

# PRESENTATION TO INVESTORS

2005

# COMPANY RESULTS

*Innovative Automatic Machine  
System Solutions*

March 2006

The IMA logo consists of the letters 'IMA' in a bold, black, sans-serif font, followed by a red square containing a white diagonal line from the bottom-left to the top-right.

**IMA**

INDUSTRIA  
MACCHINE  
AUTOMATICHE



# The IMA Group

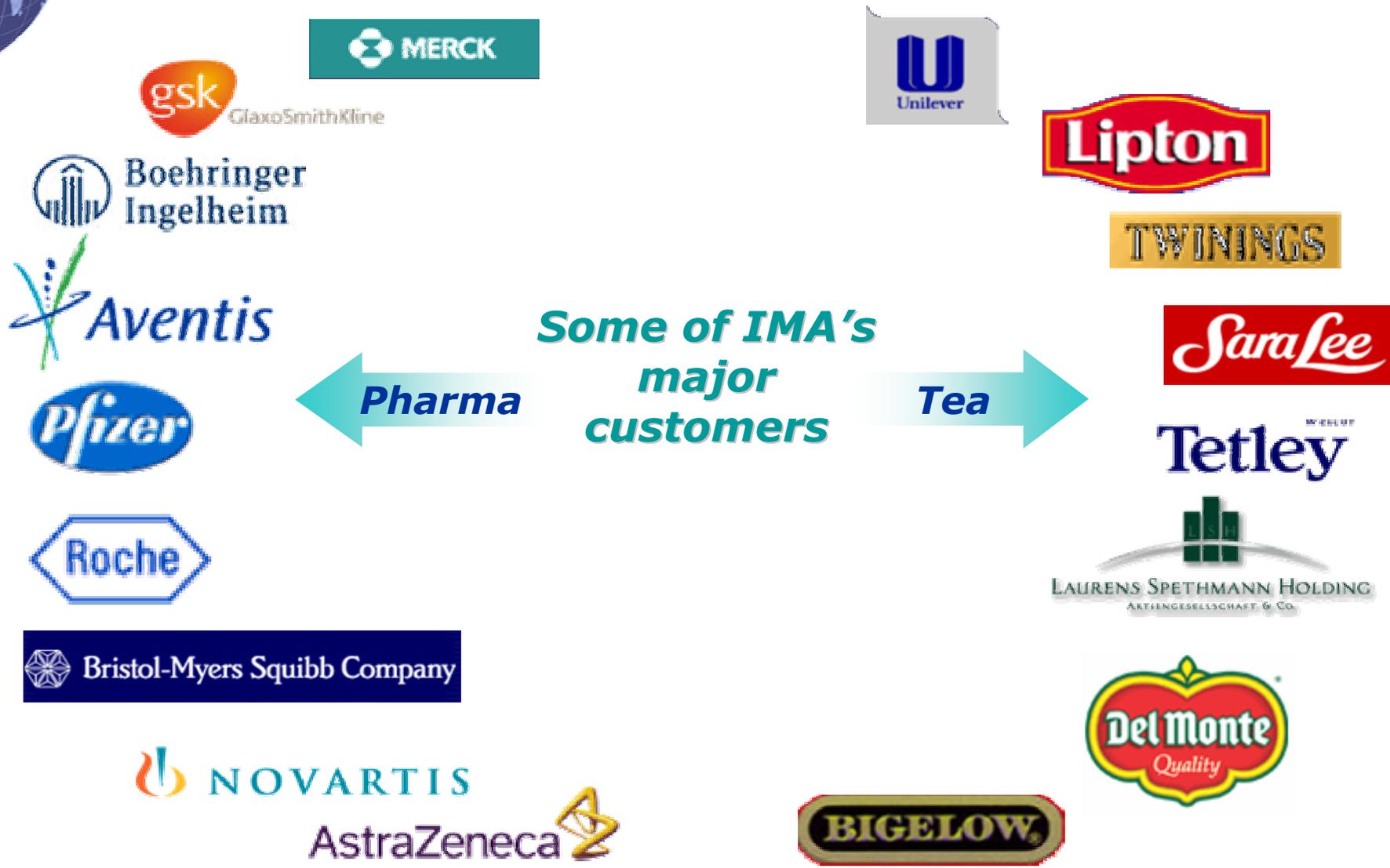
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## *Today*

- 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 (90.3% 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

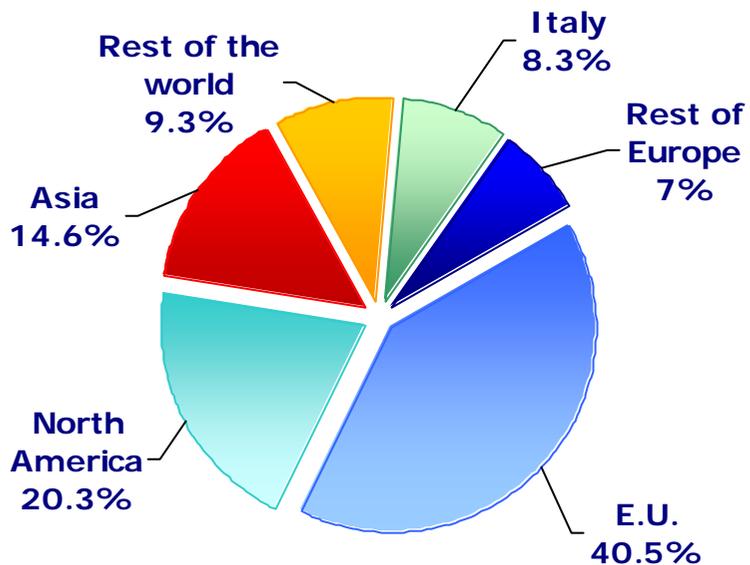
## INVESTMENT PROFILE

- 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

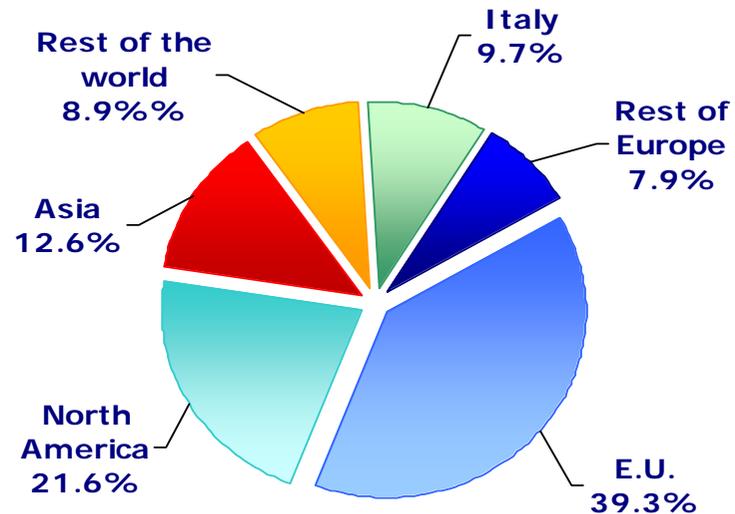


# Balanced sales distribution

2004



2005



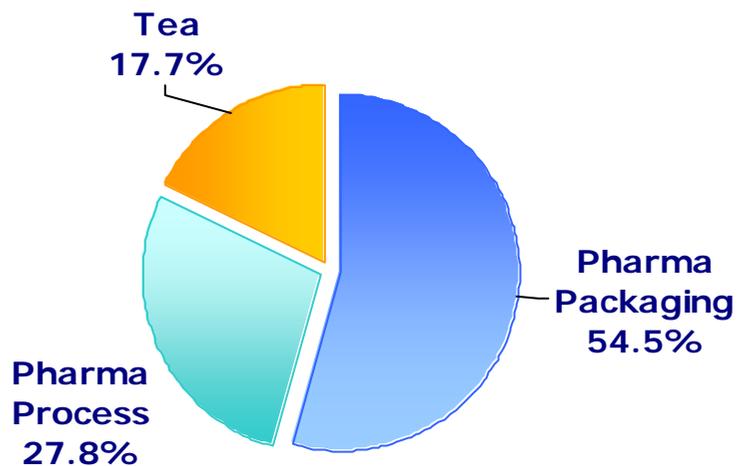
Sales in 2005: € 398.8 million  
Exports: 90.3%



# IMA's balanced offer

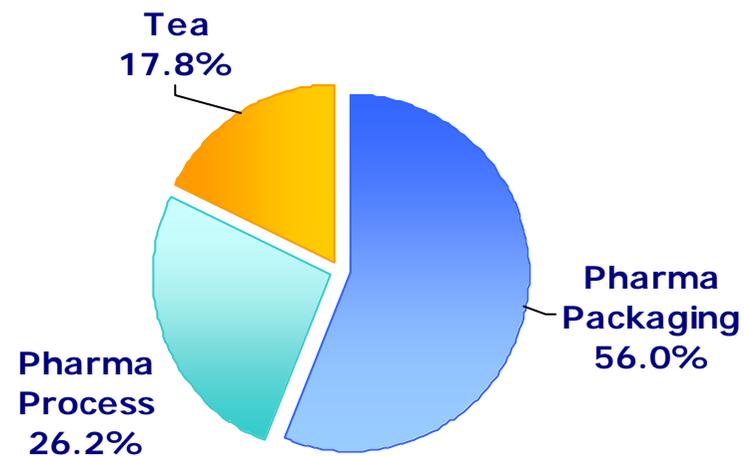
2004

2004 total sales: € 372.0 mil.



2005

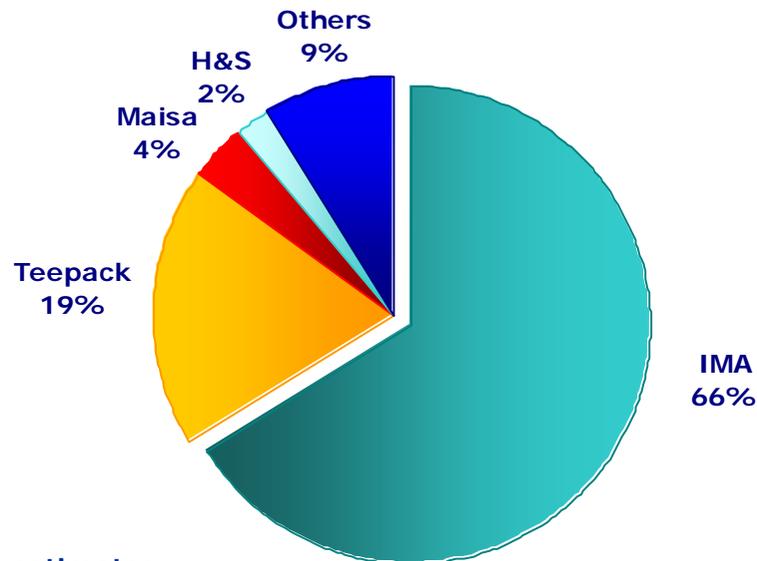
2005 total sales: € 398.8 mil.





# Tea-bag machinery industry

- 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 66%
- 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

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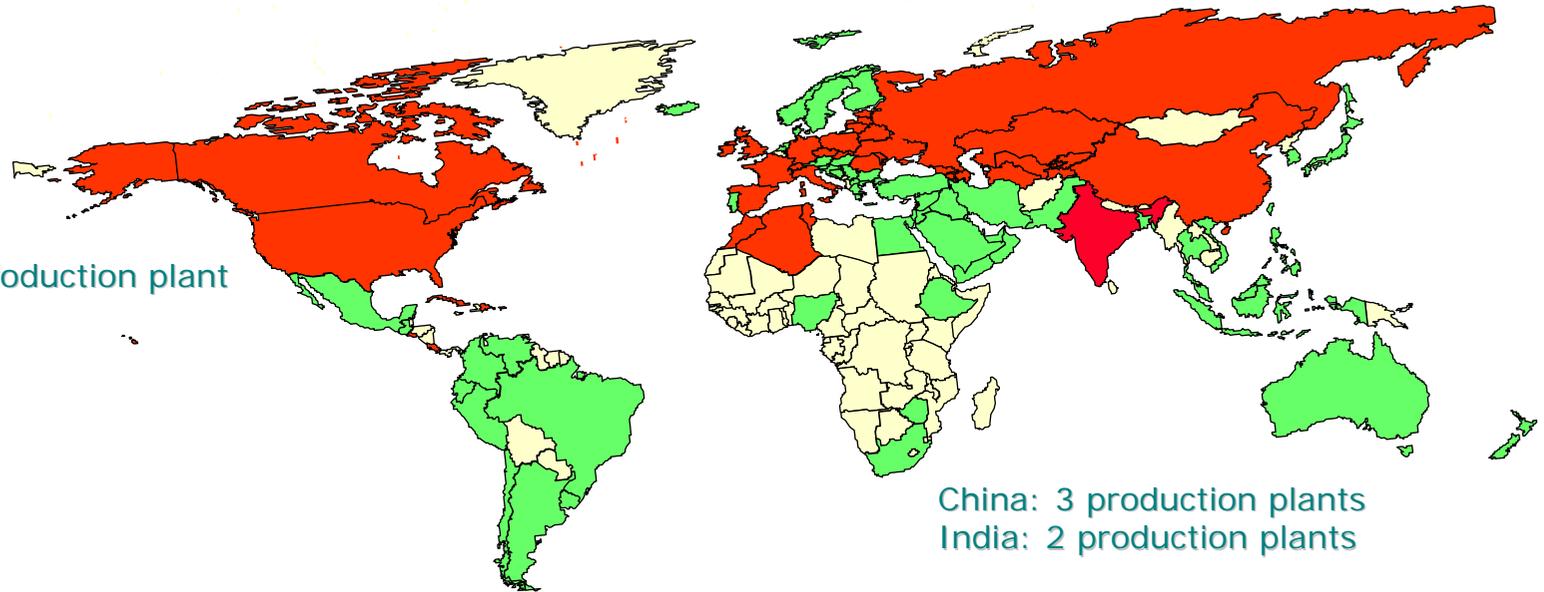
- **IMA is the only company with a truly complete range of processing and packaging machines**
- **More than 400 engineers and project developers are employed in IMA's R&D shops totalling approximately 600,000 work hours**
- **Over 600 registered patents**
- **More than 30 new products launched in the last three 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



China: 3 production plants  
India: 2 production plants

-  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





## 2005 Scenario

### *The Tea sector*

New orders amounting to 68.4 million Euro were acquired in 2005 and the outlook for 2006 is still positive.

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.
- Growing demand for coffee-pod processing systems



## 2005 Scenario

### *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**



## 2005 Scenario

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### *The Pharmaceuticals sector*

In 2005 IMA Group's new orders from the pharmaceuticals/cosmetics industry were up 9.3% (343.6 million € vs. 314.4 in 2004))

Such growth may be accounted for by:

- Consolidation perimeter extension thanks to acquisition of new IMA-Telstar joint venture
- Sales volume holds despite poor demand
- Stable demand in North America, good growth in Latin America the Middle East and Russia, poor demand in Europe and South East Asia



## 2005 Scenario

### *The Pharmaceuticals sector*

Despite slack demand for machines and systems compared to previous year, 2005 was characterised by:

- a larger volume of requests for offers, markedly greater than for orders
- longer decision-making lead-times for each investment, probably due to blurry macro-economic outlook
- jitters among machine and system manufacturers owing to empty order portfolios and apprehension for long customer decision-making lead-times
- price undercutting and discount war



# Orders - Sales - Backlog 2005 vs. 2004

<i>Euro million</i>	<b>Tea</b>		<b>Packaging</b>		<b>Process</b>		<b>Other</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Sales</b>	70,8	67,1	223,5	202,0	104,5	102,8		0,0	<b>398,8</b>	<b>372,0</b>
<b>EBITA</b>	23,2	21,8	13,3	8,6	2,5	6,4		0,0	<b>39,0</b>	<b>36,7</b>
<b>Net Invested capital</b>	13,4	16,2	93,6	84,4	75,5	79,1	-0,6	3,7	<b>181,9</b>	<b>183,4</b>
<b>Order Backlog</b>	39,8	42,2	97,1	82,7	27,1	25,8		0,0	<b>164,0</b>	<b>150,7</b>
<b>Orders</b>	68,4	63,9	237,8	211,5	105,8	102,9			<b>412,1</b>	<b>378,4</b>



## Orders - Sales - Backlog 2005 vs. 2004

Orders:

	2005	2004	Δ	%
Tea & Coffee	68,42	63,93	4,49	7,0%
Pharma Packaging	237,83	211,52	26,31	12,4%
Pharma Process	105,81	102,91	2,90	2,8%
<b>TOTAL</b>	<b>412,06</b>	<b>378,36</b>	<b>33,70</b>	<b>8,9%</b>

Sales:

	2005	2004	Δ	%
Tea & Coffee	70,82	67,14	3,68	5,5%
Pharma Packaging	223,48	202,02	21,46	10,6%
Pharma Process	104,50	102,83	1,67	1,6%
<b>TOTAL</b>	<b>398,80</b>	<b>371,99</b>	<b>26,81</b>	<b>7,2%</b>

Backlog:

	2005	2004	Δ	%
Tea & Coffee	39,76	42,16	-2,40	-5,7%
Pharma Packaging	97,08	82,74	14,34	17,3%
Pharma Process	27,13	25,82	1,31	5,1%
<b>TOTAL</b>	<b>163,97</b>	<b>150,72</b>	<b>13,25</b>	<b>8,8%</b>



# Consolidated profit & loss statement

## 31.12.2005 vs. 31.12.2004

IMA	2005	%	2004	%	var. %
<i>Euro million</i>					
<b>NET SALES</b>	<b>398,79</b>	<b>100,0%</b>	<b>371,98</b>	<b>100,0%</b>	<b>7,2%</b>
Cost of Good Sold	(242,40)	-60,8%	(222,84)	-59,9%	8,8%
<b>GROSS MARGIN</b>	<b>156,39</b>	<b>39,2%</b>	<b>149,14</b>	<b>40,1%</b>	<b>4,9%</b>
Research and development exp.	(18,27)	-4,6%	(17,59)	-4,7%	3,9%
General and administrative exp.	(49,62)	-12,4%	(48,79)	-13,1%	1,7%
Sales and commercial exp.	(49,43)	-12,4%	(46,02)	-12,4%	7,4%
<b>EBITA</b>	<b>39,06</b>	<b>9,8%</b>	<b>36,74</b>	<b>9,9%</b>	<b>6,3%</b>
Amortization of goodwill	(3,48)	-0,9%		0,0%	#DIV/0!
<b>EBIT</b>	<b>35,58</b>	<b>8,9%</b>	<b>36,74</b>	<b>9,9%</b>	<b>-3,2%</b>
Net financial charges	(7,54)	-1,9%	(4,14)	-1,1%	82,2%
Other	(0,05)	0,0%	0,10	0,0%	-152,0%
Taxes	(15,01)	-3,8%	(15,56)	-4,2%	-3,5%
Minority	(0,52)	-0,1%	(0,36)	-0,1%	42,7%
<b>NET INCOME</b>	<b>12,46</b>	<b>3,1%</b>	<b>16,79</b>	<b>4,5%</b>	<b>-25,8%</b>
<b>EBITDA</b>	<b>49,18</b>	<b>12,3%</b>	<b>47,63</b>	<b>12,8%</b>	<b>3,2%</b>



# Consolidated profit & loss statement

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## *2005 vs. 2004 – An analysis of the differences*

On an annual basis, gross margin was down to about 1% owing to price undercutting war and one-off Group reorganisation costs.

In last quarter 2005, gross margin was up to 2% compared to the same period of 2004. Recovery is essentially due to effective growth in margin, thanks to actions on sales costs and dollar price list hikes in the early stages of 2005.

In percent terms EBITA on sales was similar to 2004 figures and equal to 9.8%, thanks to improved sales and general organisation efficiency and hence savings on overheads, which, given the same perimeter, have not increased despite an upswing in unit labour costs and one-off reorganisation costs of about 2 million €.



# Consolidated profit & loss statement

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## *2005 vs. 2004 – An analysis of the differences*

In accordance with international accounting principles (IAS/IFRS), goodwill has been verified and hence adjusted, for IMA-Kilian, to a value of 3.2 million € with the consequent negative effect on Ebit, amounting to 35.6 million €.

The reasons for this wright-down are due to longer than expected launch lead-times of new products along with inefficiencies for moving to new premises and unfavourable trade cycle.

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



# Consolidated balance sheet

**31.12.2005 vs. 31.12.2004**

IMA	2005	%	2004	%
<i>Million Euro</i>				
Trade receivables	98,79		88,09	
Inventories	122,11		109,66	
Trade payables	(115,39)		(100,42)	
Other, net	(28,11)		(14,03)	
<b>Net working capital</b>	<b>77,40</b>	<b>42,6%</b>	<b>83,30</b>	<b>45,4%</b>
Intangible fixed assets	59,31		57,32	
Tangible fixed assets, net	73,25		72,97	
Investments	1,01		0,51	
<b>Total fixed assets</b>	<b>133,57</b>	<b>73,4%</b>	<b>130,80</b>	<b>71,3%</b>
Severance indemnities & other	(29,07)		(30,67)	
<b>Net employed capital</b>	<b>181,90</b>	<b>100,0%</b>	<b>183,43</b>	<b>100,0%</b>
Net debt	86,84	<b>47,7%</b>	73,98	<b>40,3%</b>
Minority interests	3,58		2,29	
Group share of net equity	91,48	<b>50,3%</b>	107,15	<b>58,4%</b>
<b>All sources</b>	<b>181,90</b>	<b>100,0%</b>	<b>183,43</b>	<b>100,0%</b>



## Consolidated cash flow

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***31.12.2005 vs. 31.12.2004***

**Despite weaker performance compared to 2004, actual operating cash flow was in line with that of the previous year thanks to:**

- **Improved working capital management**
- **Less investments due to completion of investment cycle.**

**Net debt at end 2005 was up 13 million € following on purchase of own shares during the year to the value of 14.7 million € and to acquisitions (Ima-Telstar) to the amount of 6 million €.**

**Despite edgy market, the cash flow generation was 8 million € with an indebtedness which, leaving out own shares and acquisitions, would have amounted to 66.1 million €.**



# Consolidated cash flow

## 31.12.2005 vs. 31.12.2004

<b>IMA - CASH FLOW</b>	<b>2005</b>	<b>2004</b>
<i>Million Euro</i>		
EBIT	35,58	36,74
Depreciation and amortization	10,26	10,88
Amortization of goodwill	3,34	0,00
Capital expenditure	(11,50)	(13,22)
Change in working capital	5,89	5,91
Change in other assets/liabilities	(0,49)	2,67
<b>Operating cash flow</b>	<b>43,09</b>	<b>42,98</b>
Net financial charges	(7,54)	(4,14)
Extraordinary items		0,00
Income taxes	(15,01)	(15,56)
<b>Cash flow from operations</b>	<b>20,54</b>	<b>23,29</b>
Acquisitions	(6,04)	(7,51)
<b>Cash flow from extraordinary operations</b>	<b>(6,04)</b>	<b>(7,51)</b>
Dividends	(13,96)	(14,44)
Other changes in net equity	1,30	(1,88)
Treasury Shares	(14,70)	
<b>Change in net financial position</b>	<b>(12,86)</b>	<b>(0,54)</b>
Opening net financial position	73,98	73,44
Closing net financial position	86,84	73,98



# Trend in the Pharmaceuticals Market

Drug market trends for the last three years have deteriorated (Ebita % down from 13% in 2003 to 4.8% in 2005) owing to:

- A poor demand
- A jittery competitive scenario
- A shaky dollar



# Trend in the Pharmaceuticals Market

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## *A poor demand, but...*

- Growth rate of the pharmaceuticals industry has been running high (+5% nel 2004) 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 9.2% 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

27

### *A jittery competitive scenario, but...*

- Increased regulatory focus on pharma manufacturing practices has become a strong risk factor for drug manufacturers
- Small and R&D-investment thrifty manufacturers have been penalised by heightened supplier selectivity
- Developing countries have been hit hardest by the weak dollar



- Strong discounts have been granted by less flexible (i.e. vertically integrated) manufacturers to corner new orders
- Manufacturers with poor innovation propensity have lowered prices in an attempt to hold on their market share



# Trend in the Pharmaceuticals Market

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## *A jittery competitive scenario, but...*

- A price war is unlikely to last long
- Temperance on this score appears to be already setting in (since the last quarter of 2005 the average discount is lower than before)
- Demand may safely be expected to pick up in view of the good growth in the pharmaceuticals industry
- Poor innovators may expect their market share to whittle down
- Once the present slump is over, the sector may be expected to settle down on new grounds



# 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.
- EBITA recovery following on price list hikes in early 2005 and which will show up in 2006 may be expected in a persisting exchange rate stability.



## Group's organisation structure

- **In-house reorganisation for greater efficiency and slimming-down of its business organisation was undertaken and completed by IMA in late 2005/early 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. Alberto Vacchi, the Group's Managing Director, will be standing in for Mr. Stefano Visentini, the Group's former General Manager, after the latter's recent resignation.**
- **The Managing Director will henceforth be directly in charge of all company functions which have been reorganised for improved management efficiency.**



## Outlook for 2006

- **Tea & Coffee sector revenues are expected to be in line with the positive trend recorded in 2005.**
- **Pharma sector revenues are expected to be up by over 7%.**
- **Gross margin and EBIT increase may be ascribed to:**
  - **strengthening of the U.S. dollar;**
  - **cost effectiveness actions on main product lines along with current price undercutting trends;**
  - **organisation and overhead cost effectiveness actions.**
- **Cash flow stands to gain considerably owing to lower investments, working capital improvement (especially stock on hand), and expected better results.**



**ALWAYS** INDUSTRIA  
**A STEP AHEAD** MACCHINE  
AUTOMATICHE