaceutical and tea bag sectors
- Increasing our presence in the process machinery sector for the pharmaceutical industry
- Breaking into *synergic* sectors such as cosmetics
- Expanding into emerging, high-potential geographical areas



# 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**



# Consolidated profit & loss statement

## Full Year 2003E vs 2002

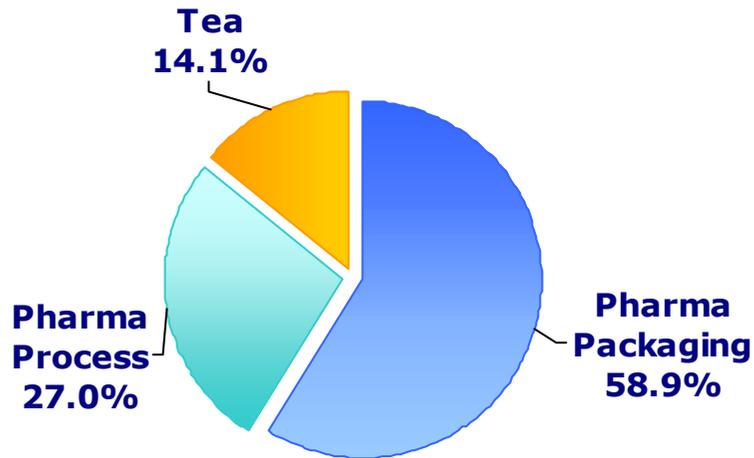
IMA	2003E	%	2002	%	var. %
<i>Million Euro</i>					
<b>Net sales</b>	<b>351,33</b>	<b>100,0%</b>	<b>353,41</b>	<b>100,0%</b>	<b>-0,6%</b>
Cost of sales	(201,79)	-57,4%	(193,35)	-54,7%	4,4%
<b>GROSS MARGIN</b>	<b>149,54</b>	<b>42,6%</b>	<b>160,07</b>	<b>45,3%</b>	<b>-6,6%</b>
Research & Development expenses	(18,21)	-5,2%	(18,38)	-5,2%	-0,9%
General & administrative expenses	(44,87)	-12,8%	(45,12)	-12,8%	-0,6%
Selling expenses	(42,13)	-12,0%	(44,37)	-12,6%	-5,1%
<b>EBITA</b>	<b>44,33</b>	<b>12,6%</b>	<b>52,20</b>	<b>14,8%</b>	<b>-15,1%</b>
Amortization of goodwill	(5,08)	-1,4%	(5,08)	-1,4%	0,0%
<b>EBIT</b>	<b>39,25</b>	<b>11,2%</b>	<b>47,12</b>	<b>13,3%</b>	<b>-16,7%</b>
Net financial charges	(4,01)	-1,1%	(4,25)	-1,2%	-5,7%
Other	0,94	0,3%	0,95	0,3%	-0,6%
Income taxes	(17,12)	-4,9%	(18,98)	-5,4%	-9,8%
Minority interests	(0,30)	-0,1%	(0,40)	-0,1%	-24,0%
<b>NET INCOME</b>	<b>18,76</b>	<b>5,3%</b>	<b>24,43</b>	<b>6,9%</b>	<b>-23,2%</b>
<b>EBITDA</b>	<b>54,90</b>	<b>15,6%</b>	<b>62,16</b>	<b>17,6%</b>	<b>-11,7%</b>



# IMA's balanced offer

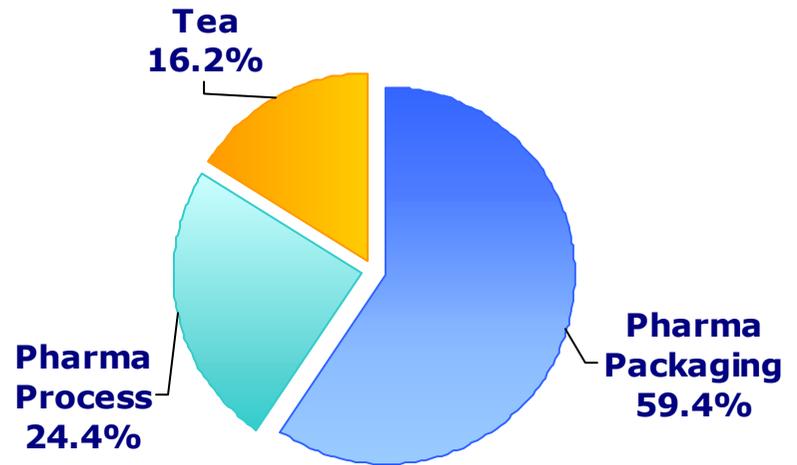
**2002**

2002 total sales: € 353.2 mil.



**2003E**

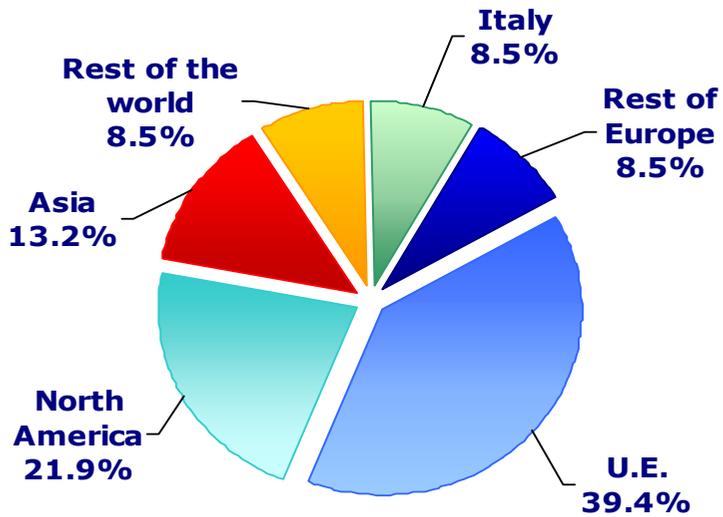
2003E total sales: € 351.4 mil.



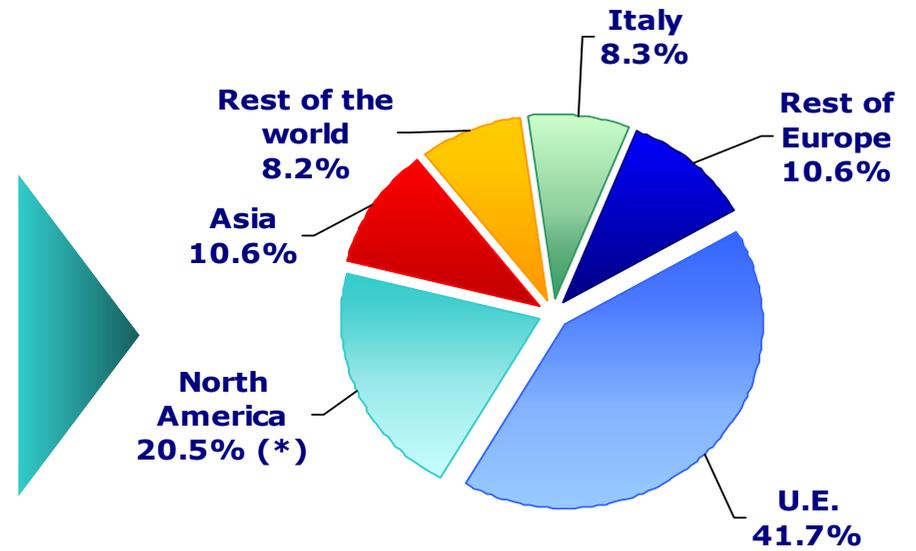


# Balanced sales distribution

**2002**



**2003E**



**Sales in 2003E: € 351.4 million**  
**Exports: 91.7%**



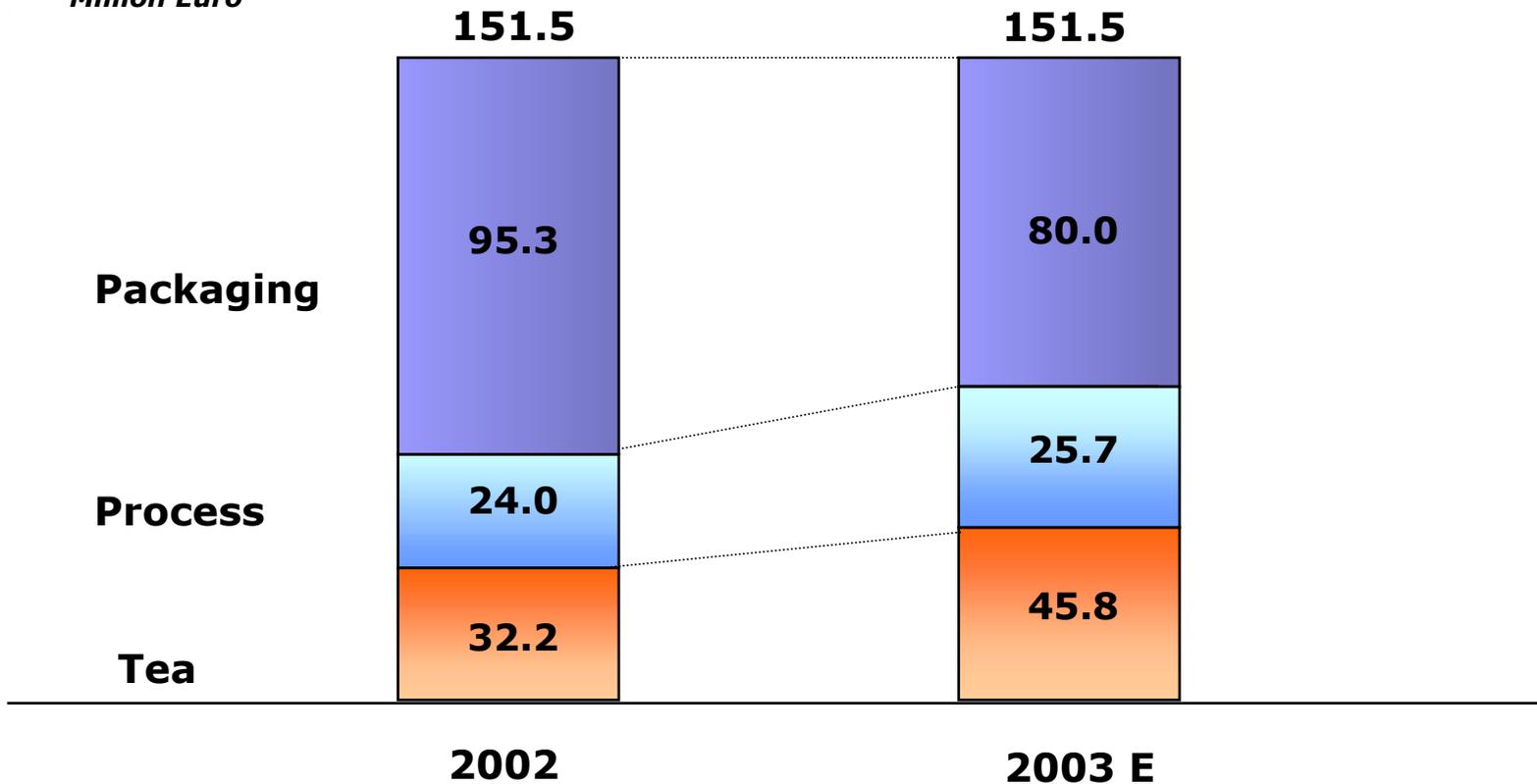
(\*) at a constant exchange rate North America would account for 22.7% of sales.



# Backlog as of December 31<sup>st</sup> 2003

## Full Year 2003E vs 2002

Million Euro

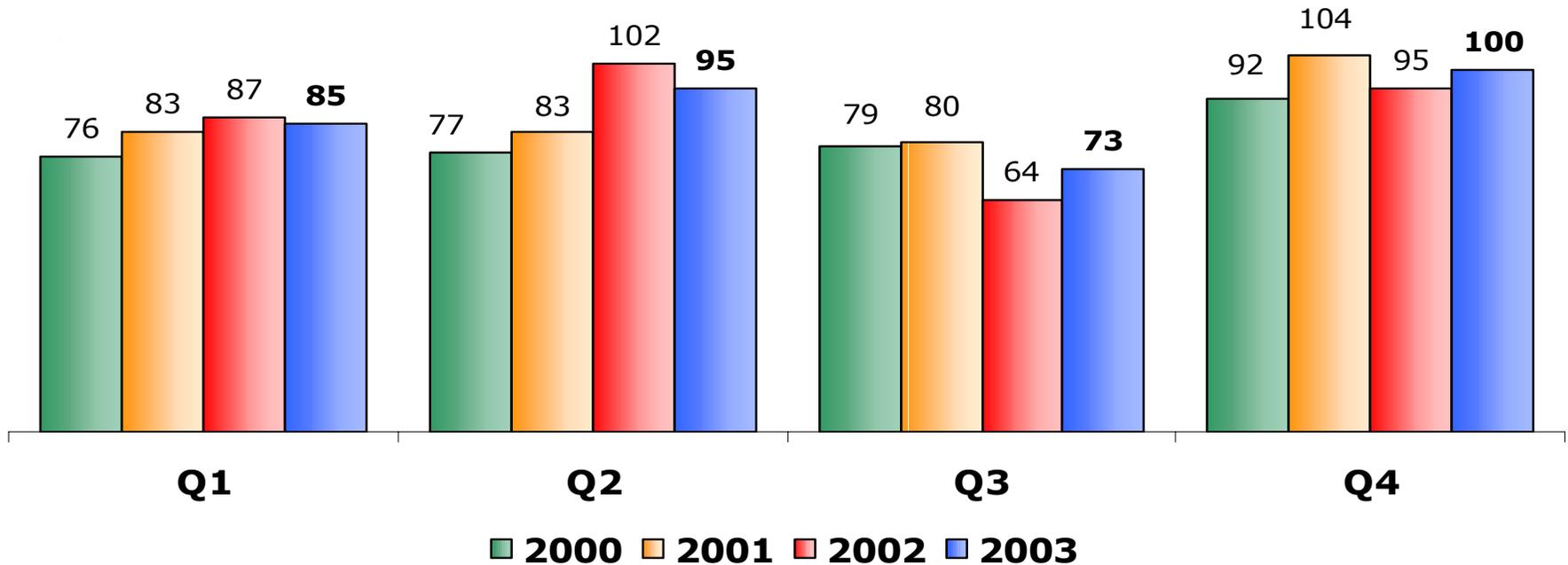


*At a constant exchange rate, the backlog for 2003 would be 6 million Euro greater than that of the previous year.*



# 2003 Quarterly order inflow

Full years 2000 – 2003E



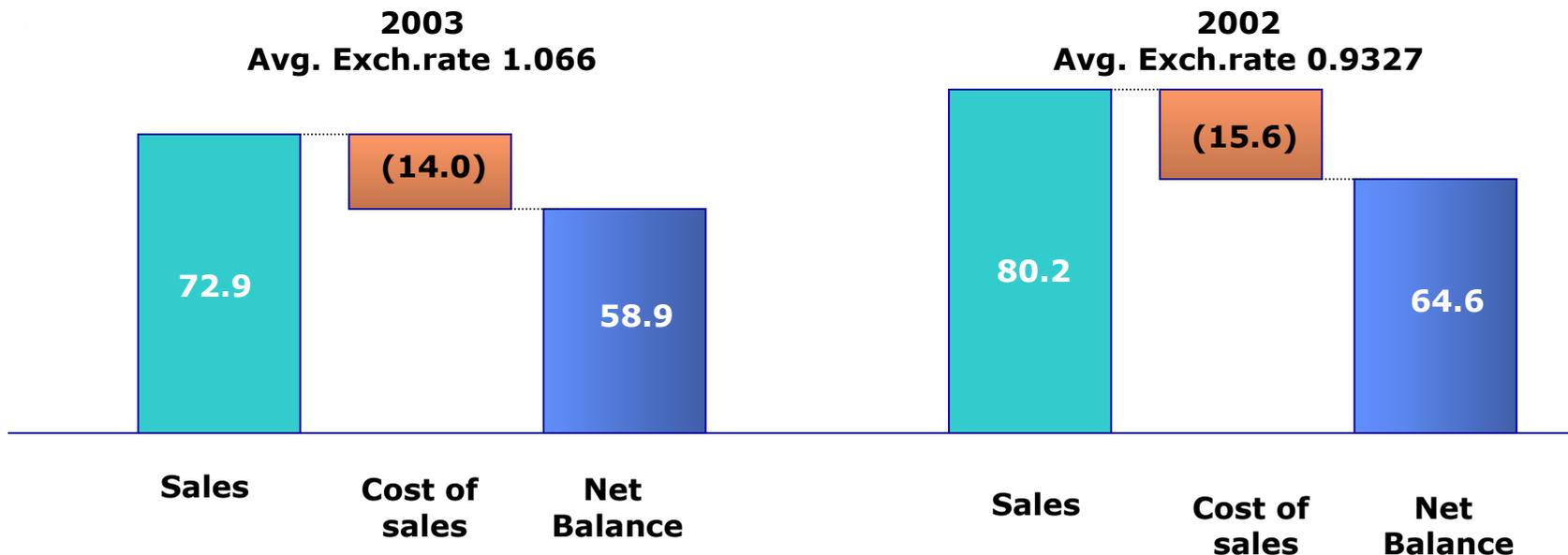
A satisfactory order intake in the 4th quarter confirmed the trend of the 3rd quarter.

The order intake in January further confirmed this trend in the pharmaceutical sector.



# The foreign exchange balance and the impact of the US dollar on profitability

The foreign exchange balance in 2003 and 2002 was as follows:



The reduction in Dollar turnover shown in the chart reflects a change to Euro denominated turnover in some territories outside North America.

The impact of the USD rate in 2003, compared with 2002, resulted in a reduction in turnover of 9.8 million Euro and a reduction in Ebit of 8.2. Therefore at a constant exchange rate, the profitability of 2003 (Ebit margin) would have been in line with that of 2002.



# Consolidated balance sheet

## Full Year 2003E vs 2002

IMA	2003E	%	2002	%
<i>Million Euro</i>				
Trade receivables	76,67		95,92	
Inventories	117,42		114,93	
Trade payables	(94,51)		(101,88)	
Other, net	(20,24)		(22,96)	
<b>Net working capital</b>	<b>79,34</b>	<b>47,7%</b>	<b>86,02</b>	<b>48,8%</b>
Intangible fixed assets	42,99		48,85	
Tangible fixed assets, net	58,66		50,32	
Investments	0,48		6,55	
<b>Total fixed assets</b>	<b>102,14</b>	<b>61,4%</b>	<b>105,71</b>	<b>60,0%</b>
Severance indemnities & other	(15,09)		(15,62)	
<b>Net employed capital</b>	<b>166,39</b>	<b>100,0%</b>	<b>176,11</b>	<b>100,0%</b>
Net debt	68,49	<b>41,2%</b>	67,25	<b>38,2%</b>
Minority interests	2,25		2,31	
Group share of net equity	95,65	<b>57,5%</b>	106,55	<b>60,5%</b>
<b>All sources</b>	<b>166,39</b>	<b>100,0%</b>	<b>176,11</b>	<b>100,0%</b>



# Net working capital

## Comparison 2003E – 2002

<b>IMA</b>	<b>2003E</b>	<b>%</b>	<b>2002</b>	<b>%</b>
<i>Million euro</i>		<i>of sales</i>		<i>of sales</i>
Trade receivables	76,67	21,8%	95,92	27,1%
Inventories	117,42	33,4%	114,93	32,5%
Trade payables	(66,13)	(18,8%)	(74,75)	(21,2%)
Advance from customers	(28,38)	(8,1%)	(27,13)	(7,7%)
<b>Operating Working Capital</b>	<b>99,58</b>	<b>28,3%</b>	<b>108,98</b>	<b>30,8%</b>
Other (net)	(20,24)	(5,8%)	(22,96)	(6,5%)
<b>Net working capital</b>	<b>79,34</b>	<b>22,6%</b>	<b>86,02</b>	<b>24,3%</b>

*The reduction in NWC is substantially due to a further decrease in trade receivables (combined with a different timing of deliveries) and due to an increased level of advance payments equivalent to 8.1% of total sales. The inventory is in line with the previous year whilst trade creditors had decreased due to investments made at the end of the year to take advantage of fiscal benefits of the Tremonti Act.*



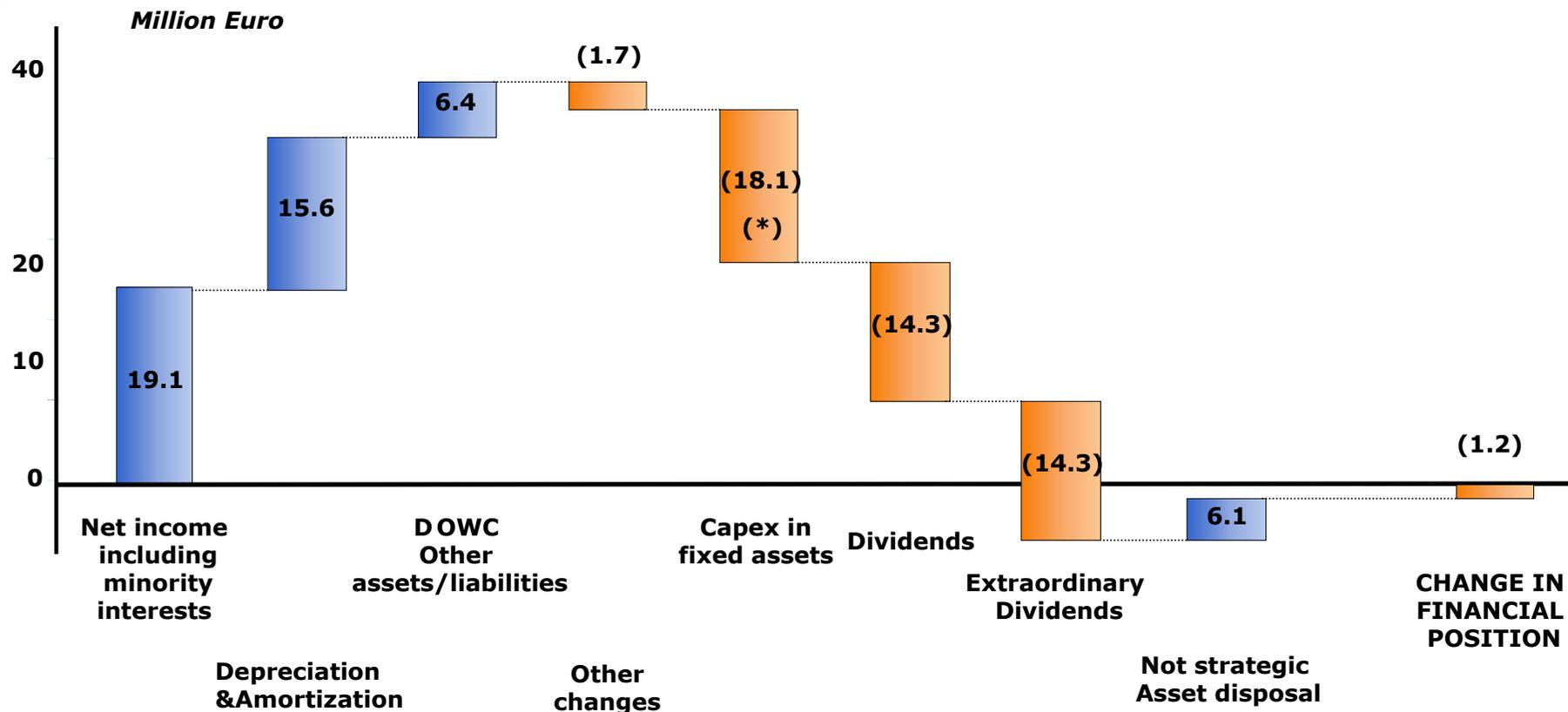
# Consolidated cash flow

## Full Year 2003E vs 2002

<b>IMA - CASH FLOW</b>	<b>2003E</b>	<b>2002</b>
<i>Million Euro</i>		
EBIT	39,25	47,12
Depreciation and amortization	10,57	9,97
Amortization of goodwill	5,08	5,08
Capital expenditure	(18,14)	(16,36)
Change in working capital	5,61	(1,51)
Change in other assets/liabilities	0,84	1,47
<b>Operating cash flow</b>	<b>43,21</b>	<b>45,76</b>
Net financial charges	(4,01)	(4,25)
Extraordinary items	0,93	0,86
Income taxes	(17,12)	(19,30)
<b>Cash flow from operations</b>	<b>23,01</b>	<b>23,06</b>
Acquisitions	6,08	0,00
<b>Cash flow from extraordinary operations</b>	<b>6,08</b>	<b>0,00</b>
Dividends	(28,56)	(12,92)
Other changes in net equity	(1,77)	(2,26)
<b>Change in net financial position</b>	<b>(1,25)</b>	<b>7,89</b>
Opening net financial position	67,25	75,14
Closing net financial position	68,49	67,25



# Cash flow 2003E

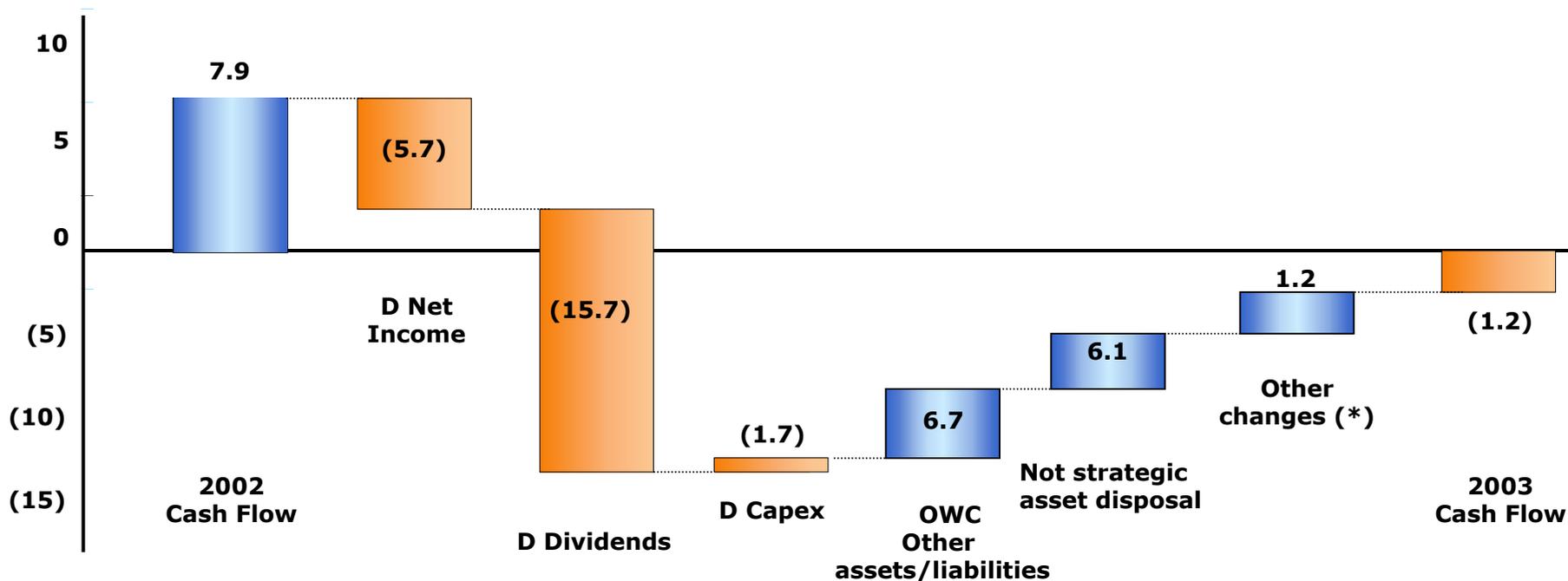


(\*) Investments are net of disposals and of effect of exchange rate.  
The gross value would be 20.8 million Euro.



# Cash flow 2003E vs 2002

Million Euro



\* Of which (1,1) relevant to other changes in net equity (translation effect)



# Investments and amortization

*Million Euro*

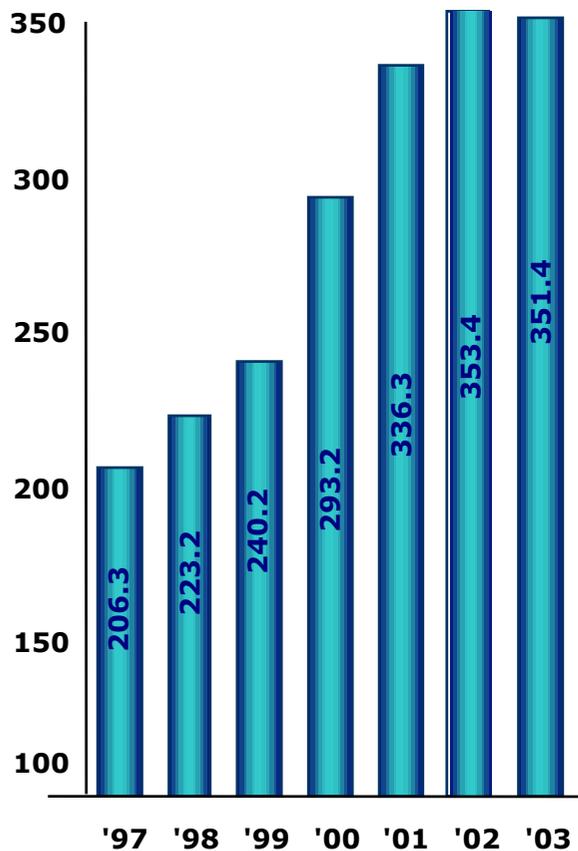
	2000	2001	2002	2003	Total 2000-2003
Capex	14.2	18.9	17.8	20.8	71.7
Depreciation	10.0	12.6	10.0	10.6	43.2



# Ebit grows faster than sales

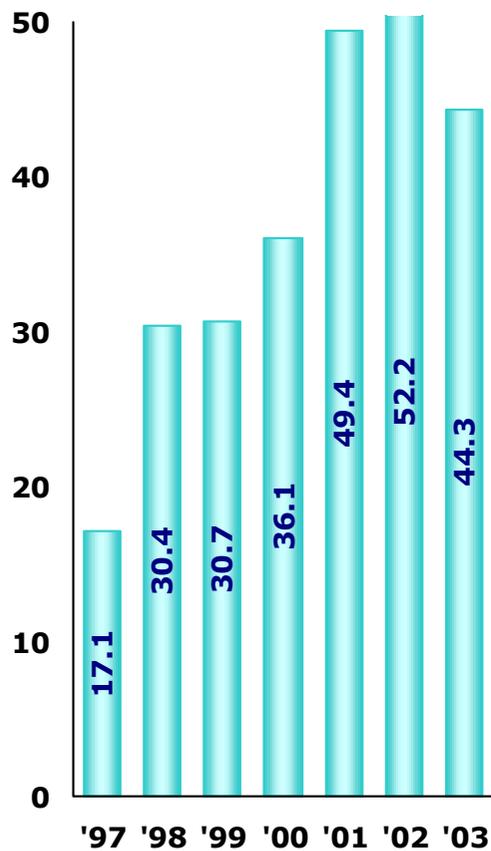
Million Euro

## SALES



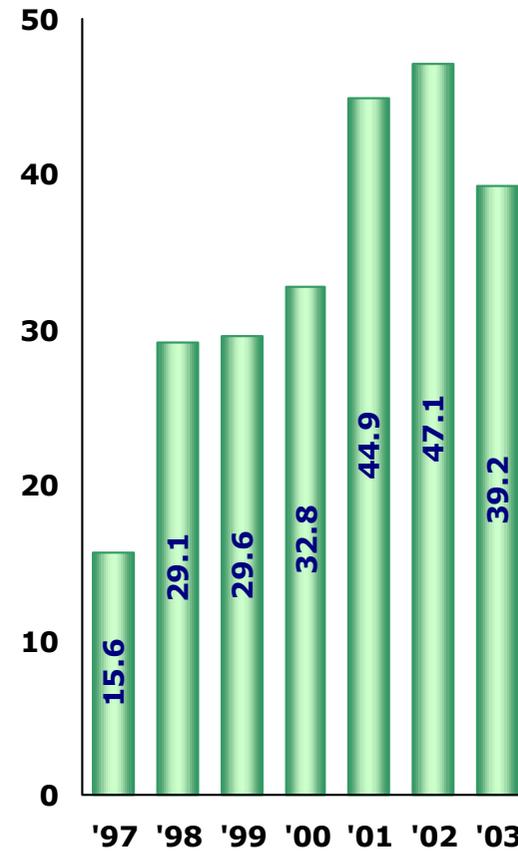
9.3%

## EBITA



17.2%

## EBIT



16.6%

**6 year CAGR**

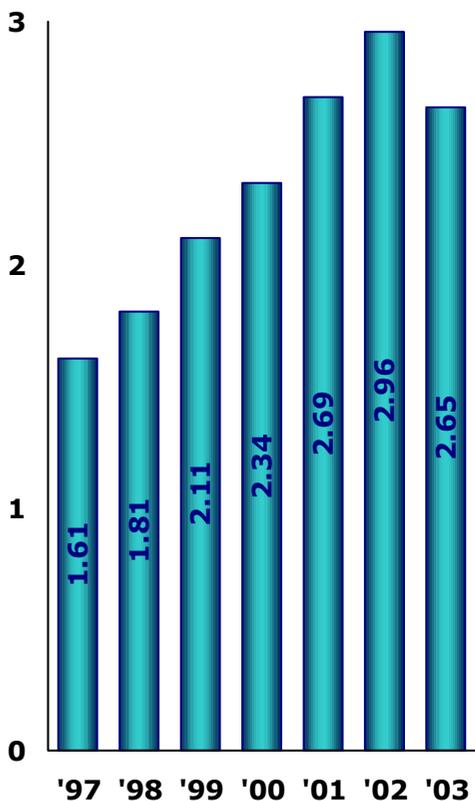




# Data per share

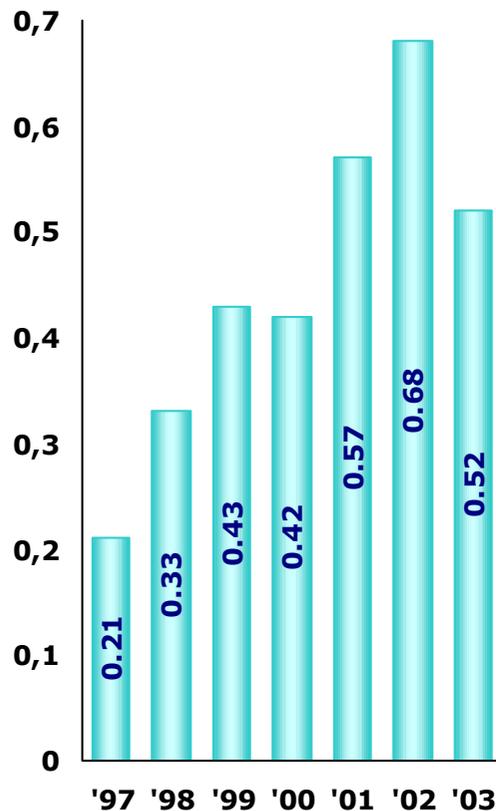
Million Euro

## SHAREHOLDERS' EQUITY



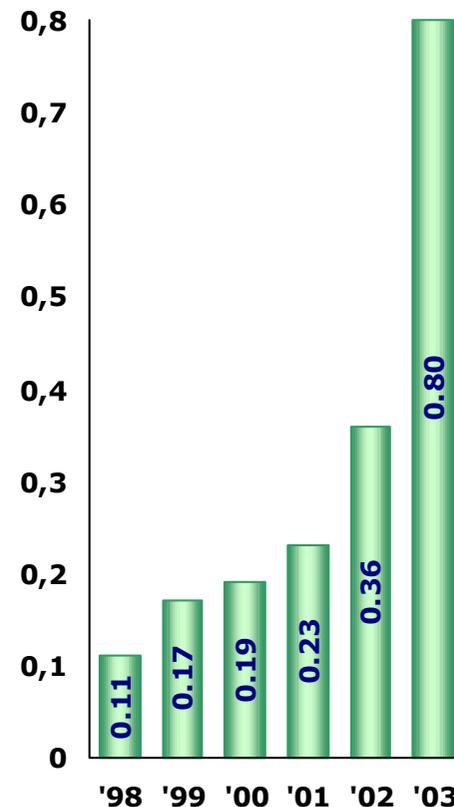
8.2%

## NET INCOME



16.3%

## DIVIDENDS PAID



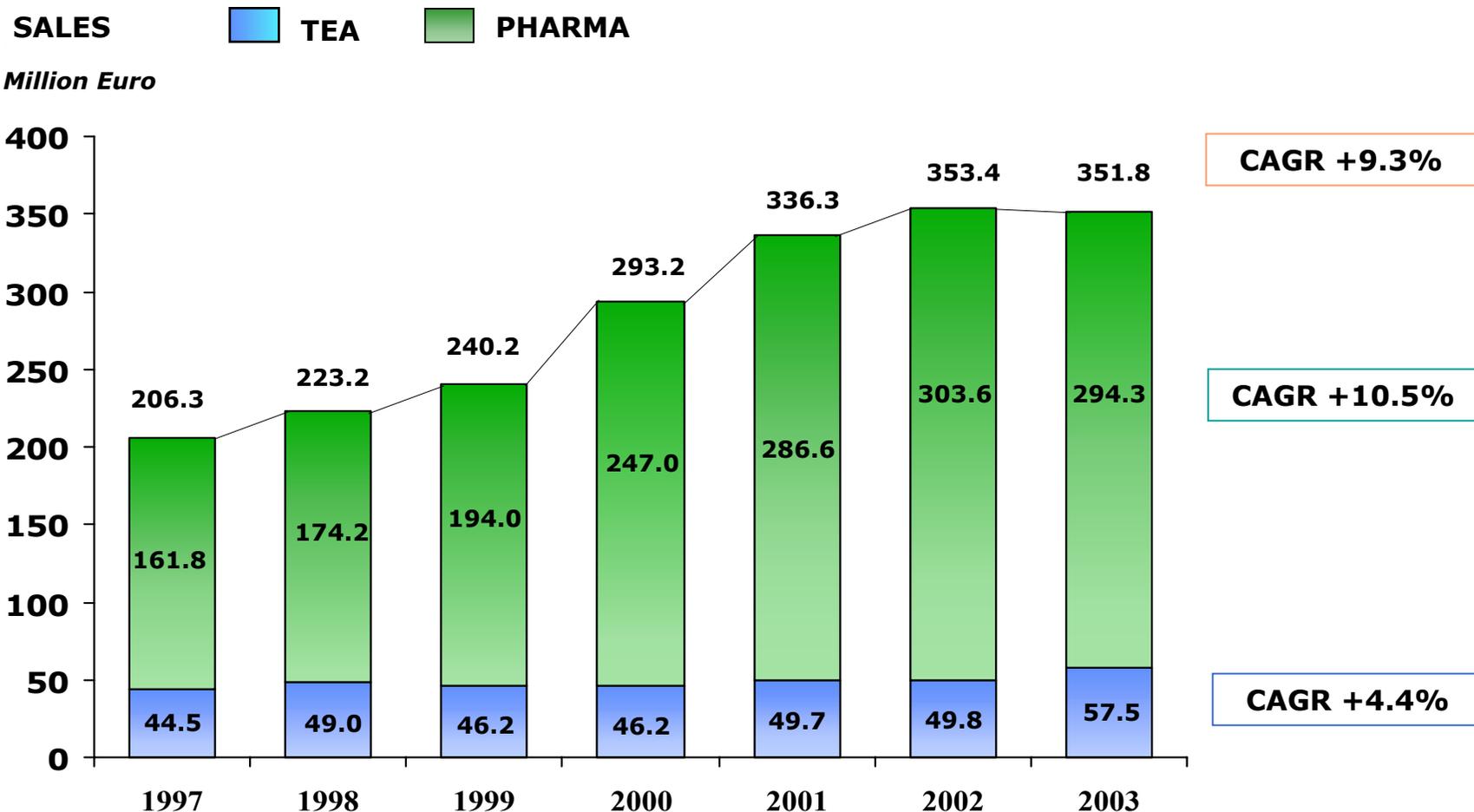
26.0%

**CAGR 6 ANNI**



# Sales trend

(1997-2003)





# Pharmaceutical industry

- Fast growing demand for medicines both in OECD and in emerging markets
- For 2003-2007 the expected CAGR of sales for medicines is 9.8%
- Industry concentration in big multinationals but without dominant players
- The demand for generics is currently growing faster than for pharmaceuticals as a whole, representing 9.2% of the total world pharmaceutical market
- Delays in important new product launches... and some did not perform as hoped
- Proliferation of blockbusters: number of products achieving sales over 1 billion US\$:

**1998 : 20 - 2002 : 60**

# Pharmaceutical industry

**The era of robust growth moderates to 8%, solid but under pressure as key economies stagnate**

WORLD AUDITED MARKET	2002		% GROWTH Constant \$	
	US\$ Bil	% Share	2002	Cagr 97-01
Latin America	16,5	4,1	-10,4	+0,6
Asia / Africa / Australia	31,8	7,9	+10,6	+9,9
Japan	46,9	11,7	+1	+3,5
Europe (All)	102,4	25,5	+8,1	+7,6
North America	203,6	50,8	+11,7	+14,2
<b>Worldwide</b>	<b>401,2</b>	<b>100,0</b>	<b>+8,2</b>	<b>+9,5</b>

Source: IMS HEALTH, Global Pharmaceuticals Review, 2003

# Pharmaceutical industry in 2002

## THE FIRST 10 COMPANIES

	(in billion \$)
Pfizer/Pharmacia	41,7
GlaxoSmithKline	27,9
Merck & Co.	20,0
Johnson & Johnson	18,6
Astra Zeneca	18,1
Novartis	16,6
Aventis	14,3
Bristol-Myers-Squibb	14,3
Roche	12,5
Wyeth	11,7

## THE FIRST 10 PRODUCTS

	(in billion \$)
Lipitor (Pfizer/W.L.)	8,0
Zocor (Merck & Co.)	5,6
Losec/Prilosec (Astra Zeneca)	4,6
Procrit (Johnson&Johnson)	4,3
Norvasc (Pfizer)	3,8
Zyprexa (Eli Lilly)	3,7
Seroxat/Paxil (GSK)	3,2
Orgasto/Prevacid (Abbott)	3,1
Celebrex (Pfizer/Pharmacia)	3,1
Zoflot (Pfizer)	2,7

Source: IMS HEALTH, Global Pharmaceuticals Review, 2003

- **The first 10 companies have a turnover of 195.7 billion \$ equal to the 48.8% of the total market (401.3 billion \$)**
- **The cost of sales is below 20% while on patented products it is even lower than 15%**



# Pharma industry scenario:

## Drugs consumption

USD bln.	Annual Sales		CAGR	MKT Share
	2002	2007		
USA	195.6	346.3	12.1%	65.5%
Canada	8.1	.914	13.0%	2.8%
Italy	13.2	19.5	7.6%	3.7%
France	19.0	24.5	5.2%	4.6%
Germany	20.3	28.5	6.7%	5.4%
UK	13.7	21.5	9.5%	4.1%
Belgium	2.8	3.7	5.6%	0.7%
Spain	8.7	13.6	9.3%	2.6%
Japan	46.9	50.1	1.3%	9.5%
Australia	3.7	5.8	9.3%	1.1%
<b>Total 12 Countries</b>	<b>332.0</b>	<b>528.4</b>	<b>9.8%</b>	<b>100.0%</b>

**Source: IMS HEALTH, Pharma-Prognosis International 2003-2007**

*Note: Sales cover direct and indirect pharmaceutical channel purchases from pharmaceutical wholesalers and manufacturers in 10 key international markets. Figures include prescription and certain over-the-counter data, and represent manufacturer prices.*





# Pharma industry

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## *Machines – a critical factor*

- In 2002 the pharmaceutical industry invested approximately USD 54 bln. in Research and Development
- Sales and Marketing expenses in the same year accounted for more than 15% of sales
- Capital expenditures in processing and packaging machinery accounted for approximately 1% of sales yet may jeopardise investments in R&D and Sales & Marketing



# Pharma industry

## *Manufacturing focus*

- Increased Regulatory focus on pharma manufacturing practices has become a new risk factor for drug manufacturers
- In recent years the FDA has stepped up intensity of manufacturing inspections and enforcement actions
- Schering-Plough was the highest-profile case in 2001; the consent decree fines could exceed \$500 million, and Clarinex approval was delayed a year
- Lilly's manufacturing difficulties have slowed new drug approvals
- Pharmacia has received nine manufacturing warning letters in recent years
- Merck has received several warning letters, and has been subject to a few recalls and vaccine supply shortages

# Pharma machinery industry

In a period of economic stability, sales trend of medicines is a reasonable “proxy” for the trend in expenditure on machinery

<b>GROWTH RATE (CAGR 1990/1999)</b>	<b>Europe</b>	<b>USA</b>	<b>TOTAL</b>
NET SALES	7.8%	12.9%	<b>11.0%</b>
NET TANGIBLE FIXED ASSETS	8.9%	11.6%	<b>10.4%</b>
DEPRECIATION	11.7%	13.4%	<b>11.7%</b>

2002 and 2003 witnessed a “sharp” slump in investments in machinery by the pharmaceutical industry



# Pharma machinery industry

## *OECD Countries*

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- Pharma industry reluctance to increase spending due to weak economy and geopolitical uncertainty
- High excess capacity as a consequence of the slow down in the industry growth rate
- Further industry consolidation and the relocation of manufacturing operations
- Pressure on pricing from intensified competition
- Weakening of the US Dollar after mid year 2002
- Decline in capital investment by North American health food industry



# Pharma machinery industry

## *Emerging Countries*

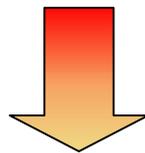
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- Collapse in investment by Latin American Countries
- The SARS epidemic blocked negotiations in China and also had a negative fall-out on other South East Asian Countries
- The war in Iraq blocked Middle East markets
- Continued strong investments by East European Countries



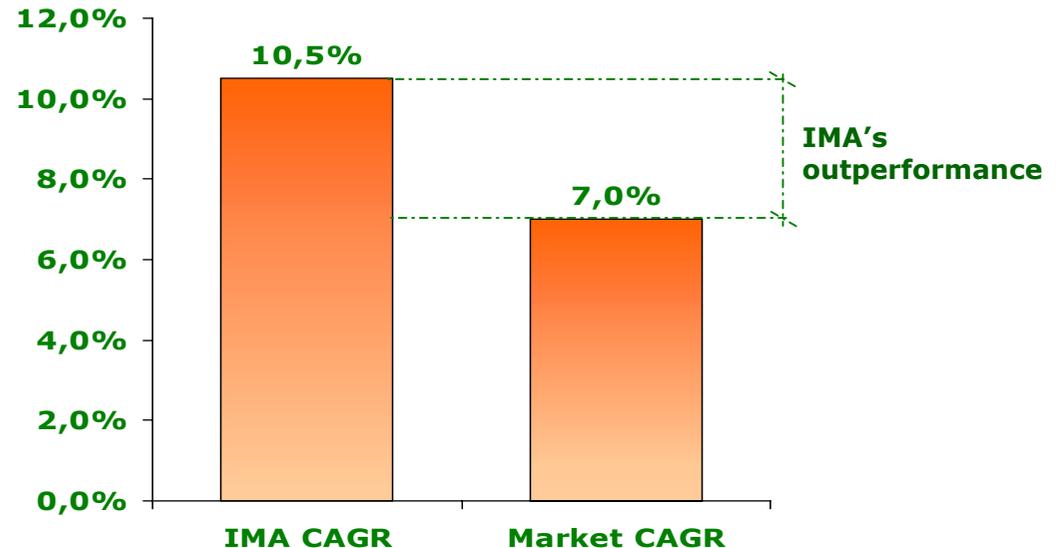
# IMA grows faster than its competitors

- Between 1997-2003 IMA recorded a 10.5% growth rate (CAGR) in the pharmaceutical sector compared with a compound annual market growth rate of 7% (Frost & Sullivan and Freedonia)



- IMA has taken market share away from all its competitors thanks to a winning "business concept" and an innovative strategy

**Compound average growth rate (1997-2003)**





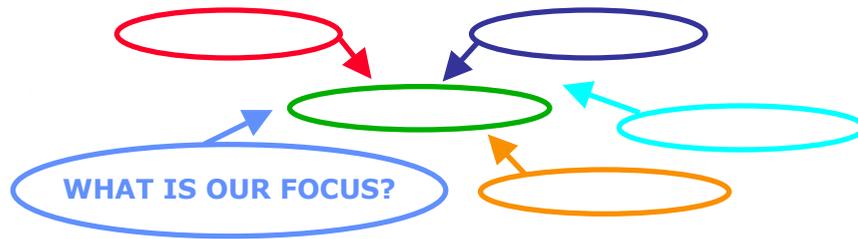
# IMA's business concept





## IMA's business concept

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IMA concentrates its efforts and current resources on serving two industries in which it enjoys a strong position of leadership, i.e.:

- tea
- pharmaceuticals and cosmetics

No distraction or deconcentration of internal resources towards other sectors.

The intense focalisation on the pharmaceutical industry together with the considerable investments in R&D and for customer service organization have allowed IMA to build up a strong competitive advantage over all its main competitors.



# Main pharmaceutical market competitors

	BLISTER	CAPSULE FILLING	TABLETING	COATING	GRANULAT. POWDER P.	FILLING	CARTONING	END OF LINE
<b>IMA</b>	Leader	Leader	Leader	Leader	Player	Leader	Follower	Leader
<b>BOSCH</b>	Follower	Leader				Leader	Player	
<b>ULHMANN</b>	Leader						Follower	Player
<b>KLOCKNER</b>	Follower							
<b>ROMACO</b>	Player	Player			Follower	Player	Player	
<b>CAM</b>	Follower						Leader	
<b>MARCHESINI</b>	Player					Player	Leader	Player
<b>MG2</b>		Follower						
<b>FETTE</b>			Leader					
<b>KIKUSUI</b>			Follower					
<b>HATA</b>			Follower					
<b>IWKA</b>	Player		Player	Follower	Player		Player	
<b>NIRO/GEA</b>			Player		Leader			
<b>KORSCH</b>			Player					
<b>GLATT</b>				Leader	Leader			
<b>DRIAM</b>				Follower				
<b>O'HARA</b>				Player				
<b>HY COATER</b>				Player				
<b>BAUSCH &amp; S.</b>						Leader		
<b>GROENINGER</b>						Follower		
<b>MAR</b>						Player		
<b>PESTER</b>								Leader

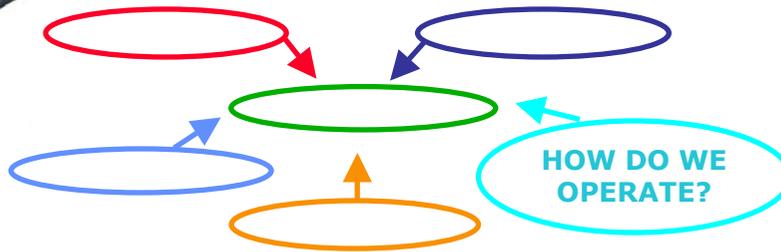
Leader
  Follower
  Player





# IMA's business concept

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- IMA outsources all activities that do not constitute core competences (e.g. production of parts, sub-assemblies, etc.)
- IMA's extensive network of suppliers is an important asset for its success
- The network formed by IMA and its suppliers/partners constitutes a veritable company system, in which each node has the task and mission of developing its technology and process know-how to the maximum level
- In many cases IMA itself helps to create such supplier companies





## IMA's business concept

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*All this means*

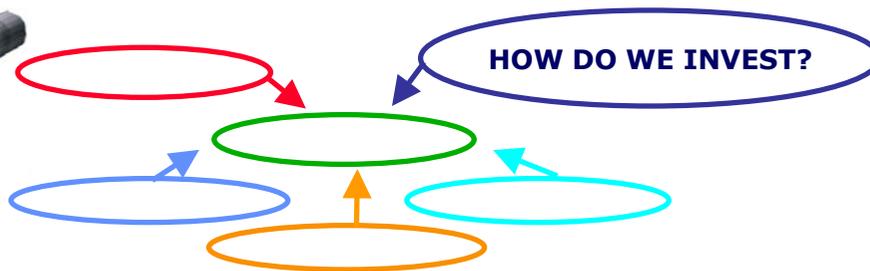


- High flexibility when faced with changing demand in terms of volumes and, above all, of delivery times
- Selection of superior know-how for each technology employed
- Elevated technological flexibility
- Low capital employment in manufacturing equipment allows IMA to address its financial resources to the Group's "core competences"



# IMA's business concept

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- IMA concentrates its financial commitments only in those areas of the Company that have to be exploited to the utmost (core competences) in order to better satisfy customer's needs and therefore achieve a strong advantage over competition. Everything else is outsourced
- **That is, IMA invests heavily in:**
  - **R&D and product/line engineering** (approximately 20% of its employees work in this area);
  - **assembly, testing and certification of its lines/products** to guarantee highest quality levels (IMA is certified ISO 9001);
  - **marketing and customer support** (approximately 25% of the Group's employees), i.e., in the pre-sales and sales services organization, which liases with customers and focuses on the best solution in every specific circumstance.  
After-sales service continually assists the customer to guarantee maximum plant efficiency.

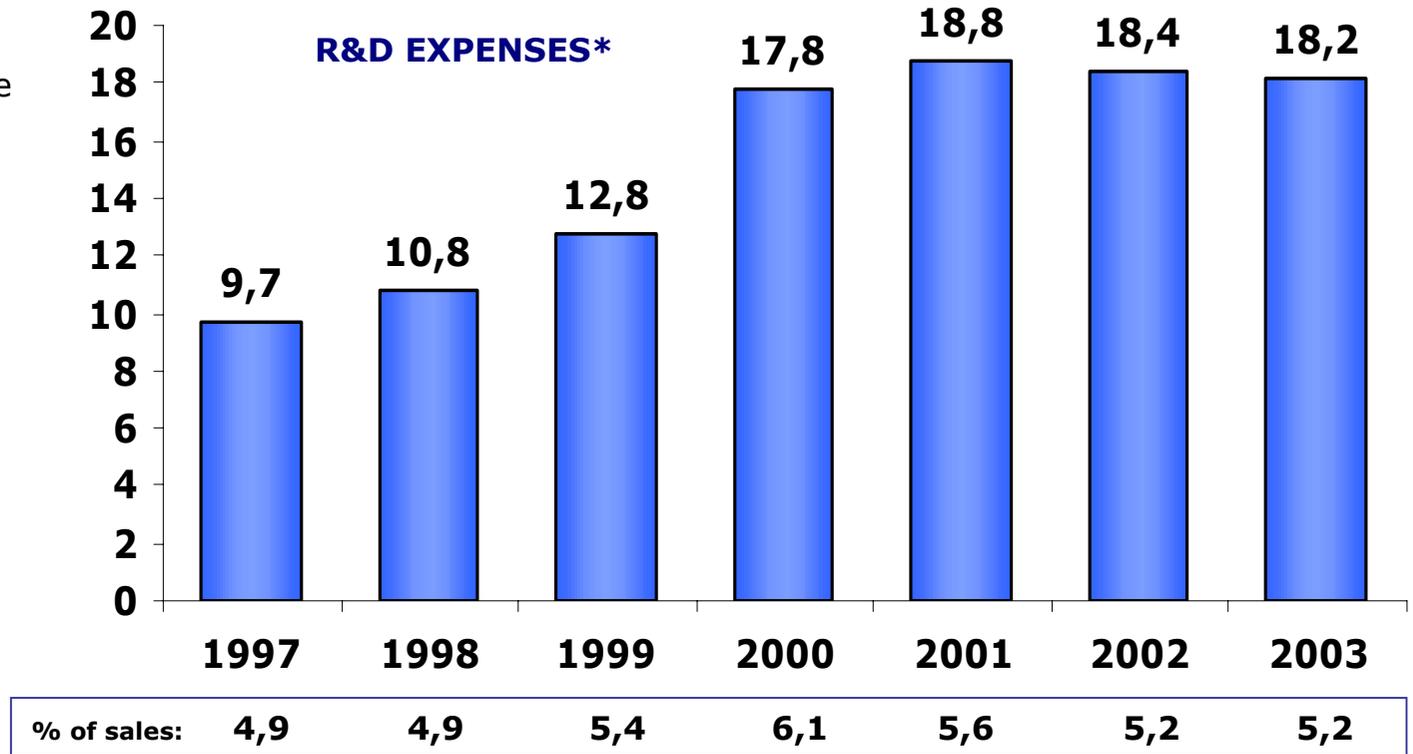


# IMA's investments in core competences

## Innovation and state-of-the-art technology

- Strong IMA commitment to R&D ensures future growth and strengthens our competitive advantage
- Over 310,000 R&D hours spent developing new products
- More than 571 registered patents
- More than 30 new products launched in the last two years
- 18.2 €/mil. in 2003

Euro million



CAGR 1997-2003E +11.3%

\* Fully charged in the first year





# IMA's investments in core competences

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## *Developments on order*

- Approximately 400 engineers and project developers are employed in IMA's R&D laboratories totalling approximately 600,000 hours:
  - 310,000 hours for new products development (included in R&D expenses)
  - 290,000 hours for developments to meet specific customer requests (included in the cost of goods sold):



- this extraordinary use of resources dedicated to meeting the specific requests of each and every customer can be matched by none of our competitors and is highly appreciated by all our customers

***IMA "tailors" to the needs of its customers***



# IMA's investments in core competences

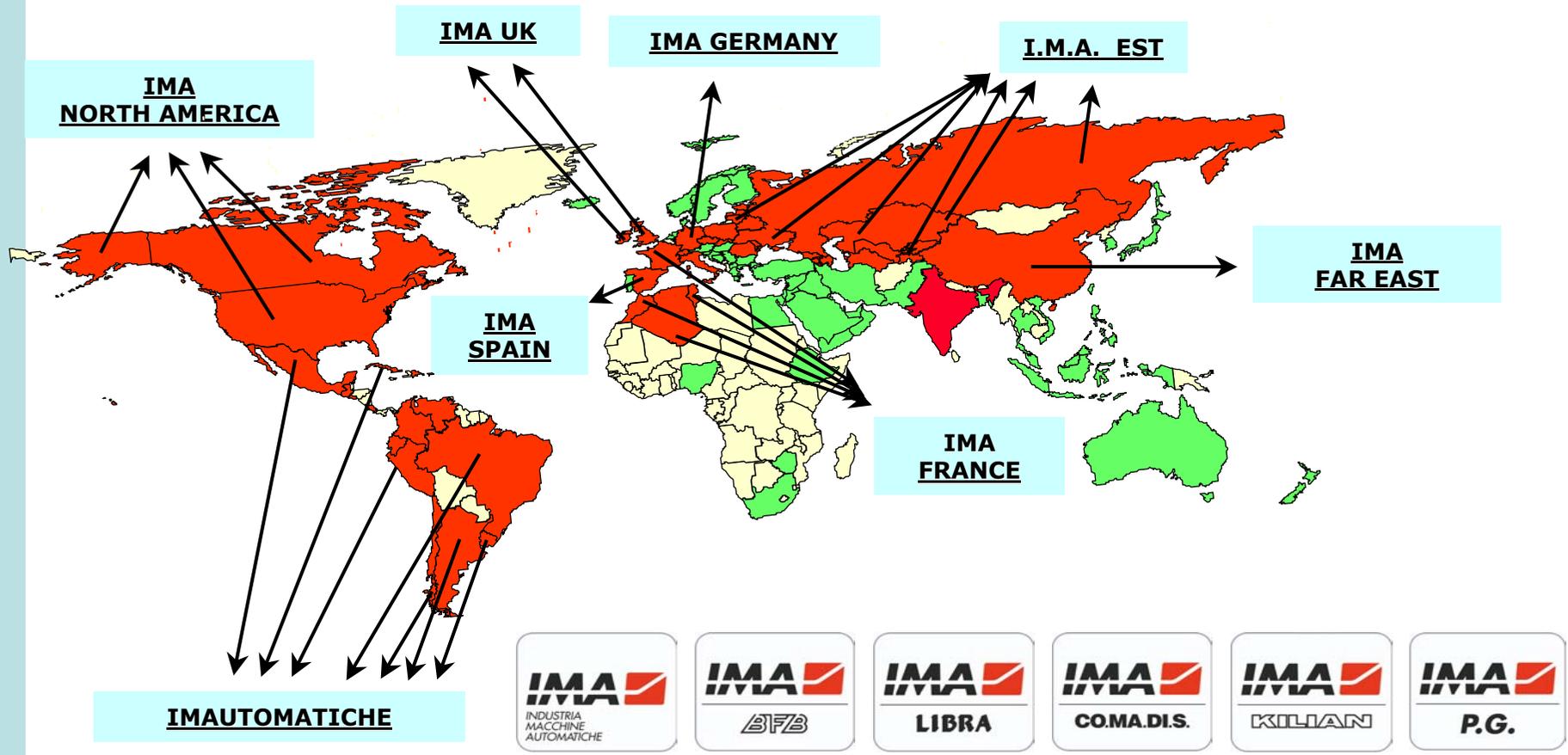
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## *Extensive customer service network*

- Direct presence in 16 countries.
- A strong presence in high potential emerging markets (India and China).
- Effective pre-sales and after-sales organization thanks to economies of scale.
- Recourse to joint ventures and alliances with local companies in specific markets to bridge cultural differences (Japan, India, China).

# IMA core competences:

## Extensive customer service network



 IMA Sole Agencies (Export Pharma agencies & Export Solid Dose Dpts)

 IMA Subsidiaries





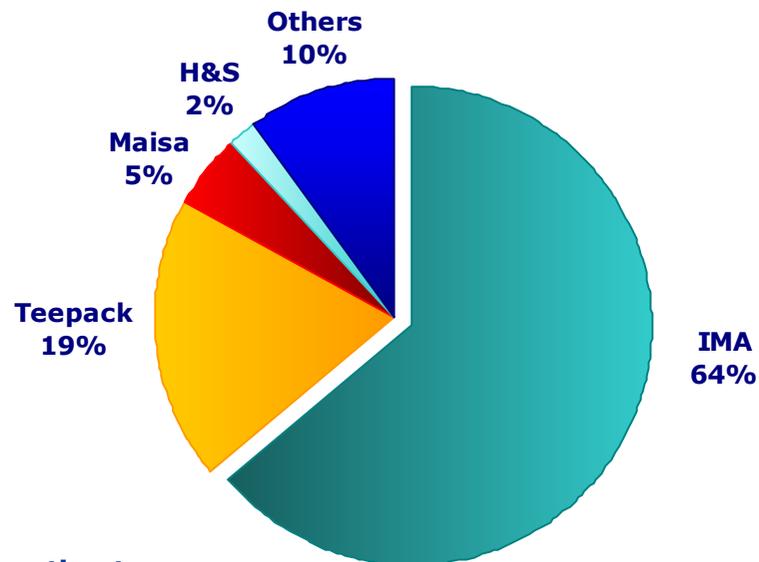
# Tea-bag industry

- The tea bag industry is mainly centred in the West (20% of the world's tea consumption) and is not growing
- Replacement of installed machinery is driven by productivity and marketing factors
- Central and East European markets (tea consumers) are setting-up a tea bag industry
- Markets in the Far East (India, China, Japan, etc.) show no significant signs of switching to tea bags



# Tea-bag machinery industry

- The world market for tea bag machinery is estimated at Euro 90 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 64%
- The second player Teepack belongs to a Group (Teekanne) that produces and sells teabags (brand name: Teekanne, Pompadour, etc.)



(\* ) Company estimates



# Tea-bag machinery industry

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In 2003 IMA Group's Tea sector acquired new orders for 71 mln. Euro, compared to 60 in 2002 (+18.3%) and 37 in 2001. In the last two years orders have almost doubled (+92%) due to:

- East European countries continuing to invest strongly in the Tea industry
- The decision taken by several European multinationals to replace their installed machines with new IMA models
- Thanks to innovative products IMA has been able to stimulate the request for replacement of old machines, which otherwise would have decreased due to the economic crisis
- Exclusive development and supply agreements for innovative solutions with multinational groups.

Being on a long term basis, these foregoing relationships make it reasonable to predict a high growth rate in 2003 and 2004 as well as positive prospects in the future.



# Tea-bag machinery industry

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- Continuing high demand is forecast for 2004 and 2005
- Upon completion of the current investments cycle the industry will resume traditional growth rates (growth in line with inflation)
- Switch to tea bags by Far East markets would completely change the foregoing scenario
- The market of coffee in pods is expected to be of great interest in the near future and IMA will continue to invest in this sector where it has recently entered



**ALWAYS**  
**A STEP AHEAD**

INDUSTRIA  
MACCHINE  
AUTOMATICHE