

DAMIANI S.P.A.

REPORT OF THE BOARD OF DIRECTORS REGARDING THE PROPOSAL FOR AUTHORIZING THE PURCHASING AND ALLOCATING OF THE COMPANY'S OWN SHARES

DOCUMENT DRAWN UP PURSUANT BOTH TO ARTICLE 3 OF THE MINISTERIAL DECREE DATED 5 NOVEMBER 1998 N° 437 AND TO THE ARTICLES 73 AND 93 OF THE REGULATIONS THAT WERE ADOPTED BY CONSOB (ITALIAN SEC) WITH ITS RESOLUTION N° 11971/1999 AND THE SUCCESSIVE CHANGES AND ADDITIONS TO IT CALLED “REGULATIONS FOR STOCK ISSUERS”.

Dear Shareholders,

in observance of article 3 of the Ministerial Decree dated 5 November 1998, n° 437, as well as the Regulations for Stock Issuers, the Board of Directors of Damiani S.p.A., hereinafter also referred to as the “Company” or the “Issuer” hereby makes available to you a report that illustrates the items contained in the Agenda of the Ordinary Shareholders’ Meeting of the Company, which was called by means of a notice published in the daily newspaper “Milano Finanza” of 22 January 2008, and held within the meeting rooms of the Hotel IANUA, in Centro Orafo “Coinor”, in Via Luigi Stanchi, 4, Valenza (AL), at first call on 22 February 2008 at 17.00 hours and, if necessary, at second call on 23 February 2008, in the same place and at the same time, with the following Agenda:

- 1. A Proposal for authorizing the purchasing and allocating of the company's own shares together with the inherent and consequent resolutions.*

Below we briefly indicate to you the reasons and the methodologies regarding the purchasing and allocating of the company's own shares, pursuant to which the Board of Directors intends to ask you to give the relative authorization.

It is to be remembered that, at the date of this report, i.e. the *Illustrative Report*”, neither the company itself nor any of its subsidiary companies, hold any shares of the Issuer.

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1. THE REASONS FOR REQUESTING THE AUTHORIZATION FOR THE PURCHASING AND ALLOCATING OF THE COMPANY’S OWN SHARES.

Pursuant to the combination of the measures laid down in article 2357 and article 2357, part three, of the Italian Civil Code and in article 132 of the Legislative Decree 58/1998, i.e. the “*Consolidated Finance Act*”), the Shareholders’ Meeting is hereby requested to authorize the purchasing and allocation of the company’s own shares for the following reasons:

- The possibility of being able to put in place an incentive plan based on financial instruments that was approved by the Shareholders’ Meeting of the company that was held on 26 September 2007, in observance of what is laid down within the rules and regulations of the plan itself and also observing all the relative legislative and regulatory measures that are currently in force regarding such matters.

- The possibility of being able to utilize the company’s own shares within the context of operations linked to industrially based projects, relative to which there arise business opportunities relative to the exchanging or ceding of packets of shares.

- The opportunity of being able to go ahead and make investments in the shares of the company, whenever the progress and/or trend of the shares’ Stock Exchange price quotations, or the amount of available cash within the company, render such actions financially advantageous, also for the purpose of being able to carry out, when the necessity arises and while observing all the relative legislation, rules and regulations, a liquidity supportive activity on the stock markets.

2. THE MAXIMUM NUMBER, TYPE AND NOMINAL VALUE OF THE SHARES TO WHICH THE PROPOSAL AUTHORIZATION REFERS.

The authorization that the Board of Directors is asking for from the Shareholders’ Meeting is relative to legal acts of purchases of the ordinary shares of the Company to be carried out, also on differing occasions, until there is reached the maximum purchased number of 8,250,000 (eight million two hundred and fifty thousand) ordinary shares, with the nominal value of Euros 0.44 (zero point forty four cents) each but, in any case, for an overall value that does not exceed one tenth of that of the Share Capital of the company, while also taking into account for this purpose any shares that may be held by subsidiary companies, and

within the limits of the distributable profits and the available reserves, based on the relative balances contained in the last set of regularly approved Financial Statements.

The authorization also includes the faculty of, afterwards, being able to handle the shares that are in the portfolio, also before having carried out the purchases and to be able to buy back the shares themselves, in such a measure that the amount of the company's own shares that are held, at any one time, do not exceed the limit that is laid down in this authorization.

3. FURTHER INFORMATION THAT IS USEFUL FOR EVALUATING THE OBSERVANCE OF THE MEASURE THAT IS LAID DOWN IN ARTICLE 2357, PARAGRAPH 3, OF THE ITALIAN CIVIL CODE.

For the purposes of evaluating the observance of the limits that are contained in Article 2357, paragraph 3, of the Italian Civil Code, it is hereby declared that, as of today, the Share Capital of the company amounts to Euros 36,344,000.00 (thirty six million three hundred and forty four thousand zero cents), divided into 82,600,000 (eighty two million six hundred thousand) ordinary shares and also the fact that, at the date of this Report, neither the Company itself, or any of its subsidiary companies, holds any shares of the Issuer. The nominal value of the shares for which the authorization is being requested shall not, in any case, exceed one tenth of the Share Capital of the company, also taking into account for this purpose any shares that may, eventually be purchased by the subsidiary companies.

In any case, the subsidiary companies will be given specific instructions according to which they must speedily communicate any eventual purchases of shares that are carried out pursuant to article 2359, second part, of the Italian Civil Code.

4. THE PERIOD OF TIME FOR WHICH THE AUTHORIZATION IS REQUESTED.

The authorization to purchase the company's own shares is requested to last for a time period of 18 (eighteen) months, from the date when the Shareholders' Meeting passes the relative resolution.

The authorization regarding the ability to allocate the company's own shares is asked to be given without any time limit.

5. MINIMUM AND MAXIMUM PURCHASE PRICE AND THE MARKET VALUES.

PURCHASE OF THE COMPANY'S OWN SHARES

The purchase price of each one of the company's own shares will be set by the Board of Directors, with the discretionary faculty of being able to delegate this to one or more Directors of the company, while there must be observance of the following methodologies: the purchase price must, including all the ancillary purchase price charges, be a minimum of not less than 20% (twenty percent) and, as a maximum, not greater than 20% (twenty percent) of the official trading price of the share dealings that have been recorded on the Mercato Telematico Azionario (Computerized Stock Market) for the day before that of the purchase.

ALLOCATION OF THE COMPANY'S OWN SHARES

Regarding the allocation that takes place, afterwards, of the shares that have been purchased there is only set the minimum price limit of the sale to third parties, which has to be such as not to create any negative financial impacts for the company but, in any case, it cannot be less than 90% (ninety percent) of the average of the official trading prices that have been recorded on the Mercato Telematico Azionario (Computerized Stock Market) during the five days before the sale. This price limitation can only be suspended in the case of exchanges or cedings of the company's own shares, in the context of the realization of industrial projects, and also in the case of the ceding and selling of the shares in order to carry out the terms of the Stock Option Plan that was resolved upon by the Shareholdings' Meeting of the company, in its sitting of 26 September 2007, or in order to be able to carry out any other stock option plans that may have been, or will be, approved afterwards.

6. METHODOLOGIES OF MAKING THE PURCHASES AND CARRYING OUT THE ALLOCATIONS OF THE COMPANY'S OWN SHARES.

The transactions regarding the purchasing of the company's own shares will be carried out on the officially regulated stock markets, while observing all the relative legislative and regulatory measures that are currently in force regarding such matters and, specifically, those that are pursuant to what is contained in article 132 of the Consolidated Finance Act and 144, part two, first paragraph, letter *b*) of the regulations for Stock Issuers, following the operational methodologies that are laid down within the rules and regulations regarding the organization and management of the markets in question themselves, that do not allow the direct linkage of the purchase trading proposals with pre-set sales proposals, in order that the shareholders involved are ensured to have parity of treatment. The purchase of the company's own shares can take place following methodologies that are different from those

that have been described above in the case where the differing methodologies are allowed by article 132, paragraph 3, of the Consolidated Finance Act, or by any other legislation that may, from time to time, be applicable when the transaction is carried out.

The purchases of the shares can take place in one or more installments.

Regarding the allocation of the shares in question, this can take place one or more times, also before all the purchases have actually been carried out and finalized. The allocation can take place in those ways that are considered to be most opportune in the context of the interests of the Company, including their disposal by trading them on the stock market, in blocks of shares, or by means of exchanging them for other holdings or other assets in the context of industrial projects.

The shares can also be assigned to Directors, employees and/or collaborators of the Company or its subsidiaries, relative to the carrying out of the Stock Option Plan that was resolved upon by the Shareholdings' Meeting of the company on 26 September 2007, or in order to be able to carry out any other stock option plans that may have been, or will be, approved afterwards.

7. INFORMATION REGARDING IMPACT OF THE PURCHASE IN PROVOKING A REDUCTION OF THE SHARE CAPITAL OF THE COMPANY

I is hereby declared that the aforementioned purchase of the company's own shares will not have any impact that results in a reduction of the Share Capital of the Company.

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We trust that the aforesaid proposal will meet with your approval.

Milan, 21 January 2008

For the Board of Directors
The Chairman
Dr. Guido Grassi Damiani