

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

SEDE SOCIALE IN VALENZA (AL), PIAZZA DAMIANO GRASSI DAMIANI N. 1 - CAPITALE SOCIALE EURO 36.344.000 I.V.  
CODICE FISCALE E P. IVA 01457570065 - ISCRIZIONE PRESSO IL REGISTRO DELLE IMPRESE DI ALESSANDRIA N. 01457570065  
REA N. 162836/AL

### **REPORT OF THE DIRECTORS OF DAMIANI S.P.A. ON THE SUBJECTS ON THE AGENDA OF THE SHAREHOLDERS' MEETING PURSUANT TO ART. 125-TER OF LEGISLATIVE DECREE 58 DATED 24 FEBRUARY 1998**

*Dear Shareholders,*

*In compliance with Art. 125-ter Legislative Decree 58 of 24 February 1998, (the so-called 'T.U.F.' - Financial Services Act), as subsequently integrated and amended, and also Arts. 73 and 84-ter of CONSOB Resolution 11971/99 (the so-called 'Issuers' Regulation'), as subsequently amended and integrated, the Board of Directors of Damiani S.p.A. (hereinafter also the 'Company' or the 'Issuer') makes available to you an explanatory report, with the additional documentation, on the subjects on the agenda for the ordinary Shareholders' Meeting convened in the registered office at Piazza Damiano Grassi Damiani 1, Valenza (AL), first call, for 26 July 2012 at 6:00 pm and, if necessary, second call for 30 July 2012, at the same place and time.*

*In detail, the agenda of the above-mentioned Meeting is as follows:*

- 1. Financial Statements to 31 March 2012 and presentation of the Consolidated Financial Statements; Management Report, Reports of the Board of Auditors and External Auditors; inherent and consequent resolutions.*
- 2. Authorisation for the purchase and disposal of treasury shares subject to revocation of the resolution taken by the Shareholders' Meeting of 27 July 2011 as not used; inherent and consequent resolutions.*
- 3. Remuneration Report pursuant to Art. 123-ter of Legislative Decree 58 dated 24 February 1998; inherent and consequent resolutions.*
- 4. Appointment of the Board of Directors subject to determination of the number of its members; determination of the duration of the office and the recompense; inherent and consequent resolutions.*

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**1. Financial Statements to 31 March 2012 and presentation of the Consolidated Financial Statements; Management Report, Reports of the Board of Auditors and External Auditors; inherent and consequent resolutions**

*Dear Shareholders,*

*Please note that all comments relating to the first point on the agenda, including the proposed resolution, are widely discussed in the Annual Financial Report, including the draft Financial Statements and Consolidated Financial Statements to 31 March 2012, the Board of Directors Report on the management and certification as per Art. 154-bis, sub-para. 5, of the Financial Services Act, to be deposited and made available to the public as set out by the law by 29 June 2012 with the additional documentation required by the law in force; the Report of the Board of Auditors and that of the External Auditors will be made available according to the law at the same time as the Annual Financial Report.*

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**2. Authorisation for the purchase and disposal of treasury shares subject to revocation of the resolution taken by the Shareholders' Meeting of 27 July 2011 as not used; inherent and consequent resolutions.**

*Dear Shareholders,*

*As is normal, we're asking you to renew the authorisation of Board of Directors to purchase and dispose of treasury shares of the company, in compliance with the legislation in force. As a result, the reasons why the Board of Directors is proposing the renewal of the relative authorisation and the methods of purchase and disposal of these shares is set out below.*

*As you will recall, in the resolution passed on 27 July 2011, you authorised the purchase of ordinary treasury shares amounting to not more than one-fifth of the share capital, i.e. a maximum 16,520,000 (sixteen million five hundred and twenty thousand) shares, for a period of 18 (eighteen) months from the date of the resolution. The above authorisation will expire on 27 January 2013. We believe that it's therefore useful to submit a new proposal for the authorisation of the purchase and disposal of treasury shares by the company for your approval, subject to revocation of the resolution passed by the Meeting of 27 July 2011, as not used, taking advantage of today's meeting and in order to avoid a special convocation close to the above expiry.*

*Please remember that, at the date of approval of this report by the Board of Directors, the company directly holds 5,566,509 treasury shares, about 6.739% of the Issuer's share capital. The company does not hold treasury shares through holding companies, trusts or through a third party.*

### ***2.1 Reasons why authorisation to purchase and dispose of treasury shares are requested.***

*The reasons that have induced the Board of Directors to submit the request the Shareholders' Meeting once more for authorisation to purchase treasury shares and, under certain conditions, dispose of them, always respecting the equality of treatment of shareholders and the legislation, including the regulatory one in force, are the same as those given in the proposal of the resolution of 27 July 2011, i.e. the convenience of being able to intervene in relation to contingency situations of the market, in the interests of the company and all members, to carry out an action that improves the liquidity of the security, favouring the regular trend in trading (naturally, all respecting the conditions of the law and the legislation applicable on 'market abuse' and guaranteeing equality of treatment of shareholders).*

*In addition, treasury shares can be used in the sphere of operations connected to industrial projects where opportunity for the exchange or transfer of packets of shares and also make investment in shares of the company, if the trend in the stock exchange quotations or the amount of liquidity available make that operation economic, for the Business Plan (always respecting the applicable legislation, in particular on 'market abuse'), become real. Furthermore, treasury shares can be purchased, transferred and/or assigned to employees, directors and co-workers of the Damiani group, also in relation to payment plans based on financial instruments pursuant to Art. 114-bis of the T.U.F. Lastly, purchase can be made in relation to commercial operations of interest for the Company.*

### ***2.2 Maximum number, category and nominal value of the shares the authorisation proposal refers to.***

*The authorisation by the Board requires the Assembly relates to acts of purchase of the company's shares to be made, also in several stages, in a measure that does not exceed a fifth of the share capital, and therefore a maximum 16,520,000 (sixteen million five hundred and twenty thousand) shares, taking account of the shares held by the Company and its subsidiaries and, in any case, within the limits of the distributable profits and available reserves shown in the last duly approved Financial Statement. The authorisation requested includes the right to subsequently dispose of the shares in the portfolio, also before making all the purchases and, if necessary, repurchase the shares always in compliance with the limits and conditions established by this authorisation.*

### ***2.3 Useful information for the assessment of respect for the provision set out in Article 2357, sub-para.3, of the Civil Code.***

*As indicated, the nominal value of shares referred to in the request for authorisation to purchase cannot exceed the limit set out in Art. 2357, sub-para.3, of the Civil Code, corresponding to a fifth of the Issuer's share capital, taking account, for the purpose, of the shares held by the company and any that may be held by subsidiaries. Specific instructions will, however, be given to subsidiaries so that they promptly report any purchase of shares pursuant to Articles 2359-bis et seq. of the Civil Code.*

*The Company held 5,566,509 treasury shares directly, about 6.739% of the Issuer's share capital, on the date of approval of this report by the Board of Directors while there are no treasury shares held through subsidiaries, trustees or third persons.*

### ***2.4 Duration requested for the authorisation.***

*The authorisation to purchase treasury shares is requested for a period of 18 (eighteen) months with effect from the date on which the Meeting adopts the corresponding resolution. The authorisation to dispose of treasury shares, also before purchases have been completed, is requested without a time limit.*

### ***2.5 Minimum and maximum payment and market valuations.***

#### ***Purchase of treasury shares***

*The purchase price of each treasury share will be established by the Board of Directors, with the right to delegate to one or more Directors, respecting the following ways - except for cases of payment not made in money, the purchase price must, as a minimum, not be less than 20% (twenty per cent) and as a maximum not more than 20% (twenty per cent) of the official price of trading recorded in the Mercato Telematico Azionario (screen-based stock exchange) on the day before purchase.*

#### ***Disposal of treasury shares***

*As far as the subsequent disposal of the shares purchased is concerned, only the minimum price limit of sales to third parties is defined; this must not be less than 90% (ninety per cent) of the average of the official prices registered on the Mercato Telematico Azionario in the five days before the sale. This price limit can be waived for exchanges or transfers of treasury shares, both in the sphere of the fulfilment of industrial and/or commercial projects and/or however those of interest to the Issuer, and allocation and/or transfer of shares or options on shares to directors, employees or co-workers of the Damiani group, against payment or grant, and also the performance of any plan adopted pursuant to Art. 114-bis of the T.U.F., or programmes for the free allocation of shares to members.*

## ***2.6 Methods to be used for the purchase and disposal of treasury shares.***

*Purchase operations can be made, pursuant to Art. 132 of the T.U.F. and Art. 144-bis of the Issuers' Regulation, through a tender offer or exchange, or in the market, in accordance with the operating methods established by the stock exchange operator which do not allow the direct combination of purchase order proposals with certain sell order proposals, or through purchase and sale, in compliance with the regulatory provisions in effect, derivatives traded in the market which provides for the physical consignment of the underlying shares, or also attribution to members of a sales option, proportional to the shares they hold, to be exercised within 18 (eighteen) months with effect from the date the Meeting adopts the corresponding resolution and, in any case, so that equality of treatment of Shareholders and respect for all applicable laws, including the applicable Community laws is ensured.*

*The purchase of treasury shares can take place with alternative methods to those indicated above where permitted in compliance with the legislation in force at the time, taking account of the need, however, to respect the principle of equality of treatment of the Shareholders.*

*Purchases can be made in one or more solutions.*

*As far as the disposal of the shares in question is concerned, this can take place, once or twice, also before all the purchases have been made; it will be by disposal on the stock exchange, off market, through exchange with holdings or other activities in the sphere of industrial and/or commercial projects and/or however those of interest to the Issuer, allocation in favour of directors, employees and co-workers of the Damiani group and, in general, in fulfilment of incentive programmes and, however, plans pursuant to Art. 114-bis of the T.U.F., or also through tender offer or exchange.*

*The shares can also be disposed of through combination with other financial instruments.*

## ***2.7 Information on the instrumental nature of the purchase in reducing the share capital.***

*Please note that the aforesaid purchase of treasury shares is not instrumental for a reduction of the share capital.*

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*As a result, the Meeting is invited to approve the following proposed resolution:*

*“The Shareholders’ Meeting*

- acknowledging the Board of Directors' Report and the legal and regulatory provisions in force,

### **RESOLVES**

1) to revoke the resolution adopted in the Meeting of 27 July 2011 authorising the purchase and disposal of treasury shares, as not used;

2) to authorise purchase and disposal operations of treasury shares for the purposes indicated in the aforementioned Directors' Report with the following methods and terms:

- purchase can take place in one or more solutions, in a measure not exceeding one-fifth of the share capital and, therefore, for a maximum 16,520,000 (sixteen million five hundred and twenty thousand) shares, taking account of the shares held by the Company and its subsidiaries, within the limits of the distributable profits and the available reserves based on the last Financial Statement duly approved;

- the authorisation for the purchase of treasury shares is resolved for a period of 18 (eighteen) months with effect from today's date;

- the authorisation includes the right to subsequently dispose of the shares in the portfolio, also before purchases have been completed, and if necessary repurchase those shares always in compliance with the limits and conditions established by this authorisation;

- purchase operations must be made in compliance with Art. 132 of Legislative Decree 58 dated 24 February 1998 and Art. 144-bis of CONSOB Reg. No. 11971/99 - (i) through a tender offer or exchange, (ii) in the market, in accordance with the operating methods established by the stock exchange operator, (iii) through the purchase and sale of derivatives traded in the regulated markets which provide for the physical consignment of the underlying shares, in compliance with the regulatory provisions in effect at the time; (iv) through attribution to members of a sales option, proportional to the shares they hold, to be exercised within 18 (eighteen) months with effect from today's date; (v) with the various methods permitted in compliance with the legislation in effect at the time; in any case, equality of treatment of Shareholders and respect for all applicable laws, including the applicable Community laws, must be ensured;

- except for cases of payment not made in money, the purchase price of each of the treasury shares must include the accessory purchase charges, as a minimum not less than 20% (twenty per cent) and as a maximum not more than 20% (twenty per cent) of the official price of trading recorded in the Mercato Telematico Azionario on the day before purchase;

- the price of sale to third parties must not be less than 90% (ninety per cent) of the average of the official prices registered on the Mercato Telematico Azionario in the five days before the sale. This price limit can be waived for exchanges or transfers of treasury shares, both in the sphere of the fulfilment of industrial and/or commercial projects and/or however those of interest to the Issuer, and allocation and/or transfer of shares or options on shares to directors, employees or co-workers of the Damiani group, against payment or

*grant, and also the performance of any plan adopted pursuant to Art. 114-bis of the T.U.F., and programmes for the free allocation of shares to members;*  
*- the authorisation to dispose of treasury shares also before purchases have been completed, is given without a time limit.”*

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**3. Remuneration Report pursuant to Art. 123-ter of Legislative Decree 58 dated 24 February 1998; inherent and consequent resolutions.**

*Dear Shareholders,*

*Please note that all comments relating to the third point on the agenda, are widely discussed in the Remuneration Report, drawn up pursuant to Art. 123-ter of the T.U.F. (introduced by Legislative Decree 259 of 30 December 2010 issued under the power of attorney as per Art. 24 of Law 96 dated 4 June 2010, the so-called Community Law 2009), to be deposited and made available to the public by 29 June 2012 in the manner set out in the legislation in force, including the regulatory one.*

*It should also be recalled that the Remuneration Report consists of two sections: (i) one is on the description of the remuneration policy of members of the administration body, director generals and senior managers with strategic responsibilities referring to at least the following financial period, and also the procedures used for the adoption and implementation of that policy; (ii) the other is aimed at giving an adequate illustration of each of the items making up the remuneration, and describing sums paid in the reference period to members of the administration and control bodies, director generals and senior managers with strategic responsibilities.*

*The Meeting will be called on to decide, for or against, the first section of the Remuneration Report set out by Art. 123-ter, sub-para.3, of the T.U.F., pursuant to Art. 123-ter, sub-para.6 of the same Act; this decision will not be binding. It should also be noted that the first section of the Remuneration Report illustrates: (i) the Damiani S.p.A. policy on the remuneration of members of the Board of Directors and senior managers with strategic responsibilities referring to the financial year 1 April 2012-31 March 2013, (ii) the procedures used for the adoption and implementation of that policy.*

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*As a result, the Meeting is invited to approve the following proposed resolution:*

*“The Shareholders’ Meeting:*

*- given Arts. 123-ter of Legislative Decree 58 of 24 February 1998 and 84-quater of CONSOB Reg. No. 11971/99;*

*- having acknowledged the Remuneration Report drafted by the Board of Directors;*

*- taking into consideration that, pursuant to Art. 123-ter, sub-para.6, of Legislative Decree 58 of 24 February 1998, this resolution will not be binding on the Board of Directors;*

**RESOLVES**

*a) to give a favourable opinion on the first section of the Remuneration Report drafted by the Board of Directors pursuant to Art. 123-ter, sub-para.6, of Legislative Decree 58 of 24 February 1998, with special reference to the Damiani S.p.A. remuneration policy.”*

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***4. Appointment of the Board of Directors subject to determination of the number of its members; determination of the duration of the office and the recompense; inherent and consequent resolutions.***

*Dear Shareholders,*

*The mandate of the current Board of Directors expires with the Meeting to approve the Financial Statements to 31 March 2012; your Board of Directors has therefore also called the Shareholders’ Meeting to propose the appointment of the new Directors. On this point, please recall that the appointment of the new Board of Directors will be by voting a list, pursuant to Art. 16 of the Articles of Association, subject to determination of the number of its members by the Shareholders’ Meeting.*

*As a result, many shareholders who represent at least 2.5% of the share capital consisting of ordinary shares can present a list containing a number of candidates from a minimum of five to a maximum of fifteen, listed with a progressive number; each candidate can be in just one list, subject to ineligibility; candidates who (except for every other cause of ineligibility or cancellation) do not possess the requisites established by the law, Articles of Association or other applicable provisions for the post cannot be included in the lists. At least two candidates, always indicated at least in fourth and seventh place in each list, must have the requisites of independence set out by Arts. 147-ter, sub-para.4, and 148, sub-para.3, of the T.U.F.*



*The lists presented by Shareholders must be deposited, subject to cancellation, with the registered office of the Company by the twenty-fifth day before the date of the first call of the Meeting, and so by 2 July 2012 (since the term expires on a Sunday). The following must be deposited with the lists: (i) the special documentation issued by an authorised intermediary as per the law proving ownership of the number of shares necessary for the presentation of the lists; (ii) the indication of the identity of the Members who have presented the list and the percentage of participations held overall; (iii) a curriculum vitae containing a full description of the personal and professional features of each candidate, and (iv) the declarations with which the individual candidates accept candidature and certify, on their own responsibility and subject to exclusion from the list, that there are no causes of ineligibility and the existence of the requisites set out by the legislation in force and the Articles of Association for the assumption of the role of director, including any possession of the requisites of independence established by the law for auditors and any necessary suitability to be qualified as independent in conformity with the Code of Conduct for Listed Companies which the Company has adhered.*

*Attention is similarly drawn to CONSOB Communication DEM/9017893 of 26 February 2009, in which the Supervisory Authority advised members presenting a 'minority list' to deposit with the list a declaration certifying that there are no connections, even indirect, as per Art. 147-ter, sub-para.3, of the T.U.F. and Art. 144-quinquies of the Issuers Regulation, as well as any reports, where significant, as per the indications of the aforesaid Communication, with the Shareholders who hold, also jointly, a controlling participation.*

*Ownership of the minimum quota of 2.5% of the share capital is determined by referring to the shares registered in favour of the Member on the day the lists are deposited with the Company. The special documentation of the intermediary proving ownership of the number of shares necessary for the presentation of the lists can also be produced after deposit, as long as it is up to twenty-one days before the date of the Meeting (5 July 2012).*

*The list which does not respect the above provisions will be considered not to have been presented.*

*The deposit of the lists with the Company can also be made via a certified e-mail address, by sending to the following certified e-mail address [damiani@damiani.postecert.it](mailto:damiani@damiani.postecert.it).*

*The Shareholders who intend to present a list for the renewal of the Board of Directors are advised to prepare and deposit a proposal for shareholders' approval on the fourth point of the agenda (on the number of members of the Board, their duration in office and, if necessary, their recompense) with the list.*

*In relation to the composition of the lists, the Board of Directors, taking account of the outcome of the assessment on its size, composition and operation, as well as that of its committees, recommends the Shareholders to include: (i) a congruous number of candidates with suitable experience, also managerial, and*

*skills in economic, accounting, legal, financial and/or retribution policy matters; and also (ii) candidates belonging to both kinds, in the conviction that an administrative body adequately represented by both types is able to carry out more effective monitoring and guidance, also as a result of the variety of perspectives and points of view, skills and connections with the external environment, which each type is able to contribute. The Board of Directors considers it particularly appropriate to have (and, especially among the non-executive members) people with professionalism and the above-mentioned features, among its members in the conviction that the heterogeneous and highly qualified nature of the professionals called to contribute to the work of the administrative body allows the analysis of the different subjects to be discussed from different perspectives, thus contributing to nourishing the dialectics of the Board, which is the supposition of every reasonable and informed Board decision.*

*The procedure below will be followed to decide those elected to the office of Director:*

- (a) all the Directors to be elected except one from the list obtaining the highest number of votes from the shareholders, in the progressive order as they are found in the list;*
- (b) the remaining Director is drawn from the list obtaining the highest number of votes after the first in the Meeting and which is not connected by any relationship with the members who presented or voted the list in point (a), even indirectly.*

*For the purposes of the distribution of the Directors to elect, no account must be taken of the lists that did not attain a percentage of votes at least equal to half those required by the Articles of Association for their presentation. If just one list is presented or admitted on voting, the candidates of the said list will be appointed Directors in the sphere of the list, according to the progressive number with which they were listed in it.*

*If no list is presented, the Meeting will decide with the legal majority, without respecting the above procedure. The Directors thus appointed will stay in office for the period decided by the Meeting at the time of their appointment and can be re-elected.*

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Milan, 14 June 2012

Guido Grassi Damiani  
Chairman and Managing Director  
For the Board of Directors