

**IMA**  
**INDUSTRIA MACCHINE AUTOMATICHE S.p.A.**

**Directors' Report**

**on the Company's system of Corporate Governance and on the application of the Code of Self-Regulation for listed companies, prepared pursuant to Section IA.2.14 of the Instructions to the Regulations for markets organized and administered by Borsa Italiana S.p.A. in effect from March 1, 2005.**

In order to provide appropriate information, this report compares the system of Corporate Governance adopted by the Company with the requirements of the Code of Self-Regulation for listed companies revised in July 2002 (hereafter, the "Code"). This report also takes account of the guidelines for drafting it sent to issuers by Borsa Italiana S.p.A. on February 12, 2003.

For the purpose of assessing compliance with certain regulations contained in the Code, it is confirmed that the Company's ordinary shares carry a Star rating pursuant to art. 2.2.3 of the Regulations issued by Borsa Italiana S.p.A.

**Role of the Board of Directors.**

In order to assess the adequacy of the Company's system with respect to the requirements described in art. 1.1 of the Code, it is confirmed that the Company is administered solely by a Board of Directors comprising between 5 and 15 members, pursuant to art. 15 of the Statute, which contains no provisions with regard to a Sole Director.

In addition, in compliance with art. 1.1 of the Code, the Company's Board of Directors meets on a regular basis (5 meetings were held in 2004) and, at the start of each year, the Board agrees a timetable for the meetings to be held; this approach ensures that Board functions are performed on an effective and efficient basis, since the Company's Statute does not specify any minimum frequency for meetings. The Board meeting held on November 12, 2004, resolved to hold five meetings on predetermined dates during 2005.

The duties of the administrative body are as follow:

1. in compliance with the provisions of the Statute the Board of Directors exercises the widest powers to manage the company, except for those specifically reserved by law for the stockholders in general meeting. Without prejudice to the limits imposed by law and without the right to delegate, the Board of Directors is solely responsible for resolving on the opening and closing of secondary offices, the appointment of directors as legal representatives of the company, the reduction of capital if required upon the withdrawal of stockholders, the modification of the Statute to comply with legal requirements, decisions regarding mergers and spin-offs in the situations covered by arts. 2505 and 2505 bis of the Italian Civil Code, as referred to in art. 2506 ter of the Italian Civil Code, or otherwise, and the issue of bonds within the limit set by law.
2. The Board meeting held on May 5, 2003 identified the powers that fall within its exclusive competence and for which the Board cannot delegate authority.

The Company's resolutions are compared below with the provisions contained in art. 1.2 of the Code.

<b>BOARD RESOLUTIONS adopted on May 5, 2003</b>	<b>CODE</b>
The Board of Directors resolves: - to reserve the following powers for the Board acting together, in addition - of course - to those which by law cannot be delegated (in particular, the powers under arts. 2423, 2443, 2446 and 2447 of the Italian Civil Code, as well as the rights and powers under arts. 2381, 2386.1 and 2389.2 of the Italian Civil Code: a) approval of the Company's strategic, industrial and financial plans, as well as all decisions regarding the corporate structure of the Group; b) approval of all transactions of economic or financial significance to the Company and, in any case, all transactions with a value in excess of 10 million euro, except for the renewal of bank lines of credit, the powers for which can be delegated; c) approval of all proposed transactions with related parties, except for those between the Company and its subsidiaries, for which the Board must always approve transactions of economic or financial	Art. 1.2. The Board of Directors: a) examines and approves the strategic, industrial and financial plans of the company and the corporate structure of the group it leads; b) grants and revokes the powers of the managing directors and the executive committee, establishing their limits, how they should be exercised and the frequency, usually no less than quarterly, with which the holders report to the Board on their activities in the exercise of such powers; c) having examined the proposals made by the remuneration committee and heard the opinion of the Board of Statutory Auditors, fixes the remuneration of the managing directors and those with specific duties and, if not already decided at the stockholders' meeting, allocates the total authorized emoluments among the individual members of the board and the executive committee; d) monitors the overall results of operations, paying particular attention to conflict-of-interest situations

<p>significance.</p> <p>In addition, the Board acting together must monitor the results of operations, paying particular attention to conflict-of-interest situations and taking special account of the information received from the directors pursuant to art. 17 of the Statute (reporting of significant transactions to the Board of Statutory Auditors, at least every quarter, at the time of Board or Executive Committee meetings), together with all other information received by the Committees established. The Board must also compare the results achieved with those planned on at least a quarterly basis.</p> <p>The Board acting together must also verify the adequacy of the way in which the Company and the Group are organized and administered in general.</p>	<p>and taking special account of the information received from the executive committee (if appointed), the managing directors and the internal audit committee; the Board also compares the results achieved with those planned on a periodic basis.</p> <p>e) examines and approves all transactions of economic or financial significance, with particular reference to related-party transactions;</p> <p>f) checks the general adequacy of the organizational and administrative structure established for the company and the group by the managing directors;</p> <p>g) reports to the stockholders at general meetings.</p>
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In particular, it is clear from the above Board resolution that the Board of Directors acting together is responsible for making decisions regarding (i) all transactions worth more than 10 million euro, except for the renewal of bank lines of credit, (ii) all proposed related-party transactions, except for those between the Company and its subsidiaries, unless such transactions are significant.

With regard to point 1.3 of the Code:

- (i) Director's average attendance at 5 meetings of the board of directors held in 2004 was 85%
- (ii) at least one independent director attended all Board meetings.

The report on operations as of December 31, 2004, pag. 47 and 48, lists the directors' other appointments as directors or statutory auditors of listed Italian and foreign companies, finance, banking and insurance companies, and of major companies in general.

With regard to point 1.4 of the Code, the board members during 2004 were duly updated on changes in company law reforms

### **Composition of the Board of Directors**

The Board of Directors comprises

- (i) ten members, including six non-executive directors and, among these, two independent directors till April 26, 2004;
- (ii) eleven members, including seven non-executive directors and, among these, three independent directors beginning from April 26, 2004 till September 29, 2004;
- (iii) twelve members, including seven non-executive directors and, among these, three independent directors beginning from September 29, 2004 till December 31, 2004

At the Board meeting held on May 5, 2003, the managing directors (Chairman and Managing Director) were individually granted all ordinary and extraordinary powers to administer the Company, with the sole exclusion of the following rights and 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.

A number of directors, listed as executive directors, hold important senior management positions within the Company. These include the General Manager, Stefano Visentini.

The independent directors, currently three:

- do not have, and have not recently had, whether directly, indirectly or on behalf of third parties, any significant economic links that might impair their independent judgment with the Company, its subsidiaries, the executive directors, or the stockholder or group of stockholders that controls the Company (as per Borsa Italiana Instructions, Sezione IA.2.12, para 1);

- do not own, directly or indirectly, sufficient shares to control or exercise significant influence over the Company and do not participate in stockholders' agreements made to control the Company;
- are not close members of the families of the Company's executive directors or of parties in the positions described in the above points.

The following table indicates the number of directors, their names, the expiry date of their mandates, whether they are executive or non-executive and, among the latter, those who are independent. The most recent assessment by the Board of Directors of the independence of its directors was made at the meeting held on March 23, 2005, which was called to approve the draft financial statements as of December 31, 2004.

No	Name	Expiry	Executive	Non-executive	Independent
1	Marco Vacchi	Approval of the 2005 financial statements	Chairman and Managing Director		
2	Alberto Vacchi	Approval of the 2005 financial statements	Managing Director		
3	Gianluca Vacchi	Approval of the 2005 financial statements		Non-executive	
4	Andrea Malagoli	Approval of the 2005 financial statements	Executive director with managerial functions		
5	Luca Poggi	Approval of the 2005 financial statements		Non-executive	
6	Maria Carla Schiavina	Approval of the 2005 financial statements		Non-executive	
7	Stefano Visentini	Approval of the 2005 financial statements	Director with managerial functions		
8	Romano Volta	Approval of the 2005 financial statements		Non-executive	Independent
9	Italo Giorgio Minguzzi	Approval of the 2005 financial statements		Non-executive	Independent
10	Mauro Gambaro (left office on October 6, 2004)	Approval of the 2005 financial statements		Non-executive	
11	Gino Benedetti	Approval of the 2005 financial statements		Non-executive	Independent
12	Paolo Dari	Approval of the 2005 financial statements	Director with managerial functions		
13	Paolo Braghieri	Stockholder Meeting to be held on April 27, 2005 (in first calling)		Non-executive	

#### **Chairman of the Board of Directors**

In this regard and in compliance with art. 4 of the Code, it is confirmed that:

- pursuant to art. 17 of the Statute, the Chairman is responsible for calling meetings of the Board of Directors; the Chairman normally coordinates the activities of the Board and guides the business conducted at its meetings;

(ii) at each meeting, the members of the Board of Directors are routinely given all the documentation and information necessary for them to express an informed opinion on the matters presented for their approval.

With regard to point 4.3 of the Code, the Directors' report on operations attached to the financial statements as of December 31, 2004 provides appropriate information on the role attributed to the Chairman in consideration of his powers of ordinary and extraordinary administration, mentioned earlier in this report.

#### **Information provided to the Board of Directors**

The provisions of the Statute on this topic are compared below with art. 5 of the Code, also in connection with the changes in company law reforms

<b>STATUTE</b>	<b>CODE</b>
Art. 17. The Directors with delegated powers report at least every quarter to meetings of the Board or the Executive Committee or in writing to the Board of Directors and the Board of Statutory Auditors on their activities, and on the principal transactions of economic and financial significance carried out by the Company and its subsidiaries; in particular, they report on transactions in which the directors have an interest, either directly or on behalf of third parties, or which are influenced by any parties that direct and coordinate the company's activities	Art. 5 The executive committee – via its chairman – and the managing directors report periodically to the Board on their activities in the exercise of their powers. In addition, the persons and bodies with powers provide appropriate information about any atypical, unusual or related-party transactions that do not need to be examined and approved by the Board of Directors. They provide the same information to both the Board and the statutory auditors.

Transactions involving related parties – except for non significant transactions with subsidiaries of the Company - exclusively (and not erasable) belong to the Board of Directors

During 2004, the directors with delegated powers provided the required information to the Board of Directors at the meetings held on March 25, 2004, May 14, 2004, August 6, 2004 and November 12, 2004.

#### **Treatment of confidential information**

The Chairman and the Managing Director are currently responsible for the internal administration of confidential information and they have arranged to make the required public disclosures about “price sensitive” information.

At this time, there are no internal procedures for the administration of confidential information.

#### **Appointment of directors**

The Company's Statute makes no provision for the adoption of list voting procedures for the appointment of directors.

In connection with the forthcoming stockholders' meeting to be held on April 27, 2005, in first calling, with the appointment of a director on the agenda, the Board of Directors has invited the controlling stockholder to file a nomination at the registered offices at least 10 days prior to the date of the meeting, together with detailed information about the personal and professional characteristics of the candidate; this approach complies with the recommendation contained in art. 7.1 of the Code. The controlling stockholder is expected on this occasion (as usual) to comply with this request.

Given the presence of a controlling stockholder among the stockholding group, the Board of Directors does not currently believe it appropriate to establish an internal committee for the nomination of directors.

#### **Remuneration of the directors**

At the meeting held on May 14, 2003, the Board appointed a remuneration committee in accordance with art. 8 of the Code comprising the following three members: Luca Poggi, Maria Carla Schiavina and Romano Volta. The first two are non-executive directors and the third is an independent director.

This Committee, which exercises the powers envisaged in the Code, will serve until expiry of the mandate of the current Board of Directors (i.e. until approval of the 2005 financial statements).

The committee met once during 2004 to propose to the Board the remuneration for 2004 of the directors with special duties, and that part of the remuneration of executive directors linked to the achievement of business objectives.

In compliance with art. 8.2 of the Code, a significant portion of the remuneration of the Chairman, the Managing Director and the executive directors with senior management functions is linked to the achievement of pre-determined results.

### **Internal Audit and Committee**

On May 14, 2003, the Board of Directors appointed the members of the Internal Audit Committee; this committee, has the duties described in art. 10.2 of the Code.

The Internal Audit Committee currently comprises the following three members: Italo Giorgio Minguzzi, Romano Volta and Maria Carla Schiavina. The first two are independent while the third is a non-executive director.

This Committee will serve until expiry of the mandate of the current Board of Directors (i.e. until approval of the 2005 financial statements).

The Committee met six times during 2005. At these meetings, the Internal Audit Committee examined the application of the trade procedures in the Pharmaceutical divisions, the standardisation of the general terms and conditions of sales, the formation mechanism of offers in the foreign branches of the Group, the safeguarding of the project technical patrimony and of the “know-how”, the company procedures of the Finance and Control administration Management, the problems that exist in relations with important multinational clients, the adequacy of the internal control system, the transition process to the INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), the recording of the Work Progress States (S.A.L.) of the job orders, the inspection procedures regarding critical suppliers and the procedures to adopt in order to prevent the phenomenon of warehouse obsolescence.

The Chairman of the Board, the Managing Director, the General Manager, Administration Finance and Audit Director and the members of the Board of Statutory Auditors were invited to attend these committee meetings.

The Board of Directors believes that the current system of internal control is adequate to meet the requirement to supervise areas of risk and monitor the economic and financial position of the Company and its subsidiaries.

### **Related-party transactions**

During 2004, the resolutions regarding related-party transactions were adopted in compliance with the provisions of art. 11.2 of the Code. There were no transactions during the year of the type referred to in art. 11.3 of the Code.

### **Relations with institutional investors and the other stockholders**

On November 13, 2002, the Board of Directors appointed Sergio Marzo to administer investor relations. Sergio Marzo, who replaced Andrea Malagoli in this role, is also Assistant to the Special Finance and Planning Department. The Chairman looks after stockholder relations personally.

### **Stockholders' meetings**

With regard to this area governed by art. 13 of the Code, the stockholders' meeting held on May 31, 2000, adopted meeting regulations (to which reference is made) to ensure the orderly and functional conduct of ordinary and extraordinary stockholders' meetings, guaranteeing the right of each stockholder to speak on the matters placed on the agenda for discussion.

### **Statutory Auditors**

On this topic, art. 23 of the current Statute envisages that the lists containing the names of candidate statutory auditors must be filed by the stockholders at the registered offices, at least 10 days prior to the date set for the stockholders' meeting, in first calling, together with the candidates' professional curriculums.

Castenaso, 23rd March 2005

For the Board of Directors  
The Chairman  
(Marco Vacchi)