

## **DAMIANI S.P.A.**

SHARE CAPITAL EURO 36.344.000,00 ENTIRELY PAID  
REGISTERED OFFICE IN VALENZA (AL)-VIALE SANTUARIO NO. 46  
FISCAL CODE AND VAT CODE NO.01457570065  
COMPANIES REGISTER OF ALESSANDRIA NO. 01457570065 - REA NO. 162836

### **REPORT OF THE BOARD OF DIRECTORS OF DAMIANI S.P.A. REGARDING THE PROPOSED AMENDMENTS TO THE COMPANY'S BY-LAWS PURSUANT TO ARTICLE 3 OF MINISTERIAL DECREE NO. 437 DATED 5 NOVEMBER 1998 AND ART. 92 OF CONSOB RESOLUTION NO. 11971/1999 (ALSO CALLED ISSUERS REGULATION)**

*Dear Shareholders,*

*Pursuant to Article 3 of Ministerial Decree No. 437 of November 5, 1998 as well as Article 92 of Consob Resolution No. 11971/1999 (so called, "Issuers Regulation"), as subsequently amended and supplemented, the Board of Directors of Damiani S.p.A. (hereinafter referred to as the "Company" or the "Issuer") makes available an explanatory report concerning the items included in the agenda of the Shareholders' meeting called, in both ordinary and extraordinary sessions, by means of a notice published in the daily newspaper "La Repubblica" on 15<sup>th</sup> June 2010 at the registered office of the Company in Valenza (AL), Viale Santuario, 46, on 21 July 2010 at 6:00 pm on first call and, if necessary, on 30<sup>th</sup> July 2010, on second call at the same place and time, to discuss the following agenda:*

#### **Ordinary session:**

- 1. Presentation of the Consolidated Financial Statements and of the Yearly Financial Statements as on 31<sup>st</sup> March 2010; Report of the Board of Directors on the management, reports of the Board of Statutory Auditors and of the External Auditing Company; resolutions connected thereto.*
- 2. Appointment of the new Board of Statutory Auditors; determination of the remuneration; resolutions connected thereto.*

3. *Proposal to authorize the purchase and disposal of the Company's own shares, upon prior revocation of the resolution approved by the Shareholders' Meeting on 22<sup>nd</sup> July 2009 within the limit the same has not been already executed; resolutions connected thereto.*
4. *Proposal to adopt a plan based on financial instruments pursuant to Article 114 bis of Legislative Decree no. 58/98; resolutions connected thereto.*

***Extraordinary session:***

1. *Amendment to Articles 10, 11, 16 and 24 of the Company's By-laws and introduction of the new Article 34 further to the implementation in Italy of Directive 2007/36/CE; resolutions connected thereto.*

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***1. Reasons for the proposal to amend Articles 10, 11, 16, and 24 of the Company's By-laws and for the introduction of the new Article 34.***

*Following the approval by the Council of Ministers in meeting no. 79 held on 22<sup>nd</sup> January 2010 and the clearance by the Italian President dated 27<sup>th</sup> January 2010, the procedure for the implementation in Italy of Directive 2007/36/CE of the European Parliament and of the Council of 11<sup>th</sup> July 2007 on the exercise of certain rights of shareholders in listed companies has been completed, following the delegation to the Government given by article 31 of Law no. 88 of 7<sup>th</sup> July 2009.*

*Legislative Decree no. 27 of 27<sup>th</sup> January 2010 bringing into force Directive 2007/36/CE modifies, inter alia, numerous provisions of the Civil Code and of Legislative Decree 24<sup>th</sup> February 1998 no. 58 (so called "T.U.F."), requiring and/or suggesting therefore to modify the Company's By-laws in order to maintain it updated and conforming to current regulations.*

*In short, Legislative Decree no. 27/10 deals with shareholders effective participation to general meetings and their right to access information prior to the general meeting, providing inter alia:*

*(i) specific provisions concerning the convocation of general meetings, including timing and contents of the call notice;*

*(ii) the introduction in the Italian system of the principle of the record date, which provides that shareholders' rights to participate in a general meeting and to vote in respect of their shares shall*

*be determined with respect to the shares held by that shareholder on the expiring of the 7<sup>th</sup> business day (i.e. days of open financial markets) prior to the general meeting;*

*(iii) some new ad hoc rules concerning the right to put items on the agenda of the general meeting, to ask questions in this respect, to vote by proxy including the right to appoint a proxy holder by electronic means;*

*(iv) some new deadlines to file lists of candidates to be appointed as directors and as members of the board of statutory auditors;*

*(v) other shareholders' rights left to be determined in the By-laws (inter alia the possibility to call the so called "one only convocation meeting"; to ask the financial intermediary - at the individuals own expense - the Shareholder's personal data which have not been barred for transmission, or furthermore to allow the vote by post or electronic means).*

*It is noteworthy to state that not all changes introduced by the law needs to be implemented by modifying the Bylaws because some of the changes brought about by the law will be automatically enforced while on the other hand some of the changes are not suited to be enforced at all in the Bylaws.*

*Based on ad interim rules – see article 7 of Legislative Decree no. 27/10 – the main provisions introduced by the reform shall apply starting from general meetings called after 31<sup>st</sup> October 2010: nevertheless the Board of Directors intends to utilize the scheduled meeting in order to suggest the introduction of some changes in the Bylaws for ir to conform to the provisions introduced following the implementation of the Directive 2007/36/CE.*

*In this proposal to change the Bylaws which is brought to your attention, the Board of Directors has decided to propose to the Shareholders to intervene minimally making reference instead and where possibile to the "statutes and regulations time to time in force": this represents a flexible choice which is also considered right in order to avoid continuous updating of the Bylaws due to changes in the law and regulations.*

*It is proposed to change Article 10 of the Bylaws concerning the methods of publication of the convocaation of Shareholders meetings by introducing a reference to the laws time to time in force; in this respect it is also proposed – pursuant to Article 7 paragraph 1 of Legislative Decree no. 27/10 – to introduce in the Bylaws an ad interim provision – i.e. Article 34 – which states that until 31<sup>st</sup> October 2010 the method of publication of the notice provided in the current Article 10 of the Bylaws should remain in place.*

*As far as the option is concerned for the Company to appoint a proxy holder, the Board of Director has not, at the moment, provided such an option. As fas as the right to participate in the*

*meetings is concerned, amendment of Article 11 of the Bylaws is proposed by way of cancelling reference to Article 2370 paragraph 2 of the Civil Code and making reference to the laws time to time in force.*

*As far as the appointment of the members of the Board of Directors and the Board of Statutory Auditors is concerned, Articles 147-ter (appointment and composition of the Board of Directors) and Article 148 (Composition) of TUF have been amended. As a consequence it is necessary to amend Articles 16 and 24 of the Bylaws in order to conform them starting from now to the new provisions of the law.*

*In conclusion during this meeting the Board of Directors proposes to modify Article 16 of the Bylaws in order to correct some typographical errors in particular at the first paragraph, the verb to be should be corrected by putting an accent and at the fourth paragraph the preposition" of the" should be substituted with "of".*

*Finally, in order not to change, if possible, the provisions of the Bylaws regulating the functioning of the Company and which are peculiar to it, the Board of Directors deems irrelevant, also considering the Shareholder's structure of the Company, to modify the Bylaws in order to provide for the one convocation only meeting and the Board of Directors does not deem it convenient to allow voting by post or by electronic means.*

*Furthermore, it is proposed to reformulate Articles 10, 11, 16 and 24 of the Bylaws and to introduce the ad interim provisions of Article 34 as already explained above.*

*Shareholders are therefore called to resolve with the majority vote required in the extraordinary session, on the proposal which the Board of Directors has illustrated above, considering the changes introduced by the implementation in Italy of Directive 2007/36/CE. Please note that those resolutions not be included in the list provided by Article 2437 of the Civil Code, Shareholders abstaining or absent will not be granted the right to withdraw from the Company.*

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## **2. Comparison between the text of the articles of the current Bylaws and the text of the proposed amendment.**

*Following please find a compariosn between the text of the articles of the current Bylaws and the text of the proposed amendmen, with evidence in bold of the changes.*

CURRENT TEXT	PROPOSED TEXT
<p style="text-align: center;"><b>Article 10</b></p> <p>The General Meeting shall be convened in ordinary (AGM) or extraordinary (EGM) form by the publication of a Notice of Convening in accordance with the law and regulations in the Official Gazette of the Italian Republic or alternatively in one of the following daily papers: “Il Sole24Ore”, “La Repubblica”, “Il Corriere della Sera”, or “Milano Finanza”.</p> <p>The Notice may set another date for a second convening; in the case of an EGM a third convening may also be arranged.</p> <p>General Meetings may also be convened, and may in fact meet, elsewhere than at the company’s registered office, either in Italy or abroad, provided they meet in one of the European union countries or in Switzerland.</p>	<p style="text-align: center;"><b>Article 10</b></p> <p>The General Meeting shall be convened in ordinary (AGM) or extraordinary (EGM) form by the publication of a Notice of Convening <b>in accordance with the terms and conditions provided by the law and regulations time to time in force.</b></p> <p>The Notice may set another date for a second convening; in the case of an EGM a third convening may also be arranged.</p> <p>General Meetings may also be convened, and may in fact meet, elsewhere than at the company’s registered office, either in Italy or abroad, provided they meet in one of the European union countries or in Switzerland.</p>
<p style="text-align: center;"><b>Article 11</b></p> <p>Any member entitled to attend and vote at the General Meeting may arrange to be represent by written form of proxy by another person, who need not be a member, subject to the terms and limitations prescribed by law.</p> <p>Entitlement to attend, speak and vote shall be governed by the law and the regulations in force at the time; under Civil Code Article 2370 any member may participate in the meeting for whom a notification of share ownership has been received by the Company no less than two (2) working days before the date of the meeting, and who is in possession of the appropriate certificate on that date.</p>	<p style="text-align: center;"><b>Article 11</b></p> <p>Any member entitled to attend and vote at the General Meeting may arrange to be represent by written form of proxy by another person, who need not be a member, subject to the terms and limitations prescribed by law.</p> <p><b>The Company does not appoint representatives to whom Shareholders can delegate their vote by written instructions.</b></p> <p>Entitlement to attend, speak and vote shall be governed by the law and the regulations in force at the time; <b>the right to attend Shareholders meetings is recognised to anyone who has the right to vote in the meeting and in respect to whom the financial intermediary has sent to the Company the relevant certification according to his financial electronic records – pursuant to applicable laws and regulations in force at the time.</b></p>
<p style="text-align: center;"><b>Article 16</b></p> <p>The Company is governed by a Board of Directors with no fewer than five (5) and no more than fifteen (15) members.</p> <p>The AGM shall appoint the members of the Board of Directors, in accordance with the following rules.</p> <p>Directors need not be shareholders; their term of office shall be set at the time of their appointment - provided it does not exceed the statutory limits; directors may be re-elected.</p> <p>Directors shall be elected on the basis of lists presented by members; members owning a</p>	<p style="text-align: center;"><b>Article 16</b></p> <p>The Company <b>is</b> governed by a Board of Directors with no fewer than five (5) and no more than fifteen (15) members.</p> <p>The AGM shall appoint the members of the Board of Directors, in accordance with the following rules.</p> <p>Directors need not be shareholders; their term of office shall be set at the time of their appointment - provided it does not exceed the statutory limits; directors may be re-elected.</p> <p>Directors shall be elected on the basis of lists presented by members; members owning a</p>

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<p>proportion of shares at least as high as that prescribed by CONSOB are entitled to present lists of candidates, in accordance with legal and regulatory provisions; any candidate appearing on more than one list shall be disqualified; without prejudice to any other grounds of disqualification before or after election, no candidate shall appear in any list who does not satisfy the requirements of the law, the Articles of Association or any other provisions applicable to the office; each list shall contain no more than fifteen (15) candidates, listed and numbered in order.</p> <p>On each list, at least two candidates – one of whom shall always appear no lower than in fourth place, and the other no lower than in seventh place on the list – must satisfy the criteria for independence laid down in the Italian Financial Services Act, Legislative Order No. 58/1998.</p> <p>Lists presented by shareholders must be lodged at the Company's registered office at least fifteen (15) days before the date set for the General Meeting (first convening); together with each list – and by the same deadline – the following documents must likewise be lodged at the Company's registered office:</p> <p>(i) a certificate issued by a legally authorised intermediary duly attesting the ownership of the requisite number of shares for the presentation of a list;</p> <p>(ii) a curriculum vitae of each candidate on the list, with a full account of his/her personal and professional qualifications; and</p> <p>(iii) a declaration by each candidate that he/she agrees to stand and that, on his/her own responsibility and on pain of exclusion from the list, there are no grounds for disqualification and that he/she meets the requirements of the current law and regulations and of the Articles of Association for the office of Director and (where applicable) the independence requirements laid down in Legislative Order No. 58/1998, as amended.</p> <p>Any list for which the above declarations are not all in order shall be regarded as not having been presented.</p> <p>The election of Directors shall proceed as follows:</p> <p>(a) all but one of the directors to be elected shall</p>	<p>proportion of shares at least as high as that prescribed by CONSOB are entitled to present lists of candidates, in accordance with legal and regulatory provisions; any candidate appearing on more than one list shall be disqualified; without prejudice to any other grounds of disqualification before or after election, no candidate shall appear in any list who does not satisfy the requirements of the law, the Articles of Association or any other provisions applicable to the office; each list shall contain no more than fifteen (15) candidates, listed and numbered in order.</p> <p>On each list, at least two candidates – one of whom shall always appear no lower than in fourth place, and the other no lower than in seventh place on the list – must satisfy the criteria for independence laid down in the Italian Financial Services Act, Legislative Order No. 58/1998.</p> <p>Lists presented by shareholders must be lodged at the Company's registered office <b>within the terms established by relevant laws and regulations time to time in force</b>; together with each list – and by the same deadline – the following documents must likewise be lodged at the Company's registered office:</p> <p>(i) a certificate issued by a legally authorised intermediary duly attesting the ownership of the requisite number of shares for the presentation of a list;</p> <p>(ii) a curriculum vitae of each candidate on the list, with a full account of his/her personal and professional qualifications; and</p> <p>(iii) a declaration by each candidate that he/she agrees to stand and that, on his/her own responsibility and on pain of exclusion from the list, there are no grounds for disqualification and that he/she meets the requirements of the current law and regulations and of the Articles of Association for the office of Director and (where applicable) the independence requirements laid down in Legislative Order No. 58/1998, as amended.</p> <p><b>The relevant certification to be provided by the financial intermediary showing the ownership of the shares and the number of shares required to present a list can be filed within the Company even after the presentation of the list, provided that such a</b></p>

CURRENT TEXT	PROPOSED TEXT
<p>be drawn from the list gaining the highest number of votes, in the order in which they appear on that list;</p> <p>(b) the remaining director shall be drawn from the list which gains the highest number of votes out of all the lists not connected in any way, even indirectly, with the members which presented or voted for the list referred to in (a) above.</p> <p>For the purposes of the allocation of the directors to be elected, no account is taken of any lists which have failed to gain the votes of at least half the proportion of the share capital required by the Articles of Association for the presentation of a list.</p> <p>If only one admissible list is presented, the candidates on that list shall be appointed to directorships in accordance with their position on the list.</p> <p>If no list is presented, the General Meeting shall not use the above procedure but shall make a decision with the statutory majority.</p> <p>If one or more directorships falls vacant during the Board's term of office, Civil Code Article 2386 shall apply.</p>	<p><b>filing occurs within the term for the publication of the lists by the Company.</b></p> <p>Any list for which the above declarations are not all in order shall be regarded as not having been presented.</p> <p>The election of Directors shall proceed as follows:</p> <p>(a) all but one of the directors to be elected shall be drawn from the list gaining the highest number of votes, in the order in which they appear on that list;</p> <p>(b) the remaining director shall be drawn from the list which gains the highest number of votes out of all the lists not connected in any way, even indirectly, with the members which presented or voted for the list referred to in (a) above.</p> <p>For the purposes of the allocation of the directors to be elected, no account is taken of any lists which have failed to gain the votes of at least half the proportion of share capital required by the Articles of Association for the presentation of a list.</p> <p>If only one admissible list is presented, the candidates on that list shall be appointed to directorships in accordance with their position on the list.</p> <p>If no list is presented, the General Meeting shall not use the above procedure but shall make a decision with the statutory majority.</p> <p>If one or more directorships falls vacant during the Board's term of office, Civil Code Article 2386 shall apply.</p>
<p style="text-align: center;"><b>Article 24</b></p> <p>The Board of Statutory Auditors shall be composed of three (3) full members – including its chairman – and two (2) alternate members. All must meet the requirements of the law and regulations in force at the time; and for this purpose it must be borne in mind that the matters and areas of business closely connected with the company's are those indicated in the company's Objects, with particular reference to industrial companies and other organizations operating in the manufacture of luxury goods, design, marketing, intellectual property and services in general.</p> <p>Members of the Board of Statutory Auditors shall hold office for three (3) financial years and may be re-elected; the General Meeting which</p>	<p style="text-align: center;"><b>Article 24</b></p> <p>The Board of Statutory Auditors shall be composed of three (3) full members – including its chairman – and two (2) alternate members. All must meet the requirements of the law and regulations in force at the time; and for this purpose it must be borne in mind that the matters and areas of business closely connected with the company's are those indicated in the company's Objects, with particular reference to industrial companies and other organizations operating in the manufacture of luxury goods, design, marketing, intellectual property and services in general.</p> <p>Members of the Board of Statutory Auditors shall hold office for three (3) financial years and may be re-elected; the General Meeting which</p>

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<p>appoints the Board of Statutory Auditors and its chairman shall set the amount of their remuneration.</p> <p>Full and alternate members of the Board of Statutory Auditors shall be elected in accordance with the following arrangements:</p> <p>(a) any members owning a shareholding of at least the size laid down by CONSOB for the nomination of directors in accordance with legal and regulatory provisions shall be entitled to present a list of candidates, numbered in order, by lodging it at the company's registered office at least fifteen (15) days before the date set for the General Meeting (first convening), on pain of disqualification; each list shall be accompanied by the details required for the purposes of the statutory and regulatory provisions in force at the time; any list for which the above declarations are not all in order shall be regarded as not having been presented.</p> <p>(b) No member may present or vote for more than one list, even through a proxy or trustee company; members belonging to the same group or party to a shareholders' agreement concerning shares of the company may not present or vote for more than one list, even through a proxy or trustee company;</p> <p>(c) any candidate appearing on more than one list shall be disqualified; no person may appear on any candidate list who does not comply with the restrictions on multiple office-holding laid down by the law and its implementing regulations in force at the time;</p> <p>(d) if only one list, or only lists presented by members regarded as linked in terms of the statutory and regulatory provisions in force at the time, have been lodged by the deadline referred to in (a) above, then further lists may be presented until the fifth day following that deadline, the threshold shareholdings required under (a) above being reduced by half in that case.</p> <p>The Board of Statutory Auditors shall be elected as follows:</p> <p>(i) two (2) full members and one (1) alternate member shall be drawn from the list obtaining the highest number of votes, in the order in which they appear on that list;</p> <p>(ii) the remaining full member and the second alternate member shall be drawn from the list</p>	<p>appoints the Board of Statutory Auditors and its chairman shall set the amount of their remuneration.</p> <p>Full and alternate members of the Board of Statutory Auditors shall be elected in accordance with the following arrangements:</p> <p>(a) any members owning a shareholding of at least the size laid down by CONSOB for the nomination of directors in accordance with legal and regulatory provisions shall be entitled to present a list of candidates, numbered in order, by lodging it at the Company's registered office <b>within the terms provided by the laws and regulations in force at the time</b>, on pain of disqualification; each list shall be accompanied by the details required for the purposes of the statutory and regulatory provisions in force at the time; any list for which the above declarations are not all in order shall be regarded as not having been presented.</p> <p>(b) No member may present or vote for more than one list, even through a proxy or trustee company; members belonging to the same group or party to a shareholders' agreement concerning shares of the company may not present or vote for more than one list, even through a proxy or trustee company;</p> <p>(c) any candidate appearing on more than one list shall be disqualified; no person may appear on any candidate list who does not comply with the restrictions on multiple office-holding laid down by the law and its implementing regulations in force at the time;</p> <p>(d) if only one list, or only lists presented by members regarded as linked in terms of the statutory and regulatory provisions in force at the time, have been lodged by the deadline referred to in (a) above, then further lists may be presented until the <b>term provided by the relevant laws and regulations</b> following that deadline, the threshold shareholdings required under (a) above being reduced by half in that case.</p> <p>The Board of Statutory Auditors shall be elected as follows:</p> <p>(i) two (2) full members and one (1) alternate member shall be drawn from the list obtaining the highest number of votes, in the order in which they appear on that list;</p> <p>(ii) the remaining full member and the second</p>



CURRENT TEXT	PROPOSED TEXT
<p>which gains the highest number of votes out of all the lists not connected in any way, even indirectly, with the members which presented or voted for the list obtaining the highest number of votes, in the order in which they appear on their list.</p> <p>The chairman of the Board of Statutory Auditors shall be the full member drawn from the second list.</p> <p>If it should become necessary to replace a member of the Board of Statutory Auditors, the position shall be filled by the alternate member belonging to the same list as the member replaced.</p> <p>If it should become necessary to replace the chairman, the chairmanship shall be filled by the alternate member who replaces the former chairman.</p> <p>The General Meeting called to restore the Board of Statutory Auditors to its statutory number shall ensure that the principle of minority representation is respected.</p> <p>The foregoing provisions concerning the election of the Board of Statutory Auditors and the designation of its chairman shall not apply at General Meetings where only one list is presented or voted on; in such cases the General Meeting shall elect the Board of Statutory Auditors by majority decision.</p>	<p>alternate member shall be drawn from the list which gains the highest number of votes out of all the lists not connected in any way, even indirectly, with the members which presented or voted for the list obtaining the highest number of votes, in the order in which they appear on their list.</p> <p>The chairman of the Board of Statutory Auditors shall be the full member drawn from the second list.</p> <p>If it should become necessary to replace a member of the Board of Statutory Auditors, the position shall be filled by the alternate member belonging to the same list as the member replaced.</p> <p>If it should become necessary to replace the chairman, the chairmanship shall be filled by the alternate member who replaces the former chairman.</p> <p>The General Meeting called to restore the Board of Statutory Auditors to its statutory number shall ensure that the principle of minority representation is respected.</p> <p>The foregoing provisions concerning the election of the Board of Statutory Auditors and the designation of its chairman shall not apply at General Meetings where only one list is presented or voted on; in such cases the General Meeting shall elect the Board of Statutory Auditors by majority decision.</p>
	<p style="text-align: center;"><b>Article 34</b></p> <p style="text-align: center;"><b>Ad interim provisions</b></p> <p><b>Up to 31<sup>st</sup> October 2010, Shareholders meetings will be called by a notice published on the Laws Official Gazette of the Republic of Italy or – alternatively – on the following daily newspapers: “Il Sole 24Ore”, “Repubblica”, “Il Corriere della Sera”, “Milano Finanza”.</b></p>

Valenza, 11<sup>th</sup> June 2010

For the Board of Directors  
The President  
(Dr. Guido Grassi Damiani)