QUARTERLY REPORT FOR THE THIRD QUARTER OF 2006

I.M.A.

INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
HEAD OFFICE: OZZANO DELL'EMILIA (BOLOGNA)
SHARE CAPITAL FULLY PAID-IN: € 18,772,000
REGISTERED WITH THE BOLOGNA COMPANIES
REGISTER AT NO. 00307140376

CONTENTS

REPORT ON OPERATIONS

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
AND SUBSIDIARIES

DIRECTORS AND OFFICERS

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

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

- the Company's and the Group's strategic, business and financial plans and any decisions relating to the corporate governance of IMA S.p.A. and the Group structure;
- the adequacy of the way the Company and its subsidiaries are organised and administered, with particular reference to the system of internal control and the management of conflicts of interest;
- the results of operations;
- all transactions of economic or financial significance to the Company and, in any case, all transactions with a value in excess of 10 million euros, except for the renewal or extension of bank lines of credit already granted to the Company, the powers for which can be delegated;
- all transactions in which one or more directors have an interest on own account or on behalf of third parties, and all transactions with related parties, including intercompany transactions, unless they relate to routine operations carried out on market terms;
- the size, membership and functioning of the Board of Directors and its committees;
- the decisions about future significant transactions by subsidiaries of IMA S.p.A. that will affect IMA S.p.A.

BOARD OF DIRECTORS

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

CHAIRMAN

Marco Vacchi

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

Delegated powers: only if the Managing Director is absent or unavailable, all powers for the ordinary and extraordinary administration of the company, 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, lines of business, businesses or combinations of businesses and real estate of any kind, except for the power to rent or rent out real estate for periods not exceeding nine years;
- to give secured or other guarantees, and give sureties or letters of patronage, except (in relation to the sureties and letters of patronage) for those given on behalf of direct or indirect subsidiaries of the Company;
- to concede real rights of enjoyment over the assets of the Company.

MANAGING DIRECTOR AND GENERAL MANAGER

Alberto Vacchi

Delegated powers: all powers of ordinary and extraordinary administration, excluding the following powers:

- to transfer or receive for whatever purpose or reason, shares or quotas in companies, associations or entities, lines of business, 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 insurances with any insurance institution or entity covering all types of risk;
- representing the Company before civil, administrative and judicial authorities or entities at any level, as well as before any fiscal authority or fiscal tribunal;
- representing the Company for all transactions regarding the shipment, release and collection of valuables and goods.

DIRECTORS

Gino Benedetti, Italo Giorgio Minguzzi, Luca Poggi, Maria Carla Schiavina, Gianluca Vacchi, Stefano Visentini, Romano Volta.

BOARD OF STATUTORY AUDITORS

(in office until 31 December 2006)

AUDITORS

Giorgio Comini - Chairman - Auditor
Amedeo Cazzola - Auditor
Piero Aicardi - Auditor

ALTERNATE AUDITORS

Vittorio Coraducci - Auditor
Chiara Gallina - Auditor
Antonella Grassigli - Auditor

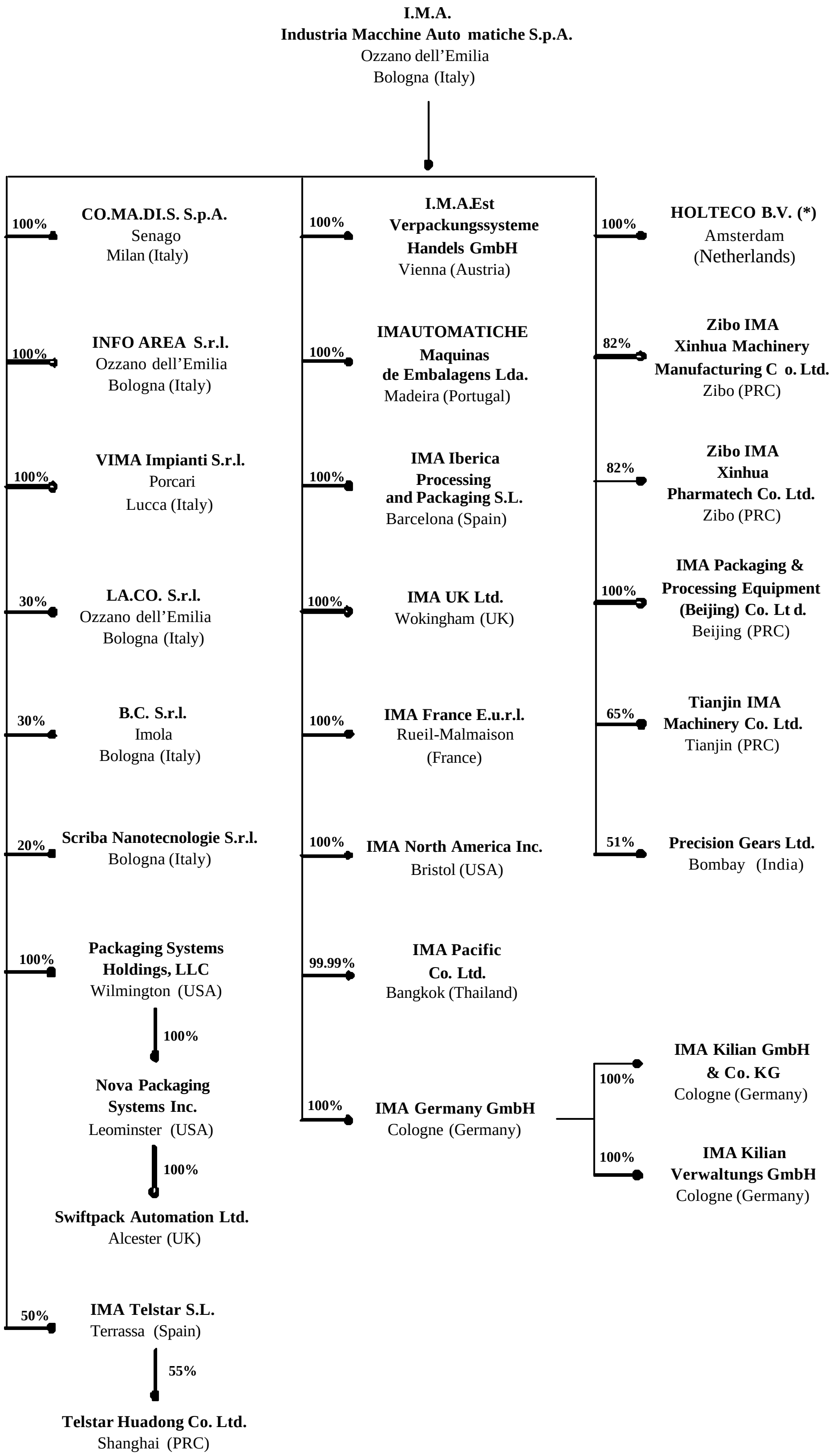
INTERNAL CONTROL COMMITTEE AND REMUNERATION COMMITTEE

Italo Giorgio Minguzzi - Independent director - Chairman
Maria Carla Schiavina - Non-executive director
Romano Volta - Independent director

LEAD INDEPENDENT DIRECTOR

Romano Volta

GROUP STRUCTURE



(*) Company liquidated on 18 October 2006

GROUP COMPANIES BY BUSINESS ACTIVITY

MANUFACTURING ACTIVITIES

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

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

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

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

B.C. s.r.l.
Imola – Bologna (Italy)

IMA Kilian GmbH & Co. KG
Cologne (Germany)

Precision Gears Ltd.
Bombay (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)

(*) Company liquidated on 18 October 2006

GROUP PERFORMANCE

GENERAL PERFORMANCE

It is expected that world GDP in 2006 will come in at over 5%, thanks to vigorous growth simultaneously in both industrialised and emerging nations.

This acceleration has been brought about mainly by the development of China, whose economy has not been affected by the measures taken by the authorities to cool it down. Inflation continues to remain low world-wide because of the high level of competition in the market for manufactured goods, which is tending to absorb the increase in prices for raw materials. The greatest uncertainty in the world scenario, on the other hand, is the slowdown in the US economy and how this is likely to take place. Imbalances in the real estate market could trigger off a crisis situation that would hit household consumption directly. The foreseeable decline in the American economy is unlikely to be offset by growth in Europe as restrictive policies in certain countries will prevent consumer spending from rising. To this has to be added the attempt by the Chinese authorities to put a brake on the tumultuous growth in recent years by restricting credit.

In this context, the pharmaceutical market will close 2006 with growth of around 7%, while featuring a profound change in demand. In fact, there is currently a switch underway from mature markets to emerging ones and the launch of new products is no longer keeping up with the expiry of patents on existing ones. This means that future growth in the consumption of pharmaceuticals will come principally from developing countries, with the producers of generic drugs being the main beneficiaries. Another change factor is the exponential growth in biotechnological products with rates of 13-14% per year. And according to the estimates of IMS Health, the consumption of medicines is expected to grow next year at around 6-7%.

CONSOLIDATED INCOME STATEMENT

Consolidated revenues of the IMA Group in the first nine months of 2006 amounted to 271.3 million euro, compared with 238.7 million euros in the same period of 2005. Operating profit came to 23.9 million euros (6.1 million euros in 2005). The following is a summarized version of the consolidated income statement for the period under review, with comparative figures for the corresponding period in 2005:

	1.1.2006-30.9.2006		1.1.2005-30.9.2005		
millions of euros	**Amount**	**%**	**Amount**	**%**	**Change %**
Revenues	**271.3**		**238.7**		*13.7*
Cost of sales	(158.3)	*58.3*	(149.1)	*62.5*	
Gross industrial income	**113.0**	*41.7*	**89.6**	*37.5*	*26.1*
R&D costs	(14.3)		(13.3)		
Selling costs	(37.0)		(34.5)		
General and administrative costs	(37.0)		(35.7)		
Operating profit before writedown/ impairment of goodwill (EBITA)	**24.7**	*9.1*	**6.1**	*2.6*	*n.s.*
Writedown/impairment of goodwill	(0.8)		–		
Operating profit (E.B.I.T.)	**23.9**	*8.8*	**6.1**	*2.6*	*n.s.*
Net financial income (expense)	(4.4)		(4.8)		
Profit (loss) before tax	**19.5**	*7.2*	**1.3**	*0.5*	*n.s.*
Income taxes	(9.6)		(1.2)		
Profit (loss) for the period	**9.9**	*3.6*	**0.1**	*–*	*n.s.*
Attributable to minority interests	(0.1)		0.1		
Group result	**10.0**	*3.7*	**–**	*–*	*n.s.*
Gross operating margin (EBITDA)	**33.0**	*12.2*	**13.7**	*5.7*	*n.s.*
Order book	**212.4**		**194.2**		*9.4*

REVENUES AND ORDERS

Consolidated revenues in the first nine months of 2006 came to 271.3 million euro, an increase of 13.7% on the same period last year. IMA-Telstar, which did not form part of the scope of consolidation at 30 September 2005, contributed 5.2 million euros to this result, so growth on a comparable basis came to around 11.5%. VIMA S.r.l. was only consolidated in 2006, but it did not contribute to the increase in revenues as the Group previously handled all of its sales. This result was possible thanks to the good level of the order book at the end of last year, as well as a strong inflow of orders from the pharmaceutical industry during the current year, despite the fact that the sector in which the IMA Group operates is generally characterised by interim results that do not fully represent those expected for the entire year because revenues and new orders tend to be concentrated in the latter part of the year.

The level of orders received during the third quarter of 2006 was also good, raising the backlog to 212.4 million euro, 9.4% up on the previous year (194.2 million euro). Total orders acquired during the year amount to 319.7 million euros versus 282.2 million euros in 2005, an increase of 13.3%.

OPERATING PROFIT

Industrial gross profit rose to 41.7% of sales at 30 September 2006, compared with 37.5% in the same period of 2005. There are various reasons for this substantial increase in gross profit, particularly the measures taken in recent months to improve product costs, which have begun to take effect.

In addition, there was the resolution of the technical problems affecting the launch of new products, as well as the impact of the reorganisation at the Parent Company and certain subsidiaries, which is rapidly improving the efficiency of the system as a whole.

Nor should we undervalue the fact that the level of demand in recent months has taken the pressure off prices, which tended to decline during 2004 and part of 2005.

As a result, operating profit came to 23.9 million euro, versus 6.1 million euros in the same period of 2005, having taken account of modest increases in fixed costs mainly due to the change in scope of consolidation (with the inclusion of VIMA and IMA-Telstar), as well as higher sales volumes as regards the commission expense included in sales costs.

PROFIT (LOSS) BEFORE TAX

Net financial expense amounted to 4.4 million euros compared with 4.8 million euros at 30 September 2005. This improvement was largely due to exchange differences, which more than offset the higher cost of borrowing in euros. It follows that the profit before tax comes to 19.5 million euros versus 1.3 million euros at the end of September 2005.

PROFIT FOR THE PERIOD

The profit for the period of 9.9 million euros compares with a situation of breakeven in the same period last year. The main reasons for the difference have already been explained in the previous two sections.

ANALYSIS OF PERFORMANCE BY SECTOR

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

	Tea 1.1-30.9		Packaging 1.1-30.9		Process 1.1-30.9		Other 1.1-30.9	
millions of euros	2006	2005	2006	2005	2006	2005	2006	2005
Revenues	54.8	50.4	150.2	132.9	63.7	51.9	2.6	3.5
Operating profit (EBIT)	18.5	17.0	6.6	(3.3)	(1.2)	(7.9)	–	0.3
Net capital employed	24.7	22.0	108.8	106.4	89.2	82.8	(3.9)	6.8
R&D costs	3.5	3.1	7.7	7.1	3.1	3.1	–	–
Average personnel (*)	200	239	1,553	1,485	537	491	392	404
Order book	27.9	44.9	127.9	103.8	56.6	45.5	–	–

(*) 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.

Revenues from the tea sector were 8.7% higher than the good results reported last year, confirming the Group's strong leadership position in this market. Operating profit is also up again. As regards the revenues expected for the entire year, the tea sector will turn in its best result ever. The decline in the order book compared with last year is not particularly worrying as the negotiations currently underway make us confident that next year will be similar to this one, albeit with a slight contraction in volumes which can be considered perfectly normal.

The rise in revenues from the packaging sector includes 5.2 million euros from the inclusion of IMA-Telstar within the scope of consolidation, while the remaining 12.1 million euros comes from internal growth. Operating profit is well up on last year, which suffered from the problems involved in new product launches, as well as huge warranty costs relating to technical hitches that have now been resolved.

Compared with last year, there was also a significant improvement in the results from the sector that makes process machinery for the pharmaceutical industry. In particular, both revenues and margins were higher, although a loss was reported due to the seasonal nature of deliveries. Helped by reorganisation, IMA Kilian has returned to a positive trend after the inefficiencies suffered last year due to relocation of the factory and the drop in orders which put prices under pressure. Margins on the products in this sector are improving considerably thanks to careful planning of production costs.

The entire equity interest in VIMA Impianti S.r.l. was acquired at the end of March. This company makes process machinery for the pharmaceutical industry. Previously represented by the Group, VIMA - based in the province of Lucca - makes machines for the processing and movement of pharmaceutical powders, as well as cleansing stations for the decontamination of machinery used in the production of medicines. This purchase represents yet another step in the broader Group strategy for the supply of vertically integrated solutions to the pharmaceutical industry.

The Group is working hard to rationalize expenditure, both by reducing production costs and by re-engineering processes to eliminate duplications. The benefits of this change are expected by the end of this year, with an even greater impact in 2007.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

This table summarizes the Group's balance sheet as at 30 September 2006:

millions of euros	30.09.2006	31.12.2005	30.09.2005
Trade receivables	89.4	98.8	87.4
Inventories	146.6	122.1	142.9
Trade payables	(103.8)	(115.4)	(102.7)
Other, net	(31.6)	(28.1)	(19.1)
Working capital	**100.6**	**77.4**	**108.5**
Property, plant and equipment	73.5	73.3	71.0
Intangible assets	65.8	59.3	59.4
Investments in subsidiaries and associates	2.2	1.0	12.2
Fixed assets	**141.5**	**133.6**	**142.6**
Employee severance obligations and other	(23.3)	(29.1)	(33.1)
Net capital employed	**218.8**	**181.9**	**218.0**
FINANCED BY:			
Net debt	**131.5**	**86.8**	**128.9**
Minority interests	3.0	3.6	2.8
Equity pertaining to the Group	**84.3**	**91.5**	**86.3**
Total sources of finance	**218.8**	**181.9**	**218.0**

The net capital employed at the end of the third quarter of 2006 increased by 36.9 million euros compared with the end of 2005 and is substantially the same as at the end of the third quarter last year.

This change was mainly due to the increase in inventories (24.5 million euros), ahead of the deliveries planned in the coming months, and to the investment required to purchase VIMA S.r.l. in March 2006 (5.9 million euros).

Analysing the changes in working capital, the significant reduction in trade receivables offset the rise in inventories which was not accompanied by an increase in trade payables. This reflects the timing of payments for purchases, which occurs prior to the shipping of finished products.

The changes in fixed assets largely reflect the purchase of the entire equity interest in VIMA S.r.l.

The following is a breakdown of net debt:

millions of euros	30.09.2006	31.12.2005	30.09.2005
Net debt	131.5	86.8	128.9
including:			
• Cash and current financial assets	(28.7)	(62.4)	(24.3)
• Non-current financial assets	(3.4)	(3.6)	(3.7)
• Current financial liabilities	95.1	68.0	100.3
• Non-current financial liabilities	68.5	84.8	56.6

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 scheduled deliveries, as well as to the 12.6 million euros paid in connection with the acquisitions of VIMA Impianti S.r.l. and Scriba Nanotecnologie S.r.l. during first quarter 2006 and the 7.9 million US dollars paid to complete the acquisition of Packaging Systems Holdings LLC. In June 2006 IMA-Telstar S.L. contracted a finance leasing debt of 2.5 million euros which, in addition to the debt resulting from the operations mentioned above, raised the exposure at 30 September 2006 to 19.7 million euro

We expect the Group's financial position to improve considerably during the next quarter thanks to normal business flows, as has generally happened in previous years.

CAPITAL EXPENDITURE

Group investments in property, plant and equipment during the first nine months of 2006 amounted to 6.4 million euros (3.2 million euros in the same period of 2005), of which 2.5 million euros relate the land involved in the finance lease stipulated in May 2006 by the joint venture IMA-Telstar S.L. The balance of 3.9 million euros relates principally to the charges incurred to expand and upgrade existing buildings and plant and to the capitalisation of equipment produced internally for Group companies' production processes. Capital expenditure on intangible assets amounted to 1.7 million euros (2.9 million euros in the same period of 2005) and relates mainly to the capitalisation of industrial patents and to development costs incurred on totally new products for the packaging and pharmaceutical processing sectors, which will start earning money in the coming years.

OTHER INFORMATION

OUTLOOK FOR THE REST OF THE YEAR

The excellent performances achieved by the Group to date make it possible to assume with reasonable certainty that the 2006 results will be a good deal better than last year's, both in terms of sales revenues, which ought to come in at around 426 million euros (+7% on 2005), and in terms of operating profit at more than 11% of sales (8.9% in 2005). Thanks to these results, the Group will see the first important benefits of the profitability recovery plan introduced at the end of 2005. It will take full effect over the next two years, during which we expect results to improve steadily providing market conditions remain as they are.

CONSOLIDATED FINANCIAL STATEMENTS
AT 30 SEPTEMBER 2006

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

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

ASSETS	Note	30 Septembe r 2006	31 December 2005
NON-CURRENT ASSETS			
Property, plant and equipment	2	73.5	73.3
Intangible assets	3	65.8	59.3
Investments in subsidiaries and associates carried at equity	4	2.2	1.0
Financial assets	5	3.4	3.6
Receivables from others		0.6	0.7
Derivatives	6	0.1	0.1
Deferred tax assets	7	6.7	5.3
TOTAL NON-CURRENT ASSETS		152.3	143.3
CURRENT ASSETS			
Inventories	8	146.6	122.1
Trade and other receivables	9	100.6	108.9
Income tax receivables		2.2	0.8
Financial assets	5	4.7	4.6
Derivatives	6	0.2	–
Cash and cash equivalents	10	24.0	57.8
TOTAL CURRENT ASSETS		278.3	294.2
TOTAL ASSETS		**430.6**	**437.5**

EQUITY AND LIABILITIES	Note	30 September 2006	31 December 2005
EQUITY			
Share capital	11	18.8	18.8
Share premium reserve		16.4	16.4
Treasury shares	12	(18.2)	(14.7)
Translation reserve		0.1	1.3
Fair value reserve	13	0.4	(0.9)
Other reserves		31.0	30.5
Retained earnings		25.8	27.6
Profit (loss) for the period		10.0	12.5
Total capital and reserves of the Group		84.3	91.5
Reserves pertaining to minority interests		3.1	3.1
Profit perta ining to minority interests		(0.1)	0.5
Total minority interests		3.0	3.6
GROUP EQUITY AND MINORITY INTERESTS		87.3	95.1
NON-CURRENT LIABILITIES			
Borrowings	14	68.5	84.8
Severance and pension obligations		25.2	25.3
Provisions for risks and charges	15	1.2	1.1
Deferred tax liabilities	7	5.2	4.1
TOTAL NON-CURRENT LIABILITIES		100.1	115.3
CURRENT LIABILITIES			
Borrowings	14	95.1	68.0
Trade and other payables	16	132.6	149.5
Income tax liabilities		9.7	3.0
Provisions for risks and charges	15	5.7	4.9
Derivatives	6	0.1	1.7
TOTAL CURRENT LIABILITIES		243.2	227.1
TOTAL LIABILITIES		343.3	342.4
TOTAL EQUITY AND LIABILITIES		**430.6**	**437.5**

CONSOLIDATED INCOME STATEMENT

FOR THE THIRD QUARTER OF 2006 AND FOR THE PERIOD 01/01-30/09/2006 (MILLIONS OF EUROS)

INCOME STATEMENT	Note	3rd quarter 2006	3rd quarter 2005	from 01/01/2006 at 30/09/2006	from 01/01/2005 at 30/09/2005
REVENUES	1	90.6	82.2	271.3	238.7
Other revenues		1.0	1.4	4.1	3.3
OPERATING COSTS					
Change in work in progress, semifinished and finished goods		0.4	8.0	21.6	28.4
Change in inventory of raw, ancillary and consumable materials		1.5	0.6	2.0	2.9
Cost of raw, ancillary and consumable materials		(30.8)	(34.6)	(103.2)	(106.2)
Services, rentals and leases		(19.8)	(18.9)	(62.5)	(57.5)
Personnel costs	17	(31.2)	(29.8)	(97.2)	(93.0)
Depreciation and amortization expense	18	(2.8)	(2.6)	(9.2)	(7.8)
Provision for risks and charges		(0.6)	(1.0)	(0.8)	(1.0)
Other operating costs		(0.4)	(0.5)	(2.2)	(1.7)
TOTAL OPERATING COSTS		(83.7)	(78.8)	(251.5)	(235.9)
OPERATING PROFIT		7.9	4.8	23.9	6.1
FINANCIAL INCOME AND EXPENSE					
Financial income	19	0.6	0.8	4.6	6.4
Financial expense	20	(2.4)	(2.4)	(9.0)	(11.2)
TOTAL FINANCIAL INCOME AND EXPENSE		(1.8)	(1.6)	(4.4)	(4.8)
PROFIT (LOSS) FROM INVESTMENTS CARRIED AT EQUITY		(0.1)	–	–	–
PROFIT (LOSS) BEFORE TAX		6.0	3.2	19.5	1.3
INCOME TAXES FOR THE PERIOD	21	(2.9)	(2.1)	(9.6)	(1.2)
PROFIT (LOSS) FOR THE PERIOD		**3.1**	**1.1**	**9.9**	**0.1**
ATTRIBUTABLE TO:					
PARENT COMPANY SHAREHOLDERS		3.1	1.1	10.0	–
MINORITY INTERESTS		–	–	(0.1)	0.1
		3.1	**1.1**	**9.9**	**0.1**
EARNINGS PER SHARE (in euros)		**0.09**	**0.03**	**0.29**	**0.00**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2006 AND 30 SEPTEMBER 2005 (MILLIONS OF EUROS)

Description	Share capital	Share premium reserve	Treasury shares	Translation reserve	Fair value reserve	Other reserves	Retained earnings	Group share of net profit	Total Group equity	Minority interests	Total equity
Balances at 01.01.2005	**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. with 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)	–	–	–
Increases in capital	–	–	–	–	–	–	–	–	–	0.3	0.3
Purchase and sale of treasury shares	–	–	(6.4)	–	–	–	–	–	(6.4)	–	(6.4)
Gains on trading in treasury shares	–	–	0.5	–	–	–	–	–	0.5	–	0.5
Valuation of financial instruments at equity	–	–	–	–	(2.8)	–	–	–	(2.8)	–	(2.8)
Exchange rate differences on translation of financial statements in foreign currency	–	–	–	1.8	–	–	–	–	1.8	0.3	2.1
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	0.1	0.1
Balances at 30.09.2005	**18.8**	**16.4**	**(5.9)**	**0.6**	**(1.7)**	**30.5**	**27.6**	**0.0**	**86.3**	**2.8**	**89.1**
Balances at 01.01.2006	**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	–	–	(3.5)	–	–	–	–	–	(3.5)	–	(3.5)
Gains on trading in treasury shares	–	–	–	–	–	–	–	–	–	–	–
Valuation of financial instruments at equity	–	–	–	–	1.3	–	–	–	1.3	–	1.3
Exchange rate differences on translation of financial statements in foreign currency	–	–	–	(1.2)	–	–	–	–	(1.2)	(0.2)	(1.4)
Profit (loss) for the period	–	–	–	–	–	–	–	10.0	10.0	(0.1)	9.9
Balances at 30.09.2006	**18.8**	**16.4**	**(18.2)**	**0.1**	**0.4**	**31.0**	**25.8**	**10.0**	**84.3**	**3.0**	**87.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	30 September 2006	30 September 2005
OPERATIONS		
Profit (loss) for the period	10.0	–
Adjustments for:		
- Depreciation and amortization	8.3	7.6
- (Writebacks) or writedowns of non-current assets	0.8	–
- Changes in provisions for risks and charges and staff severance obligations	0.8	1.7
- Unrealised losses (gains) on exchange rate differences	(0.2)	0.5
- Income taxes	9.6	1.2
- Minority interests	(0.1)	0.1
- Share of income on investments in associates	(0.1)	–
Operating profit (loss) before changes in working capital	29.1	11.1
(Increase) decrease in trade and other receivables	9.1	(2.2)
(Increase) decrease in inventories	(24.5)	(33.2)
Increase (decrease) in trade and other payables	(17.8)	8.0
Income taxes paid	(5.8)	(2.6)
CASH FLOW GENERATED (ABSORBED) BY OPERATIONS (A)	(9.9)	(18.9)
INVESTMENT ACTIVITY		
Investments in property, plant and equipment	(3.9)	(3.2)
Investments in intangible assets	(1.7)	(2.9)
Company acquisitions	(5.2)	–
Exchange rate differences on property, plant and equipment and intangible assets	0.6	(0.8)
Repayment of finance lease debts	(0.7)	(0.7)
Investments in subsidiaries and associates	(0.2)	(11.5)
Proceeds from sale of non-current assets	0.5	0.1
Net change in financial assets and other non-current receivables	0.2	(0.3)
Changes in reserves pertaining to minority interests	(0.5)	0.4
CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITY (B)	(10.9)	(18.9)
FINANCE ACTIVITY		
New loans granted	16.9	16.6
Borrowings repaid	(14.4)	(27.2)
Increase (decrease) in other payables to banks	6.6	45.9
Dividends paid	(13.8)	(14.0)
Purchase of treasury shares	(3.5)	(5.6)
Translation of financial statements in foreign currency	(1.2)	1.8
Payment/collection of interest	(3.6)	(2.9)
CASH FLOW GENERATED (ABSORBED) BY FINANCE ACTIVITY ('C)	(13.0)	14.6
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)	**(33.8)**	**(23.2)**
CASH AND CASH EQUIVALENTS AT START OF PERIOD (E)	**57.8**	**47.0**
CASH AND CASH EQUIVALENTS AT END OF PERIOD (F=D+E)	**24.0**	**23.8**

THE STATEMENT OF CASH FLOWS HAS BEEN PREPARED USING THE INDIRECT METHOD, AS THIS IS CONSIDERED MORE REPRESENTATIVE OF THE FINANCIAL FLOWS GENERATED BY THE GROUP'S ACTIVITIES.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (TRANSLATION FROM THE ORIGINAL ISSUED IN THE ITALIAN LANGUAGE)

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
AND SUBSIDIARIES

A) OVERVIEW

The Report on Operations for the third quarter of 2006 was approved by the Board of Directors on 14 November 2006.

The IMA Group designs, manufactures and sells machinery and plant mainly to the pharmaceutical, cosmetics and tea-packaging industries. A key feature of the sector in which the IMA Group operates is interim results that do not fully reflect the results that are expected for the entire year because of a concentration of sales and new orders towards the end of the year.

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

During the first half of the year, FINVACCHI S.p.A. transferred 51% of the shares in IMA S.p.A. to SO.FI.MA. Società Finanziaria Macchine Automatiche S.p.A. At the same time, Lopam Fin. S.p.A., Interlopam Invest N.V. and Cofiva Holding S.p.A. transferred shares representing 16.55% of IMA S.p.A. to SO.FI.MA. These transfers did not have any impact on the control structure of IMA S.p.A. At 30 September 2006, SO.FI.M.A. S.p.A, which is controlled by LOPAM FIN S.p.A., holds 67.55% of IMA S.p.A. No significant transactions took place during the period between IMA S.p.A. and its parent companies.

All of the figures contained in the quarterly report as of 30 September 2006 are expressed in millions of euros, unless stated otherwise.

B) BASIS OF PREPARATION

The quarterly 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 quarterly report was prepared in accordance with Article 82 of Consob Regulation no. 11971/1999 (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, this report contains the information that IAS 34 requires for interim financial reports.

This quarterly report has been prepared on the basis of the same accounting principles and standards used to prepare the annual and consolidated financial statements as of 31 December 2005, where compatible, and reference should be made to them for further information. Income tax for the period is calculated using the best estimate of the weighted-average tax rate for the entire year.

The IMA Group adopted international accounting standards during 2005. The consolidated financial statements as of 31 December 2005, the first prepared under IAS/IFRS, were audited in full and include as attachments the reconciliations required by IFRS 1, together with explanatory notes.

In order to prepare this report, the parent company and its Italian and foreign subsidiaries prepared interim balance sheets and income statements in accordance with international standards.

The Parent Company IMA S.p.A. chose to adopt IFRS for the preparation of its statutory financial statements as from 1 January 2006, as permitted by Legislative Decree 38 of 28 February 2005. The reconciliations required by IFRS 1 on the impacts of the Parent Company's transition to IAS/IFRS are provided in the report on operations for the first half of 2006.

C) SCOPE OF CONSOLIDATION

The quarterly report as of 30 September 2006 includes the statements of income and balance sheets of I.M.A. - Industria Macchine Automatiche S.p.A. (the Parent Company) and all the companies in which it directly or indirectly holds a controlling interest.

The following changes in the Group structure took place during 2006:

- A 20% interest in Scriba Nanotecnologie S.r.l. was acquired on 16 February 2006. This acquisition is aimed at joint research into highly technological approaches to combat unauthorised copying and facilitate the tracking of pharmaceutical products. The agreement provides for a further 20% increase in IMA's shareholding in 2007 by means of an increase in capital and an option to buy a further 11% in 2008, subject to the company achieving specific technical results.
- The entire share capital of VIMA Impianti S.r.l., which produces plant for the movement of powders and the de-powdering of tablets, was acquired on 30 March 2006. The purchase price of 5.9 million euros was paid on transfer of the quotas. Given that a majority of the company's capital was held by related parties, the valuation was reviewed by Deloitte Financial Advisory Services, which issued a fairness opinion confirming that the operation was carried out at a reasonable price. The purpose of this acquisition is to expand the wide range of process sector machinery and to take advantage of VIMA's expansion potential on international markets;
- the deed for the winding up of Luxteco International S.A. (based in Luxembourg) was stipulated on 20 June 2006; the company's liquidation was completed without any material costs arising;
- on 11 July 2006 IMA S.p.A. acquired the residual 9.32% of the shares in Packaging Systems Holdings LLC from the management of the American group for 4.9 million US dollars, paid at the time that the shares were transferred. IMA and the management agreed to terminate the contract stipulated between them on 29 September 2004 ahead of schedule. This contract provided a reciprocal right to purchase/sell the shares held by management, to be exercised from April 2009 onwards, at a price based on its operating results. This contract, which provides for the interruption of all relations with the management, including employment, was concluded by IMA S.p.A. as part of the process of managerial reorganisation that involved the entire structure, being well aware that the day-to-day running of the Nova Group is firmly in the hands of local resources with IMA's supervision thanks to close production and commercial integration;
- the liquidation of Holteco B.V. was completed on 18 October 2006; no significant charges emerged from this process.

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

COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

	Registered offices		Share capital fully paid-in	Direct investment	Indirect investment
Manufacturing companies:					
• I.M.A. Industria Macchine Automatiche S.p.A	Ozzano E. (BO)	EUR	18,772,000	Parent Company	
• CO.MA.DI.S. S.p.A.	Senago (MI)	EUR	1,540,000	100%	–
• VIMA Impianti S.r.l.	Porcari (LU)	EUR	363,940	100%	–
• IMA Kilian GmbH & Co. KG	Cologne (Germany)	EUR	3,600,000	–	100% (1)
• Precision Gears 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	–	100% (2)
• Swiftpack Automation Ltd.	Alcester (GB)	GBP	1,403,895	–	100% (3)
Marketing companies:					
• IMA UK Ltd.	Wokingham (UK)	GBP	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. (BO)	EUR	98,800	100%	–
• IMA Kilian Verwaltungs GmbH	Cologne (Germany)	EUR	25,000	–	100% (1)
Holding companies:					
• Packaging Systems Holdings LLC	Wilmington (USA)	USD	8,050,000	100%	–

(*) The nominal share capital of Precision Gears Ltd. and IMA Pacific Co. Ltd. totals Rs 20,000,000 and Thb 100,000,000 respectively.

Notes (list of indirect investments):

(1) Held by IMA Germany GmbH
(2) Held by Packaging Systems Holdings LLC
(3) Held by Nova Packaging Systems Inc.

COMPANIES CONSOLIDATED ON A PROPORTIONAL BASIS

	Registered offices	Share capital fully paid-in	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 (list of indirect investments):

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

The financial statements at 30 September 2006 include the Group share of the assets, liabilities, revenues and costs of IMA-Telstar S.L. and Telstar Huadong Co. Ltd.

COMPANIES VALUED USING THE EQUITY METHOD

	Registered offices	Share capital fully paid-in	Direct investment	Indirect investment
B.C. S.r.l.	Imola (BO)	EUR 36,400	30%	–
LA.CO. S.r.l.	Ozzano E. (BO)	EUR 30,000	30%	–
Consorzio Info Area	Ozzano E. (BO)	EUR(*) 50,000	25%	25% (5)
Scriba Nanotecnologie S.r.l.	Bologna (BO)	EUR 15,000	20%	–
Holteco B.V.	Amsterdam (Netherlands)	EUR 184,000	100%	–

(*) Quotas of the consortium fund

Notes (list of indirect investments):

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

The consolidated financial statements at 30 September 2006 include the share of the net profits and losses of companies valued using the equity method, from the date on which significant influence begins to the date that it ends.

D) EXPLANATORY NOTES

The changes reported below were determined with respect to the amounts at 31 December 2005 for balance sheet items and the amounts for the first nine months of 2005 for income statement items.

1. SEGMENT INFORMATION

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;
- pharmaceutical packaging sector: 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, and related services;
- pharmaceutical process sector: machines for the production of tablets and capsules, machines for coating and fluid bed granulators, and related services.

The next table gives a breakdown of revenues with comparative figures for the same period in 2005 (in millions of euro):

	from 01.01.2006 to 30.09.2006	from 01.01.2005 to 30.09.2005	Change
Tea, herbal tea and coffee packaging	54.8	50.4	4.4
Pharmaceutical packaging	150.2	132.9	17.3
Pharmaceutical processing	63.7	51.9	11.8
Other	2.6	3.5	(0.9)
Total	**271.3**	**238.7**	**32.6**

The increases seen in all sectors of the Group's activity are attributable to the good level of order book at the end of the previous year, as well as the considerable increase in orders received during the course of 2006 in the pharmaceutical area. Revenues from the tea sector were 8.7% higher than the good results reported last year, confirming the Group's strong leadership position in this market. The rise in revenues from the packaging sector includes 5.2 million euros from the inclusion of the Telstar Group within the scope of consolidation, while the remaining 12.1 million euros come from internal growth. Lastly, the process plant sector also improved its revenues considerably with an increase of close to 23%.

The following table shows operating profit by sector (millions of euros):

	from 01.01.2006 to 30.09.2006	from 01.01.2005 to 30.09.2005	Change
Tea, herbal tea and coffee packaging	18.5	17.0	1.5
Pharmaceutical packaging	6.6	(3.3)	9.9
Pharmaceutical processing	(1.2)	(7.9)	6.7
Other	–	0.3	(0.3)
Total	**23.9**	**6.1**	**17.8**

It is clear that there has been a general improvement thanks to the measures introduced in recent months to lower product costs, which are beginning to have the desired effect. The tea sector is benefiting from a favourable product mix; operating profit in the packaging sector is well up on last year, which suffered from the problems involved in new product launches, as well as huge warranty costs relating to technical hitches that have now been resolved. In the process sector, the substantial improvement is mainly thanks to eliminating the inefficiencies caused by the transfer of IMA Kilian to a new location, its consequent reorganisation and overcoming the pressure on prices caused by the decline in orders.

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

Revenues earned as of 30 September 2006 by the IMA Group can be broken down by geographic area and line of business as follows (millions of euros):

REVENUES BY GEOGRAPHICAL SEGMENT

	from 01.01.2006 to 30.09.2006	from 01.01.2005 to 30.09.2005	Change
European Union (excluding Italy)	112.2	93.7	18.5
Other European countries	14.7	16.2	(1.5)
North America	67.0	54.0	13.0
Asia	30.9	25.0	5.9
Other countries	27.3	26.1	1.2
Total exports	**252.1**	**215.0**	**37.1**
Italy	19.2	23.7	(4.5)
Total	**271.3**	**238.7**	**32.6**

REVENUES BY BUSINESS SEGMENT

	from 01.01.2006 to 30.09.2006	from 01.01.2005 to 30.09.2005	Change
Machines and size parts	151.3	155.3	(4.0)
Contract work	56.1	23.7	32.4
Spare parts	39.6	36.2	3.4
Technical assistance	15.4	14.0	1.4
Other services	8.9	9.5	(0.6)
Total	**271.3**	**238.7**	**32.6**

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment show a net increase of 0.2 million euros. Movements in property, plant and equipment during the period can be analysed as follows (millions of euros):

	Land	Buildings & leasehold improvements	Plant & machinery	Industrial & commercial equipment	Other assets	Assets under construction & advances	Total
Balances at 01.01.06	**14.7**	**35.4**	**15.0**	**1.9**	**3.8**	**2.5**	**73.3**
Additions	2.5	0.9	1.0	0.4	1.1	0.5	6.4
Change in scope of consolidation	–	–	0.1	0.1	0.1	–	0.3
Sales and disposals	–	(0.1)	(0.1)	(0.1)	(0.2)	–	(0.5)
Depreciation	–	(1.4)	(2.5)	(0.6)	(1.2)	–	(5.7)
Reclassifications	–	0.8	0.9	–	–	(1.7)	–
Exchange diffs.	(0.1)	–	(0.1)	–	(0.1)	–	(0.3)
Balances at 30.09.06	**17.1**	**35.6**	**14.3**	**1.7**	**3.5**	**1.3**	**73.5**

Land includes the plots of land owned by the Parent Company in Ozzano dell'Emilia (BO) and in Bentivoglio (BO) for 10.7 million euros, and those in Calenzano (FI) and Terrassa (Spain) being bought under finance leases for 3.2 million euros and 2.5 million euros, respectively.

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 Precision Gears Ltd respectively.

Assets under construction and advances, mainly relating to the parent company, principally comprise urbanisation costs incurred in respect on the land in Via Tolara, Ozzano dell’Emilia, and the capitalisation of equipment produced internally for use in the production process.

The increase in land during the period of 2.5 million euros relates to the amount booked by the joint venture IMA-Telstar S.L. as a result of stipulating a finance lease contract on 29 May 2006 for building land in Terrassa (Spain), as discussed in Note 14. This contract also provides for the construction of an industrial building.

The other additions during the period mainly related to costs incurred to extend and upgrade existing buildings and plant, as well as to the capitalisation of equipment produced internally and the purchase of electronic machines and cars.

The reclassifications principally relate to the renewal of plant and machinery by IMA Kilian GmbH & Co. KG, as well as to the improvements made to the new factory in Cologne.

3. INTANGIBLE ASSETS

Movements in intangible assets during the period can be analysed as follows (millions of euros):

	Development costs	Industrial patents	Software, licences, trademarks	Goodwill	Assets under development & advances	Total
Balances at 01.01.06	**6.2**	**1.1**	**3.3**	**47.5**	**1.2**	**59.3**
Increases in the period	–	0.8	0.1	–	0.8	1.7
Acquisition of VIMA S.r.l.	1.5	–	–	4.3	–	5.8
Change in scope of consolidation	1.0	0.1	–	–	–	1.1
Amortization	(1.1)	(0.4)	(1.1)	–	–	(2.6)
Value increase/(decrease)	–	–	–	1.6	–	1.6
Writedown/Impairment	–	–	–	(0.8)	–	(0.8)
Exchange differences	–	–	–	(0.3)	–	(0.3)
Balances at 30.09.06	**7.6**	**1.6**	**2.3**	**52.3**	**2.0**	**65.8**

Development costs include the costs incurred in previous years by the Parent Company on projects that were eligible for capitalisation as assets under IAS 38. Specifically, capitalised projects refer to the CA1 machine for the packaging of coffee pods in filter paper, the Sterifill F200 and F2000 filling machines, the Impressa 130, and the C300 anti-error pill-counting machine, which were considered to be new products since they were not available previously and are targeted at new market segments. In addition, following the acquisition of the Telstar group in the prior year, this caption includes know how for the production of freeze-drying plant used by the pharmaceutical industry and the production of pharmaceuticals deriving from biotechnological research, with an estimated useful life of 7 years. Lastly, following VIMA S.r.l.'s inclusion in the scope of consolidation, 2.5 million euros have been booked for the know how in the washing and powder handling systems of the pharmaceutical processing sector, with an estimated useful life of five years.

Software, licences, trademarks and similar rights include applications, operating and technical software.

Goodwill comprises the following (millions of euros):

	30.09.2006	31.12.2005
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	13.7	13.2
Telstar Group	3.4	3.4
VIMA Impianti S.r.l.	4.3	–
Total	**52.3**	**47.5**

In September 2004 IMA S.p.A. acquired 90.68% of Packaging Systems Holdings LLC at the same time signing a put&call option for the remaining 9.32% which was then acquired on 11 July 2006, as mentioned in the section entitled "Scope of consolidation". The amount of 1.6 million euros under "value increase/(decrease)" represents the change in the value of goodwill that arose on acquisition of the Nova Group as a result of defining the purchase price.

See Note 22 for comments on the goodwill of VIMA Impianti S.r.l.

Except in the case of the Nova Group, identified as a separate cash generating unit (CGU), the impairment procedures outlined in IAS 36 did not reveal any need to write down the value of goodwill. The recoverable value of the Nova Group in the same configuration as when it was acquired was determined on the basis of its value in use. The calculation was based on a projection of cash flows according to the financial plan approved by top management, which covers a period of five years.

The discount rate applied to the prospective cash flows is 8.26%, which reflects the weighted average cost of capital calculated according to the capital and financial structure of the Nova Group (making it higher than IMA's weighted average cost of capital).

The cash flows over five years were extrapolated using a growth rate of 3%. This is lower than the average long-term growth rate of the pharmaceutical industry (7-8%) as here we are talking about a single type of product (counting equipment).

So based on the above, the value in use of the CGU turned out to be 0.8 million euros lower than the value of the goodwill, which meant having to write it down to this lower value by means of an impairment charge.

The last quarter will give us a clearer picture of the various CGUs' future prospects as this period of the year is traditionally very important for its contribution to the result for the year and the acquisition of orders for next year.

Assets under development and advances relate for 1.8 million euros (1.1 million euros at 31 December 2005) to the capitalisation of development costs incurred by the Parent Company during 2004, 2005 and the first nine months of 2006, being mainly internal design and production costs and materials. These development costs relate to entirely new products for the pharmaceutical and packaging sectors and are eligible for recognition as intangible assets.

4. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES CARRIED AT EQUITY

This item is made up as follows (in millions of euros):

	% holding	30.09.2006	31.12.2005
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	–
Holteco B.V.	100%	0.9	–
Total		**2.2**	**1.0**

As regards the investments in Scriba Nanotecnologie S.r.l. and Holteco B.V., see the comment in the section entitled “Scope of consolidation”.

Moreover, since July 2005 there is a consortium contract in operation between the Parent Company IMA S.p.A. (25% interest), Info Area S.r.l. (25%) and a third company (50%) to provide IT services to the members of the consortium. The contract is due to expire on 31 December 2007, subject to extension or early winding-up to be resolved unanimously by the members in general meeting.

5. FINANCIAL ASSETS

Non-current financial assets, 3.4 million euros, include investments in securities totalling 3.0 million euros (3.2 million euros at 31 December 2005). These mainly comprise listed bond funds pledged as collateral for loans received and classified as available for sale. They also include 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).

Current financial assets, of 4.7 million euro, include investments in government bonds and other securities, mainly held by IMA S.p.A., for 0.7 million euros (0.4 million euros at 31 December 2005) and deposits of 4.0 million euros (4.2 million euros at 31 December 2005) made by IMA-Telstar S.L. at leading international banks that fall due in the fourth quarter of 2006 to invest in the best way possible the cash generated by the increase in IMA-Telstar's capital paid by IMA S.p.A. for the acquisition.

6. DERIVATIVES

Derivatives are made up as follows (millions of euros):

	Assets 30.09.2006	Liabilities 30.09.2006	Assets 31.12.2005	Liabilities 31.12.2005
Interest rate swap (non-current) Cash flow hedges	0.1	–	0.1	–
Exchange rate hedges (current) – Cash flow hedges	0.2	0.1	–	1.7
Total	**0.3**	**0.1**	**0.1**	**1.7**

INTEREST RATE DERIVATIVES

The amount of 0.1 million euros represents the fair value of two options, arranged in 2005 and 2006 with leading banks, to hedge the interest rate risk on two long-term loans maturing in June and October 2011.

CURRENCY DERIVATIVES

The notional value of exchange rate hedges has decreased from 39.4 million US dollars at 31 December 2005 to 42.5 million US dollars at 30 September 2006.

7. DEFERRED TAX ASSETS AND LIABILITIES

At 30 September 2006, the deferred tax assets amounted to 6.7 million euros (5.3 million euros at 31 December 2005) and relate mainly to temporary differences deriving from the elimination of unrealised intra-group profits on sales of finished goods and the fiscal benefit of carry-forward tax losses.

At 30 September 2006, deferred tax liabilities amount to 5.2 million euros (4.1 million euros at 31 December 2005) and relate mainly to temporary differences between the book values of certain tangible and intangible assets in the balance sheet and their values recognised for tax purposes.

8. INVENTORIES

This item is made up as follows (millions of euros):

	Net value	Reserve for obsolete & slow-moving goods	Gross value at 30.09.2006	Net value at 30.12.2005
Raw, ancillary and consumable materials	23.4	(5.1)	18.3	15.6
Work in progress and semifinished goods	141.5	(17.8)	123.7	100.7
Finished products and goods	6.8	(2.2)	4.6	5.8
Total	**171.7**	**(25.1)**	**146.6**	**122.1**

The increase in inventories since 31 December 2005 reflects the preparation of machines for delivery to customers in the fourth quarter, traditionally the most important of the year in terms of billings, this being a typical feature of the sector in which the Group operates. It also reflects the significant amount of orders previously acquired.

9. TRADE AND OTHER RECEIVABLES

This item is made up as follows (millions of euros):

	30.09.2006	31.12.2005
Trade receivables	89.4	98.8
Advances to suppliers	4.5	5.5
Tax receivables	2.6	1.6
Prepayments	2.1	1.9
Other receivables	2.0	1.1
Total	**100.6**	**108.9**

TRADE RECEIVABLES

Trade receivables include amounts due from customers of 64.3 million euros (81.3 million euros at 31 December 2005), amounts due on contract work in progress of 23.3 million euros (15.8 million euros at 31 December 2005) and receivables from associates of 1.8 million euros (1.7 million euros at 31 December 2005).
Trade receivables show a decrease of 17.0 million euros as a result of the collections made during the period and the Group's careful management of customer credit.
Trade receivables from customers are stated net of accumulated provisions amounting to 2.1 million euros (2.0 million euros at 31 December 2005).
2006 saw the non-recourse assignment of receivables with an overall nominal value of around 1.0 million euros; assigned receivables not yet due at 30 September 2006 amount to around 2.5 million euros, of which 0.3 million euros are assigned to factoring companies and 2.2 million euros to other financial institutions.

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

PREPAYMENTS

This caption mainly includes prepaid insurance premiums, maintenance fees and consultancy.

OTHER RECEIVABLES

Other receivables principally include amounts due from social security institutions and advances to employees.

10. CASH AND CASH EQUIVALENTS

This item comprises (millions of euros):

	30.09.2006	31.12.2005
Bank current accounts	23.6	55.8
Demand deposits	0.1	1.7
Cheques and cash	0.3	0.3
Total	**24.0**	**57.8**

Cash and cash equivalents have decreased by 33.8 million euros as the level of collections is traditionally lower during the period compared with the standard at the end of the year and because of the increase in inventories compared with 31 December 2005. Reference is made to Note 14 on the analysis of borrowing for a better understanding of the changes in this caption.

11. SHARE CAPITAL

The share capital at 30 September 2006 is represented by the share capital issued (fully subscribed and paid up) by the Parent Company, IMA S.p.A., comprising 36,100,000 ordinary shares with a par value of 0.52 euros each.

12. TREASURY SHARES

During the first nine months of 2006, the Parent Company carried out transactions in treasury shares, buying 327,000 of its own shares for a total of 3.5 million euros.

During the equivalent period in 2005, the Parent Company bought 1,349,121 treasury shares for a total of 13.3 million euros and sold 696,105 treasury shares for a total of 7.7 million euros, generating a capital gain of 0.5 million euros, net of the tax effect.

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

The table below shows the number of shares in circulation:

Thousands of shares	
Balance at 01.01.2005	**36,100**
Own shares acquired	(1,349)
Own shares sold	696
Balance at 30.09.2005	**35,447**
Own shares acquired	(938)
Own shares sold	–
Balance at 31.12.2005	**34,509**
Own shares acquired	(327)
Own shares sold	–
Balance at 30.09.2006	**34,182**

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 gross in May 2005).

Note that a share buy-back programme was initiated on 30 June 2006 in accordance with the resolution passed at a Shareholders' Meeting of 27 April 2006, granting a mandate to UBM S.p.A. to implement the plan, with the objective of stabilising the market value of the stock in compliance with all current regulations.

At 30 September 2006, 1,918,235 were held in portfolio for a total value of 18.8 million euros.

13. Fair value reserve

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

Balance at 01.01.2005	**1.1**
Available for sale	
Valuation at fair value	0.1
Cash flow hedges/hedging instruments	
Valuation at fair value	(2.9)
Fair value - tax effect	0.9
Realisation recognised in income	(1.3)
Realisation recognised in income - tax effect	0.4
Balance at 30.09.2005	**(1.7)**
Balance at 01.01.2006	**(0.9)**
Cash flow hedges/hedging instruments	
Valuation at fair value	0.6
Fair value - tax effect	(0.2)
Realisation recognised in income	1.3
Realisation recognised in income - tax effect	(0.4)
Balance at 30.09.2006	**0.4**

14. Borrowings

This item mainly includes amounts due to bank, 154.5 million euros (146.0 million euros at 31 December 2005) and amounts due to other lenders, 9.1 million euros (6.8 million euros at 31 December 2005).

PAYABLES TO BANKS

The increase in the exposure to banks is mainly related to the rise in inventories during the period.

Applied research and technological innovation loans

During the period, instalments of 2.7 million euros were paid regularly as they fell due and new loans of 1.0 million euros were received.

Other loans

The principal changes that took place in other loans related to repayments according to the contractual terms for a total of 11.5 million euros and new loans received by the Parent Company for a total of 15.9 million euros in connection with the acquisitions of VIMA Impianti S.r.l. and Packaging Systems Holdings LLC and the purchase of treasury shares.

PAYABLES TO OTHER LENDERS

At 30 September 2006 this item mainly includes 5.6 million euros (6.5 million euros at 31 December 2005) relating to the lease contract for a plot of land at Calenzano

(FI) and an industrial building located on it. The non-current portion concerns payables due between 1 and 5 years for a total of 4.7 million euros.

Moreover, during May 2006, the joint venture IMA-Telstar S.L. stipulated a finance lease contract for building land in Terrassa (Spain) for an amount of 2.5 million euros, of which 0.9 million euros falling due between 1 and 5 years and 1.6 million euros falling due beyond 5 years. The contract provides for the construction of an industrial building and monthly capital repayments once the building is completed, presumably in January 2008.

The composition of net debt at 30 September 2006, totalling 131.5 million euro, is as follows:

millions of euros	30.09.2006	30.06.2006	31.12.2005	30.09.2005
Net debt	131.5	118.4	86.8	128.9
Including:				
• Cash and current financial assets	(28.7)	(33.4)	(62.4)	(24.3)
• Non-current financial assets	(3.4)	(3.3)	(3.6)	(3.7)
• Current financial liabilities	95.1	84.4	68.0	100.3
• Non-current financial liabilities	68.5	70.7	84.8	56.6

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 scheduled deliveries, as well as to the 12.6 million euros paid in connection with the acquisitions of VIMA Impianti S.r.l. and Scriba Nanotecnologie S.r.l. during first quarter 2006 and the 7.9 million US dollars paid for the acquisition of Packaging Systems Holdings LLC. In June 2006 IMA-Telstar S.L. contracted a finance leasing debt of 2.5 million euros which, in addition to the debt resulting from the operations mentioned above, raised the exposure at 30 September 2006 to 19.7 million euros.

With respect to 30 June 2006 the change in net debt is mainly due to the acquisitions mentioned previously (4.9 million euros), tax payments (5.2 million euro) and the purchase of treasury shares (3.5 million euros).

15. PROVISIONS FOR RISKS AND CHARGES

These provisions are made up as follows (millions of euros):

	Balance at 31.12.2005	Provisions	Uses	Exchange difference	Balance at 30.09.2006
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	0.9	(0.3)	–	5.0
• Other	0.5	0.2	–	–	0.7
	4.9	**1.1**	**(0.3)**	**–**	**5.7**
Total	**6.0**	**1.2**	**(0.3)**	**–**	**6.9**

The product guarantee provision reflects the estimated cost of work to be performed under warranty subsequent to 30 September 2006, in relation to machines sold prior to that date. The other risk provisions mainly comprise tax provisions to cover possible liabilities that may emerge as a result of various tax audits that were carried out during the previous year.

16. TRADE AND OTHER PAYABLES

This item is made up as follows (millions of euros):

	30.09.2006	31.12.2005
Trade payables	67.3	86.4
Advances from customers	41.0	34.5
Social security payables	2.5	4.1
Tax payables	2.2	3.5
Employee payables	16.6	13.4
Acquisition payables	0.2	5.6
Other payables	2.8	2.0
Total	**132.6**	**149.5**

TRADE PAYABLES

This item includes trade payables of 60.7 million euros (78.0 million euros at 31 December 2005), payables to agents of 3.9 million euros (5.5 million euros at 31 December 2005) and trade payables to associates of 2.7 million euros (2.9 million euros at 31 December 2005).

ADVANCES FROM CUSTOMERS

The increase since 31 December 2005 in advances from customers for future supplies mainly reflects the substantial volume of orders to be completed in the coming quarter.

TAX PAYABLES

Tax payables refer mostly to taxes withheld from employees.

EMPLOYEE PAYABLES

The increase in this caption since 31 December 2005 mainly reflects deferred payroll which will be paid during the last quarter of the year.

ACQUISITION PAYABLES

This item includes 0.3 million US dollars (around 0.2 million euros) relating to the residual debt for the acquisition of Packaging Systems Holdings LLC, which falls due in May 2009. Note that the amount of 3.0 million US dollars was paid regularly in May 2006, as laid down in the contract. On 11 July 2006 the Parent Company IMA S.p.A. bought the residual 9.32% of the shares for 4.9 million US dollars, paid at the time that the share were transferred, following the early resolution of the contract that provided for a reciprocal right to purchase/sell the residual shares held by management. This right was to be exercised from April 2009 onwards at a price that was to depend on the results achieved by the company, as discussed in the section entitled "Scope of consolidation".

17. Personnel costs

Personnel costs are made up as follows (millions of euros):

	from 01.01.2006 to 30.09.2006	from 01.01.2005 to 30.09.2005	Change
Wages and salaries	69.2	65.8	3.4
Social security contributions	17.8	16.9	0.9
Remuneration of directors	1.0	1.0	–
Pensions - defined-benefit plans	3.1	3.4	(0.3)
Pensions - defined-contribution plans	0.8	0.8	–
Other personnel costs	5.3	5.1	0.2
Total	**97.2**	**93.0**	**4.2**

Note that the figure at 30 September 2006 includes 1.3 million euros of personnel costs attributable to IMA-Telstar S.L. and Telstar Huadong Co. Ltd. and 1.6 million euros attributable to VIMA Impianti S.r.l., which were not included in the scope of consolidation this time last year.

18. Depreciation, amortization and write-downs

This caption includes depreciation of property, plant and equipment of 5.7 million euros (5.6 million euros in the same period of 2005), amortization of intangible assets of 2.6 million euros (1.9 million euros in the first nine months of 2005), the writedown of goodwill for impairment, 0.8 million euro as discussed in Note 3, and other writedowns of 0.1 million euros (0.3 million euros in the same period last year).

19. Financial income

This item comprises the following (millions of euros):

	from 01.01.2006 to 30.09.2006	from 01.01.2005 to 30.09.2005	Change
Interest income from banks	0.9	0.7	0.2
Interest income on receivables from customers and other financial income	0.1	0.1	–
Income on derivatives	0.1	1.3	(1.2)
Exchange gains	3.5	4.3	(0.8)
Total	**4.6**	**6.4**	**(1.8)**

20. Financial expense

This item comprises the following (millions of euros):

	from 01.01.2006 to 30.09.2006	from 01.01.2005 to 30.09.2005	Change
Interest expense on bank payables	4.9	3.7	1.2
Interest expense on discounting	0.1	0.1	–
Interest expense on finance leases	0.2	0.2	–
Expense on derivatives	0.5	1.6	(1.1)
Other financial expense	0.2	0.2	–
Exchange losses	3.1	5.4	(2.3)
Total	**9.0**	**11.2**	**(2.2)**

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

Exchange gains and losses in the period to 30 September 2006 included, respectively, unrealised gains of 0.9 million euros and unrealised losses of 0.7 million euros (1.4 million euros and 1.9 million euros respectively in the same period last year).

21. INCOME TAX FOR THE PERIOD

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

22. BUSINESS COMBINATIONS

The entire capital of VIMA Impianti S.r.l., which produces plant for the movement of powders and the de-powdering of tablets (see "Scope of consolidation"), was acquired on 30 March 2006.

The main asset and liability figures at 31 December 2005, the valuation date of the company acquired. were as follows (in 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
Due to banks	(2.6)	(2.6)
Other assets/liabilities	0.1	(0.5)
Total	**0.9**	**1.8**
Carrying value of the investment		6.1
Goodwill		**4.3**

Note that the difference in the fair value of “Other assets/liabilities” relates to the tax effects of booking know how.

23. GUARANTEES GRANTED

At 30 September 2006, the Group had granted sureties to customers of 7.6 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 (BO) for 0.7 million euros to secure performance of contracts and sureties to others totalling 0.6 million euros to secure leases, sundry utilities and customs duties.

Sureties granted against advances received from customers amounted to about 21.6 million euros (23.5 million euros at 31 December 2005).

24. COMMITMENTS

At 30 September 2006, there were commitments for the purchase of intangible assets for 0.1 million euros, relating essentially to industrial patent rights, and property, plant and equipment for 0.1 million euros (0.1 million euros at 31 December 2005), relating principally to charges to be incurred for the expansion and upgrading of existing buildings and plant.

The Group also has commitments in respect of minimum lease payments for non-cancellable operating leases totalling 1.7 million euros (1.9 million euros at 31 December 2005) and rentals totalling 29.0 million euros (30.1 million euros at 31 December 2005).

25. RELATED-PARTY TRANSACTIONS

Related-party transactions mainly comprise 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.

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

	Receivables	Payables	Revenues	Costs
Datasensor S.p.A.	–	0.1	–	0.2
Italbe S.r.l.	–	–	–	0.1
Lopam S.r.l.	–	–	–	0.2
Morosina S.p.A.	–	–	–	0.1
Naturapack S.r.l.	0.4	–	0.9	0.2
Luca Poggi	–	0.1	–	0.2
Sporting Club Gira S.r.l.	–	–	–	0.1
Viaggi Nuova Era S.r.l.	–	1.4	–	2.6

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

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

	Receivables	Payables	Revenues	Costs
B.C. S.r.l.	–	0.6	–	2.0
LA.CO. S.r.l.	–	0.6	–	0.9
Consorzio Info Area	1.8	1.5	2.2	2.1

The above positions are primarily held by the Parent Company.

26. SIGNIFICANT EVENTS AFTER THE END OF THE THIRD QUARTER

On 25 October 2006 the Board of Directors of IMA S.p.A. passed the following resolutions:

- approval of the plan to set up IMA-Telstar North America Inc. The new company, which is wholly owned by IMA-Telstar, is based in Delaware and will produce lyophilization machines for the American market. This market alone represents 50% of world pharmaceutical production, with the result that it also requires plant suppliers to have more and more of a local presence.
- approval of a plan for a related party to rent a biological and genetic technology research laboratory to an associate that is currently being set up. This new

company, in which IMA S.p.A. will have a 30% interest, will take over the running, on a lease basis, of a laboratory that carries out experiments and research into biological and genetic technologies. The laboratory, which is located in Pisa, is owned by a company controlled by FIN-VACCHI S.p.A. The other 70% of the company will be held by operators in the healthcare sector, allowing the IMA Group to take part in an activity of strategic importance for the pharmaceutical industry in terms of know how and of significant scientific interest to the pharmaceutical sector. IMA will be investing around 0.3 million euro;

- Cancellation of the plan to merge VIMA Impianti S.r.l. with IMA S.p.A. in order to maintain its commercial autonomy and enhance its particular type of production (machines for the movement of powdered pharmaceuticals).

On 13 November 2006 a new company called IMA LIBRA S.r.l. was set up; it is wholly owned by IMA S.p.A. and is based in Ozzano dell'Emilia (BO). On 14 November 2006 the Board of Directors of IMA S.p.A. resolved to transfer to this new company the activities of the Aseptic Processing & Filling sector (machines for the packaging of liquids under sterile and non-sterile conditions) together with the interest held in IMA-Telstar S.L., the Spanish joint-venture (lyophilization machinery). The decision to concentrate these activities in a new company comes from the desire to make them more competitive by intensifying the synergies between the various businesses, as well as to evaluate the external growth potential.