

*Informal translation*

***BOARD OF DIRECTORS' REPORT ON THE PROPOSALS FOR ITEMS TO BE INCLUDED IN  
THE AGENDA FOR THE EXTRAORDINARY SHAREHOLDERS' MEETING ON***

14 December 2009 (first call)  
15 December 2009 (second call)  
16 December 2009 (third call)

*(compiled in accordance with Article 3 of Ministerial Decree 437 of 5 November 1998, and Annex 3A of the regulation to implement Legislative Decree 58 of 24 February 1998 governing the regulation of issuers, adopted with Consob resolution 11971 of 14 May 1999 and subsequent amendments)*

## NOTICE OF CALL OF EXTRAORDINARY SHAREHOLDERS' MEETING

Further to the retraction of the call of the Extraordinary Shareholders' Meeting, planned to be held on 23<sup>rd</sup>, 24<sup>th</sup>, and 30<sup>th</sup> November 2009 (as communicated on 11<sup>th</sup> November 2009), the Shareholders are hereby invited again to attend the Shareholders' Meeting in Padova, Settima Strada 15, to be held on 14<sup>th</sup> December 2009 at 5.00pm in first call, on 15<sup>th</sup> December 2009 at 11.00am in second call, and on 16<sup>th</sup> December 2009 at 11.00am in third call, to discuss and deliberate the following:

### AGENDA

**1. Amendments to the Articles of Association – Related and consequent matters**

**2. Proposals for:**

- (A) *A reserved capital increase, against payment, of a total amount of 12,842,735.40 Euro (inclusive of share premium), and therefore within the limit of 10% of the pre-existing share capital, to HAL Holding N.V., and therefore with exclusion of the right of first refusal according to article 2441, comma 4, second part, Italian Civil Code, through the issue of 28,539,412 ordinary shares, at a subscription price of 0.45 Euro per share, of which 0.25 Euro is the nominal value and 0.20 is the share premium, whose characteristics are identical to those of the outstanding shares at the time of their issue, and which will benefit from the right of first refusal deriving from the subsequent capital increase, whose reserved increase must be carried out by 31st December 2010 – Related and consequent matters;*
- (B) *Rights issue, against payment, of a total amount up to a maximum of 250,041,754 Euro (inclusive of share premium), to take place in various stages, to be offered in option rights to all the Company's shareholders, according to article 2441, comma 1, Italian Civil Code, through the issue of 822,505,770 ordinary shares, at a subscription price per share of 0.304 Euro, of which 0.25 Euro is the nominal value and 0.054 is the share premium, whose characteristics are identical to those of the outstanding shares at the time of their issue, and whose share increase must be carried out by 31<sup>st</sup> December 2010 - Related and consequent matters.*

It is to be noted that the amount related to the capital increase to be offered in option rights to all of the Company's Shareholders – originally foreseen for a total of Euro 250,000,000 (inclusive of share premium) has been modified to a total of Euro 250,041,754 (inclusive of share premium). This modification has been applied with the aim of providing for an option ratio which facilitates as much as possible the ways in which all the shareholders can adhere to the offer.

In accordance with article 126-bis of the Legislative Decree n. 58/1998, shareholders who, alone or jointly, represent at least 2.5% of share capital may request, within 5 working days of the publication of this notice, that additional items be placed on the agenda, specifying in such request the additional proposed subjects for discussion.

In accordance with the law and article 10 of the Articles of Association, shareholders are entitled to take part in the Shareholders' Meeting if they have deposited the appropriate communication issued by authorised intermediaries at the Company's registered office at least two working days before the date of the Shareholders' Meeting and have not withdrawn it before the Meeting takes place, pursuant to article 85, 4 co. of Legislative Decree 24/02/1998 n. 58, and nevertheless in accordance with applicable regulations. Every shareholder may be represented in the Meeting by written proxy, in the cases and to the extent allowed by law. More specifically, legal entities and companies may be represented, other than by their legal representative, by a special proxy holding a written mandate, which may be a simple letter signed by the legal representative. The form at the bottom of the communication authorised by the intermediary may be used as a mandate.

The share capital is divided into 285,394,128 ordinary shares, each one equivalent to 0.25 Euro; each share gives the right to one vote.

The Articles of Association and the Shareholders' Meeting Regulations, whose current contents can be consulted by shareholders at the Company's registered offices, are published online at: [www.safilo.com](http://www.safilo.com).

Documentation regarding the subjects on the agenda will be made available to the public, within the terms prescribed by the current regulations in force, at the Company's registered office and at the Italian stock exchange, Borsa Italiana S.p.A., and will also be available on the company's website at [www.safilo.com/it/investors.html](http://www.safilo.com/it/investors.html). Shareholders may obtain a copy.

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In view of the share composition of the Company and what has occurred on previous occasions, it is foreseen that the Shareholders' Meeting should convene and deliberate in second or third call.

Padova, 12th November 2009

Chairman of the Board of Directors  
Vittorio Tabacchi

This notice was published on 12th November 2009 in *Corriere della Sera*, page 32.

## **Board of Directors' Report**

### **Introduction**

As you will be aware, the Company is currently experiencing financial difficulties and a severe lack of liquidity, such that it is necessary to implement an operation in order to definitively rebalance the capital structure and finances of the company and the Safilo Group. This Operation consists of: (i) comprehensively strengthening the capital structure of the Company and the Safilo Group, including by bringing in a partner to join the Company's capital base, and (ii) restructuring the current Safilo Group debt through a debt restructuring agreement to be concluded with the Safilo Group's main financing banks (the "Operation").

Following preliminary negotiations conducted by the Company's CEO Dr. Roberto Vedovotto, in virtue of the mandate given to him by the Board of Directors in the meeting on 4 August 2009, the Company received a binding proposal on 19 October 2009 from HAL Holding N.V. (HAL Holding N.V. and its subsidiaries, without distinction, "HAL"), an international investment firm with offices in the Netherlands Antilles. The entire share capital of HAL Holding N.V. is held by HAL Trust, and that share participation fully and exclusively constitutes the assets of HAL Trust. HAL Trust's shares are listed on the Euronext Amsterdam stock exchange.

HAL's strategy focuses on buying shareholdings in companies with the aim of increasing the price over the long term. When deciding which companies to invest in, the firm pays close attention not just to the investment itself and profitability criteria, but also to the possibility of playing an active role as a shareholder and taking on the management of target companies at board level. HAL does not restrict its activities to any particular sector, and the focus on long-term investments means the aforementioned firm does not have a predetermined investment horizon.

HAL also holds a wide-ranging portfolio of investments in unlisted companies in various sectors, from the manufacture and retail of office furniture and hearing aids to the production of medium to high pressure laminates. The firm's largest investment in unlisted companies is in the optical retail sector.

HAL has been active in the optical retail sector since 1996, when it bought a retail chain in the Netherlands. Since then, HAL has continued to expand its involvement in the sale of optical products through a variety of acquisitions and through structural growth. By the end of 2008, its retail companies were operating with around 4,000 retail outlets in 37 countries, achieving overall turnover of around EUR 2.6 billion.

HAL is currently one of Safilo's biggest clients, and the firm believes that its long and solid experience and extensive retail network mean it can provide significant added value for the Safilo Group.

On 19<sup>th</sup> October 2009, the Board of Directors of the Company approved the Operation in its entirety, and accepted the binding proposal submitted on that date by HAL.

The Operation, as outlined in HAL's proposal comprehensively strengthens the Company's capital structure, which is to be carried out as follows:

- (a) On 20<sup>th</sup> October 2009 (and, therefore, subsequently to the acceptance by the Company of the aforementioned binding proposal made by HAL) HAL made a tender offer (the "Tender Offer") for the high yield notes denominated "€300,000,000 9 5/8 % Senior Notes Due 2013", which have a residual principal amount to the nominal value of EUR 195.000.000 (the "HY Notes"), issued by the Luxembourg company Safilo Capital International S.A. and indirectly fully owned by the Company through its subsidiary Safilo S.p.A., which will also act as the guarantor for the notes issue, with the aim of gaining control of the Safilo Group debt deriving from the HY Notes.
- (b) When, from the outcome of the tender offer, a percentage of HY Notes has been acquired that allows HAL to modify some of the terms of the regulations related to notes issue, it is foreseen that the recapitalisation of the Company will take place by means of the following capital increases (the "Capital Increases"):
  - (i) a first reserved capital increase paid in by HAL, within the limit of 10% of the outstanding share capital (more precisely, 10% less one share), pursuant to article 2441, paragraph 4, part 2 of the Italian Civil Code, totalling EUR 12,842,735.40 (including premium) (the "Reserved Capital Increase"), subject to the amendment of article 5 of the Company's Articles of Association;
  - (ii) a second, divisible, paid capital increase, to be offered as an option to all shareholders with a maximum total value of EUR 250,041,754 (including premium) (the "Rights Issue"), to be underwritten by HAL, including for the shares pertaining to the shareholder Only 3T. S.p.A. ("O3T"). As for the shares pertaining to other shareholders who do not intend to exercise their option rights, these will be subscribed for by HAL and by a guarantee consortium consisting of Intesa Sanpaolo and UniCredit Corporate Banking, the Safilo Group financing banks.

To be more precise, HAL undertakes to subscribe for the Reserved Capital Increase to the full amount of EUR 12,842,735.40 and to subscribe for the Rights Issue up to a maximum amount of around EUR 162.2 million.

In relation to the Rights Issue, HAL undertakes: (1) to acquire the option rights pertaining to O3T (equal to approximately 36.3% of capital after the Reserved Capital Increase); (2) to subscribe for the new shares associated with the option rights acquired in this manner (in addition to the new shares for the option rights related to the firm's initial shareholding and those associated with the option rights resulting from the subscription for the Reserved Capital Increase) and to subscribe for any remaining new shares that have not been subscribed at the end of the offer period and the subsequent auction period of option rights linked to the Rights Issue, up to a maximum number of newly issued shares equal to the number of shares that HAL would have had the right to subscribe had it owned 64.88% of all the option rights associated with the Rights Issue and fully exercised those rights.

With regard to the senior debt restructuring agreement, referred to below, Intesa Sanpaolo and UniCredit undertake to guarantee the subscription, subject to HAL subscribing the Capital Increases, of the other new shares pertaining to any options that have been not subscribed at the end of the offer period and the subsequent auction period of option rights linked to the Rights Issue; up to a maximum of newly issued shares equal to the number of shares that the aforementioned banks would have had the right to subscribe had they owned, overall, 35.12% of all the option rights associated with the Rights Issue and fully exercised those rights.

Following the above-mentioned Capital Increases, HAL's participation in the Company share capital will be equal to a percentage between 37.23% and 49.99% (calculated on a fully diluted basis).

In view of the fact that HAL's share participation, as set out above, will be more than 30% of the Company's capital, HAL jointly with O3T submitted to Consob on 8<sup>th</sup> October 2009 a formal request for an exemption from the obligation to advance a public offer.

- (c) In the context of this Operation, it is also expected that Safilo Group and its financing banks, Intesa Sanpaolo and UniCredit Corporate Banking, will finalise an agreement to restructure the debt of the Safilo Group.

In this respect, a term sheet was signed on 16 September 2009 that was subject, among other conditions, to the condition precedent of approval for the restructuring operation being obtained from the Intesa Sanpaolo and UniCredit Corporate Banking committees. This condition was met on 9 October 2009 and 14 October 2009 respectively.

On the basis of this term sheet, a letter of undertaking was provided and signed by the banks on 19 October 2009 with the text of the final contract, entitled "Amendment Agreement", attached. This

contract sets out the restructuring agreement, which the banks have undertaken to sign, at the same time as the Reserved Capital Increase by HAL, and its coming into effect is subject to the conclusion of the Operation (ie. to fulfillment of the subscription obligations undertaken by HAL related to the Capital Increase).

The above-mentioned agreement sets out more favourable conditions for the Safilo Group compared with the existing senior financing agreement, such as a longer term, significantly lower margins and in general less stringent financial covenants, particularly for the first 24 months, when the two main financial covenants will not be enforced.

(d) Lastly, it is also foreseen as part of this Operation that Safilo Group will sell certain non-strategic retail operations outside Italy to HAL.

In specific terms, these retail operations outside Italy are the chains “Loop Vision” in Spain, “Just Spectacles” in Australia and five retail outlets in China. As part of the transaction, Safilo will also sell to HAL the retail chains SunGloss Island and Island Optical in Mexico. However, the US retail outlet chain “Solstice” will not be sold.

For these retail operations outside Italy, HAL has suggested a maximum total price of EUR 20 million. This valuation is in line with the current market value, while taking into account the performance of these operations.

One of the conditions for the investment by HAL, the execution of the Operation and in particular the Capital Increases, is the amendment of articles 5, 14, 15, 16, 19, 24 and 29 of the Articles of Association.

### ***Adoption of new wording for the Articles of Association – related and consequent resolutions***

#### ***(point 1)***

Dear Shareholders,

The current Articles of Association were approved by the Board of Directors on 27 June 2007.

In order for the Operation to succeed, the following clauses of the Articles of Association must first be amended:

- Article 5: In order to approve the Reserved Capital Increase, it is necessary to insert a clause in the Articles of Association to allow reserved capital increases pursuant to article 2441, paragraph 4 of the Italian Civil Code;
- Article 14: It is necessary to amend the composition of the Board of Directors, which is currently specified as having between 7 and 15 members, so that it has between 6 and 15

- members, to be established by the Shareholders' Meeting; it is also proposed to add that, in the event of a tie, the Shareholders' Meeting will vote again until an unequivocal result is achieved;
- Article 15: With reference to the Company's administrative body, it is proposed to add a *simul stabunt* clause;
  - Article 16: It is proposed to specify that the Board of Directors shall nominate the Chairman in the event that no slate obtains an overall majority of votes, provided that the Shareholders' Meeting has not made an alternative arrangement.
  - Article 19: It is felt necessary to specify that, should the Board of Directors consist of an equal number of members, the vote of the Chairman shall count twice;
  - Article 24: It is proposed to remove the provision currently in force specifying that, in the event of a tie between two or more slates, the oldest candidate will be appointed as Chairman;
  - Article 29: In place of the principle of general recourse to the law, a provision to nominate an honorary chairman with a consulting role will be added.

The Board of Directors has decided to take this opportunity to put before the Shareholders' Meeting proposals for further formal amendments to the Articles of Association, to bring them into line with current regulations governing listed companies:

- Article 9: It is proposed to amend this article to bring it into line with the provisions of article 154-ter, paragraph 1, of Legislative Decree 58 of 24 February 1998 (modified by article 1 of Legislative Decree 195 of 6 November 2007). This article states that the financial statements of listed companies must be approved within 120 days of year-end. Issuers whose securities are traded in a regulated market can no longer benefit from the provision set out in article 2364, paragraph 2 of the Italian Civil Code, under which the Articles of Association can defer the deadline for approving the financial statements for up to 180 days after year-end, should a particular need arise. It is therefore proposed to remove the section of the second paragraph relating to these matters;
- Article 11: This article currently states that "*Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, if absent or unable, by any other director so designated by the Board of Directors or, failing this, by another individual selected by majority vote of those attending the Shareholders' Meeting*". In light of the recent ruling of the Court of Cassation (Civil Cassation, Section I, 13 September 2007, no. 19160), which states that the Articles of Association cannot specify the person called upon to chair the Shareholders' Meeting should the Chairman of the Board of Directors be absent or unavailable because, on the basis of the underlying assumption, it must be the Shareholders' Meeting that directly elects

its own Chairman, it has been decided to propose an amendment to this clause of the Articles of Association. Article 11 of the Articles of Association currently also states that “*The Chairman is assisted by a secretary, who need not be a shareholder, or by a notary in the cases established by law or when so decided by the meeting's Chairman*”. In light of the provision pursuant to article 2371 of the Italian Civil Code, which states that the secretary must be nominated in the same way as the Chairman of the Shareholders’ Meeting, i.e. by a majority of those present, it has been decided to propose an amendment to this clause of the Articles of Association;

- Article 17: By modifying the first paragraph as proposed, this article would be brought into line with article 151 of Legislative Decree 58 of 24 February 1998, which states that a meeting of the Board of Directors can be convened by any individual member of the Board of Auditors, once the Chairman of the Board of Directors has been informed.

The proposed modifications are set out in detail below.

<b>Current text</b>	<b>Proposed text</b>
<b>Article 5)</b>	<b>Article 5)</b>
Share capital amounts to Euro 71,348,532.00 (seventy-one million three hundred and forty-eight thousand five hundred and thirty-two) divided into 285,394,128 (two hundred and eighty-five million three hundred and ninety-four thousand one hundred and twenty-eight) ordinary shares of par value Euro 0.25(twenty-five eurocents) each. The Extraordinary Shareholders' Meetings held on 24 November 2004 and 14 September 2005 resolved to increase share capital for payment by up to a maximum amount of Euro 1,004,079.00 (one million four thousand and seventy-nine) at par, by issuing up to a maximum of 4,016,316 (four million sixteen thousand three hundred and sixteen) ordinary	Share capital amounts to Euro 71,348,532.00 (seventy-one million three hundred and forty-eight thousand five hundred and thirty-two) divided into 285,394,128 (two hundred and eighty-five million three hundred and ninety-four thousand one hundred and twenty-eight) ordinary shares of par value Euro 0.25(twenty-five eurocents) each. Under the authority granted to it by the Extraordinary Shareholders' Meeting held on 24 October 2005, the Board of Directors resolved on 31 May 2006 to increase share capital for payment, excluding option rights pursuant to para. 5, article 2441 of the Italian Civil Code, by up to a maximum amount of Euro 2,125,296.25 (two million

shares of par value Euro 0.25 (twenty five eurocents) each, to be offered for subscription to the beneficiaries specified in the Rules of the "Safilo Holding S.p.A. - Safilo S.p.A. Stock Option Plan 2004-2008", approved by the first of the aforementioned Shareholders' Meetings (the "2004 Stock Option Plan"); these meetings established that these shares could be subscribed by 30 September 2008 at the latest, or in certain specific cases within the terms envisaged in the above Rules, at a price corresponding to par value plus a premium of Euro 3.2938 (three/2938) per share, with the exception of any adjustments resulting from the application of the anti-dilution clauses contained in the Rules; the shareholders also established that this capital increase could be carried out in several instalments and was divisible, meaning that share capital would be automatically increased on each occasion by an amount corresponding to the par value of the ordinary shares effectively subscribed each time.

The above capital increase servicing the 2004 Stock Option Plan is unexecuted in respect of a maximum of 2,016,300 (two million sixteen thousand and three hundred) ordinary shares, with a par value of up to Euro 504,075.00 (five hundred and four thousand and seventy-five), plus the related premiums per share.

Under the authority granted to it by the Extraordinary Shareholders' Meeting held on 24 October 2005, the Board of Directors resolved on 31 May 2006 to increase share

one hundred and twenty-five thousand, two hundred and ninety-six/25) at par, by issuing up to a maximum of 8,501,185 (eight million five hundred and one thousand, one hundred and eighty-five) ordinary redeemable shares, with a par value of Euro 0.25 (twenty-five cents) each and a share premium. The aforesaid shares will be offered for subscription to the beneficiaries specified in the Rules of the "Safilo Group S.p.A. Stock Option Plan 2006 - 2010" (the "2006 Stock Option Plan") approved by the aforementioned Board meeting, which established, amongst others, that such shares could be subscribed, within the terms prescribed in the aforesaid Rules, at a price corresponding to their par value plus a premium of Euro 4.16 (four point one six) per share, or, in the event of subsequent reassignments of options, with a share premium that will be determined in accordance with the Rules, and in any case not less than Euro 4.16 (four point one six). It was also established that such capital increase could be carried out in several instalments and was divisible, meaning that share capital would be automatically increased on each occasion by an amount corresponding to the par value of the ordinary shares effectively subscribed each time.

Option rights are excluded up to the limit of ten percent of the outstanding share capital, on the condition that the issue price

<p>capital for payment, excluding option rights pursuant to para. 5, article 2441 of the Italian Civil Code, by up to a maximum amount of Euro 2,125,296.25 (two million one hundred and twenty-five thousand, two hundred and ninety-six/25) at par, by issuing up to a maximum of 8,501,185 (eight million five hundred and one thousand, one hundred and eighty-five) ordinary redeemable shares, with a par value of Euro 0.25 (twenty-five cents) each and a share premium. The aforesaid shares will be offered for subscription to the beneficiaries specified in the Rules of the "Safilo Group S.p.A. Stock Option Plan 2006 - 2010" (the "2006 Stock Option Plan") approved by the aforementioned Board meeting, which established, amongst others, that such shares could be subscribed, within the terms prescribed in the aforesaid Rules, at a price corresponding to their par value plus a premium of Euro 4.16 (four point one six) per share, or, in the event of subsequent reassignments of options, with a share premium that will be determined in accordance with the Rules, and in any case not less than Euro 4.16 (four point one six). It was also established that such capital increase could be carried out in several instalments and was divisible, meaning that share capital would be automatically increased on each occasion by an amount corresponding to the par value of the ordinary shares effectively subscribed each time.</p>	<p><u>corresponds to the market value and this is confirmed in a report by the appointed auditors, as per article 2441, paragraph 4, part 2 of the Italian Civil Code.</u></p>
<p><b>Article 9)</b></p>	<p><b>Article 9)</b></p>

<p>Shareholders' Meetings can be held in either ordinary or extraordinary session.</p> <p>An Ordinary Shareholders' Meeting must be called at least once a year within 120 days of the end of the Company's financial year, or within 180 days of the end of its financial year if certain circumstances envisaged by current legislation so require, as decided by the Board of Directors. Shareholders' Meetings may also be convened in third call, in the manner and terms established for the second call.</p> <p>Shareholders who, alone or jointly with others, represent at least 2.5% (two point five percent) of share capital may request, within 5 (five) days of publication of the notice convening the Shareholders' Meeting that additional items be placed on the agenda, specifying in such request the additional proposed topics for discussion. Any additions to the meeting's agenda following requests of this kind shall be published in the manner and terms established by the applicable law.</p> <p>No additions to the meeting's agenda are permitted in the case of matters on which the Shareholders' Meeting votes, pursuant to law, at the proposal of the Board of Directors or on the basis of a plan or report presented by the same.</p>	<p>Shareholders' Meetings can be held in either ordinary or extraordinary session.</p> <p>An Ordinary Shareholders' Meeting must be called at least once a year within 120 days of the end of the Company's financial year</p> <p>Shareholders' Meetings may also be convened in third call, in the manner and terms established for the second call.</p> <p>Shareholders who, alone or jointly with others, represent at least 2.5% (two point five percent) of share capital may request, within 5 (five) days of publication of the notice convening the Shareholders' Meeting that additional items be placed on the agenda, specifying in such request the additional proposed topics for discussion. Any additions to the meeting's agenda following requests of this kind shall be published in the manner and terms established by the applicable law.</p> <p>No additions to the meeting's agenda are permitted in the case of matters on which the Shareholders' Meeting votes, pursuant to law, at the proposal of the Board of Directors or on the basis of a plan or report presented by the same.</p>
<p style="text-align: center;"><b>Article 11)</b></p> <p>Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, if absent or unable, by any other director so designated by the Board of Directors or,</p>	<p style="text-align: center;"><b>Article 11)</b></p> <p>Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, if absent or unable, by another individual selected by majority vote of those attending</p>

<p>failing this, by another individual selected by majority vote of those attending the Shareholders' Meeting.</p> <p>The Chairman is assisted by a secretary, who need not be a shareholder, or by a notary in the cases established by law or when so decided by the meeting's Chairman. A secretary is not necessary when the minutes of the meeting are prepared by a notary.</p> <p>The Chairman confirms that the meeting has been properly called and that the shareholders in attendance are entitled to take part; he directs and controls the debate and establishes the methods of voting.</p>	<p>the Shareholders' Meeting.</p> <p>The Chairman is assisted by a secretary, who need not be a shareholder, <u>designated by the Meeting</u> or by a notary in the cases established by law or when so decided by the meeting's Chairman. A secretary is not necessary when the minutes of the meeting are prepared by a notary.</p> <p>The Chairman confirms that the meeting has been properly called and that the shareholders in attendance are entitled to take part; he directs and controls the debate and establishes the methods of voting.</p>
<p style="text-align: center;"><b>Article 14)</b></p> <p>The Company shall be managed by a Board of Directors consisting of between seven and fifteen members, who need not be shareholders.</p> <p>The size of the Board of Directors shall be determined by the Shareholders' Meeting.</p> <p>The directors must satisfy the requirements of eligibility, experience and integrity established by law and other applicable regulations. At least one of the members of the Board of Directors, or two if the Board has more than seven members, must satisfy the independence requirements applying to statutory auditors under current legislation.</p> <p>Members of the Board of Directors shall remain in office for three financial years and are eligible for re-election.</p> <p>In accordance with the provisions of article 147-ter of Decree 58 dated 24 February 1998</p>	<p style="text-align: center;"><b>Article 14)</b></p> <p>The Company shall be managed by a Board of Directors consisting of between <u>six</u> and fifteen members, who need not be shareholders.</p> <p>The size of the Board of Directors shall be determined by the Shareholders' Meeting.</p> <p>The directors must satisfy the requirements of eligibility, experience and integrity established by law and other applicable regulations. At least one of the members of the Board of Directors, or two if the Board has more than seven members, must satisfy the independence requirements applying to statutory auditors under current legislation.</p> <p>Members of the Board of Directors shall remain in office for three financial years and are eligible for re-election.</p> <p>In accordance with the provisions of article 147-ter of Decree 58 dated 24 February</p>

(Decree 58/1998) and for the purposes of ensuring that minority shareholders are represented by one member on the Board of Directors, the Board of Directors is appointed on the basis of lists presented by shareholders containing a maximum of 15 candidates, all listed with a sequential number.

**A) Presentation of lists**

Lists may be presented only by those shareholders who own, alone or together with others, at the time of presenting the list and through until the date of the meeting, at least 2% (two percent) of share capital consisting of shares with voting rights at Ordinary Shareholders' Meetings, or such other percentage envisaged by laws or regulations governing directors' appointments and in force at the time of the appointment. This percentage shall be specified in the notice convening the Shareholders' Meeting called to resolve on the appointment of the Board of Directors. The outgoing Board of Directors can also present a list of its own. No individual shareholder, no shareholders belonging to a shareholder syndicate relating to the Company's shares as defined by article 122 of Decree 58/1998, nor the parent company, subsidiaries or companies under common control pursuant to article 93 of Decree 58/1998, may present or vote for more than one list, including through a third party or trust companies. No candidate may appear in more than one list, otherwise they will be disqualified.

If these rules are not observed, the

1998 (Decree 58/1998) and for the purposes of ensuring that minority shareholders are represented by one member on the Board of Directors, the Board of Directors is appointed on the basis of lists presented by shareholders containing a maximum of 15 candidates, all listed with a sequential number.

**A) Presentation of lists**

Lists may be presented only by those shareholders who own, alone or together with others, at the time of presenting the list and through until the date of the meeting, at least 2% (two percent) of share capital consisting of shares with voting rights at Ordinary Shareholders' Meetings, or such other percentage envisaged by laws or regulations governing directors' appointments and in force at the time of the appointment. This percentage shall be specified in the notice convening the Shareholders' Meeting called to resolve on the appointment of the Board of Directors. The outgoing Board of Directors can also present a list of its own. No individual shareholder, no shareholders belonging to a shareholder syndicate relating to the Company's shares as defined by article 122 of Decree 58/1998, nor the parent company, subsidiaries or companies under common control pursuant to article 93 of Decree 58/1998, may present or vote for more than one list, including through a third party or trust companies.

No candidate may appear in more than one

<p>shareholder's vote for any of the lists presented is discounted.</p> <p>The lists presented must be filed at the Company's registered office at least 15 (fifteen) days in advance of the date set for the first calling of the Shareholders' Meeting. This requirement must be mentioned in the notice convening the meeting, or in any other form of publicity established by current legislation. Each list must be signed by those presenting it and filed within the term specified above at the Company's registered office, accompanied by (i) the professional curricula of the candidates, and (ii) statements by each individual candidate accepting their candidacy and confirming, under their own responsibility, that they are in possession of the requirements envisaged by prevailing statutory and regulatory provisions for members of the Board of Directors and the absence of any reasons for incompatibility and/or ineligibility contained in law.</p> <p>Candidates for whom the above rules are not observed are disqualified. Shareholders presenting a candidate list must also provide the Company within the same list presentation deadline information as to their own identity and percentage of shares held, accompanied by a certificate, issued by a legally registered intermediary, attesting their ownership of the number of shares required for list presentation.</p> <p>Each list shall contain one or more candidates - in compliance with the provisions of current legislation - who satisfy the independence</p>	<p>list, otherwise they will be disqualified.</p> <p>If these rules are not observed, the shareholder's vote for any of the lists presented is discounted.</p> <p>The lists presented must be filed at the Company's registered office at least 15 (fifteen) days in advance of the date set for the first calling of the Shareholders' Meeting. This requirement must be mentioned in the notice convening the meeting, or in any other form of publicity established by current legislation.</p> <p>Each list must be signed by those presenting it and filed within the term specified above at the Company's registered office, accompanied by (i) the professional curricula of the candidates, and (ii) statements by each individual candidate accepting their candidacy and confirming, under their own responsibility, that they are in possession of the requirements envisaged by prevailing statutory and regulatory provisions for members of the Board of Directors and the absence of any reasons for incompatibility and/or ineligibility contained in law.</p> <p>Candidates for whom the above rules are not observed are disqualified. Shareholders presenting a candidate list must also provide the Company within the same list presentation deadline information as to their own identity and percentage of shares held, accompanied by a certificate, issued by a legally registered intermediary, attesting their ownership of the number of</p>
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<p>requirements for statutory auditors established in para. 3, article 148 of Decree 58/1998, and nonetheless in prevailing statutory and regulatory provisions, as well as in the latest version of the Corporate Governance Code issued by the Corporate Governance Committee, specifying such candidates clearly.</p> <p>Lists for which the above provisions are not observed shall be treated as if they had not been presented.</p> <p><b>B) Voting</b></p> <p>Each shareholder's vote shall refer to the list and hence all the candidates appearing therein, without the possibility of making any changes, additions or exclusions.</p> <p>Once the Shareholders' Meeting has decided the number of directors to be elected, the procedures are as follows:</p> <ol style="list-style-type: none"> <li>1) all the directors requiring election, bar one, shall be elected from the list obtaining the highest number of shareholder votes ("Majority List"), in the sequential order in which they appear on that list;</li> <li>2) one director shall be elected, in compliance with statutory provisions, from the list obtaining the second highest number of votes ("Minority List"), which shall not be associated in any way, even indirectly, with the shareholders who presented or voted for the Majority List; the director elected in this case shall be the candidate at the head of this list. If not even one independent director is elected from the Majority List, then the first independent director appearing on the</li> </ol>	<p>shares required for list presentation.</p> <p>Each list shall contain one or more candidates - in compliance with the provisions of current legislation - who satisfy the independence requirements for statutory auditors established in para. 3, article 148 of Decree 58/1998, and nonetheless in prevailing statutory and regulatory provisions, as well as in the latest version of the Corporate Governance Code issued by the Corporate Governance Committee, specifying such candidates clearly.</p> <p>Lists for which the above provisions are not observed shall be treated as if they had not been presented.</p> <p><b>B) Voting</b></p> <p>Each shareholder's vote shall refer to the list and hence all the candidates appearing therein, without the possibility of making any changes, additions or exclusions.</p> <p>Once the Shareholders' Meeting has decided the number of directors to be elected, the procedures are as follows:</p> <ol style="list-style-type: none"> <li>1) all the directors requiring election, bar one, shall be elected from the list obtaining the highest number of shareholder votes ("Majority List"), in the sequential order in which they appear on that list;</li> <li>2) one director shall be elected, in compliance with statutory provisions, from the list obtaining the second highest number of votes ("Minority List"), which shall not be associated in any way, even indirectly, with the shareholders who presented or</li> </ol>
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<p>Minority List shall be elected in place of the candidate at the head of this list.</p> <p>The Chairman of the Board of Directors shall be the first candidate appearing on the Majority List.</p> <p>No account is taken of lists that obtain a percentage of votes corresponding to less than half of that required by this article for their presentation.</p> <p>If only one list is presented, or admitted to voting, the Shareholders' Meeting shall vote on this. If this list obtains the required majority vote, the number of directors established by the Shareholders' Meeting shall be elected from it in the sequential order in which the candidates appear therein.</p> <p>If no list is presented at all, the Shareholders' Meeting shall appoint the Board of Directors, voting with the majorities required by law.</p>	<p>voted for the Majority List; the director elected in this case shall be the candidate at the head of this list. If not even one independent director is elected from the Majority List, then the first independent director appearing on the Minority List shall be elected in place of the candidate at the head of this list.</p> <p><u>In the event of a tie, the entire Shareholders' Meeting will vote again until an unequivocal result is achieved.</u></p> <p>The Chairman of the Board of Directors shall be the first candidate appearing on the Majority List.</p> <p>No account is taken of lists that obtain a percentage of votes corresponding to less than half of that required by this article for their presentation.</p> <p>If only one list is presented, or admitted to voting, the Shareholders' Meeting shall vote on this. If this list obtains the required majority vote, the number of directors established by the Shareholders' Meeting shall be elected from it in the sequential order in which the candidates appear therein.</p> <p>If no list is presented at all, the Shareholders' Meeting shall appoint the Board of Directors, voting with the majorities required by law.</p>
<p style="text-align: center;"><b>Article 15)</b></p> <p>If one or more directors should vacate office during the year, the following procedures shall be adopted for their replacement in accordance with article 2386 of the Italian</p>	<p style="text-align: center;"><b>Article 15)</b></p> <p>If one or more directors should vacate office during the year, the following procedures shall be adopted for their replacement in accordance with article 2386 of the Italian</p>

<p>Civil Code:</p> <p>a) the Board of Directors shall appoint replacements from the same list as that of the outgoing directors; the next Shareholders' Meeting shall vote with the legally required majorities, in compliance with the same principle and nonetheless ensuring that the Board of Directors contains the correct number of directors qualifying as independent required by current statutory and regulatory provisions;</p> <p>b) if the list no longer contains previously unelected candidates, the Board of Directors shall make the replacement without observing the procedure set out in point (a) above. Similarly, the related vote by the next Shareholders' Meeting, again with the legally required majorities, shall nonetheless ensure that the Board of Directors contains the correct number of directors qualifying as independent required by current statutory and regulatory provisions.</p>	<p>Civil Code:</p> <p>a) the Board of Directors shall appoint replacements from the same list as that of the outgoing directors; the next Shareholders' Meeting shall vote with the legally required majorities, in compliance with the same principle and nonetheless ensuring that the Board of Directors contains the correct number of directors qualifying as independent required by current statutory and regulatory provisions;</p> <p>b) if the list no longer contains previously unelected candidates, the Board of Directors shall make the replacement without observing the procedure set out in point (a) above. Similarly, the related vote by the next Shareholders' Meeting, again with the legally required majorities, shall nonetheless ensure that the Board of Directors contains the correct number of directors qualifying as independent required by current statutory and regulatory provisions.</p> <p><u>If three or more Directors resign or leave the Board of Directors for any other reason, the entire Board will be considered replaced from the date on which the new Board takes office.</u></p>
<p style="text-align: center;"><b><u>Article 16)</u></b></p> <p>If the Shareholders' Meeting has not already done so, the Board of Directors shall appoint its own Chairman.</p> <p>The Board can appoint one or more Vice Chairmen, and one of more Chief Executive Officers, who also have deputizing functions</p>	<p style="text-align: center;"><b><u>Article 16)</u></b></p> <p><u>If no list has been presented and</u> if the Shareholders' Meeting has not already done so, the Board of Directors shall appoint its own Chairman.</p> <p>The Board can appoint one or more Vice Chairmen, and one of more Chief Executive</p>

<p>to the Chairman.</p> <p>The Board shall appoint a Secretary, who does not have to be one of its members.</p>	<p>Officers, who also have deputizing functions to the Chairman.</p> <p>The Board shall appoint a Secretary, who does not have to be one of its members.</p>
<p style="text-align: center;"><b>Article 17)</b></p> <p>The Board of Directors shall meet whenever the Chairman considers it appropriate, or at the request of at least two directors, or one of the Chief Executive Officers, or the Board of Statutory Auditors.</p> <p>The Chairman or whoever is deputizing for him shall convene the Board of Directors at the registered office or elsewhere in Italy or the European Union, by sending a notice containing the meeting's date, time, place and agenda; such notice shall be sent at least seven days before the date of the meeting via letter, fax, e-mail or any other method that guarantees proof of receipt, to the domicile of each director and standing statutory auditor. In the event of having to convene the Board urgently, the notice may be sent in the same manner at least two days before the date of the meeting.</p> <p>Board meetings are valid even when they are held by teleconference or videoconference, provided that all participants can be identified by the Chairman and all the others attending, and they are able to follow the discussion or intervene in real time, and that all the proceedings are recorded in the minutes. If these conditions are met, the meeting is considered as being held in the place where the Chairman and Secretary are both located</p>	<p style="text-align: center;"><b>Article 17)</b></p> <p>The Board of Directors shall meet whenever the Chairman considers it appropriate, or at the request of at least two directors, or one of the Chief Executive Officers, or <u>at least one member of the</u> Board of Statutory Auditors.</p> <p>The Chairman or whoever is deputizing for him shall convene the Board of Directors at the registered office or elsewhere in Italy or the European Union, by sending a notice containing the meeting's date, time, place and agenda; such notice shall be sent at least seven days before the date of the meeting via letter, fax, e-mail or any other method that guarantees proof of receipt, to the domicile of each director and standing statutory auditor. In the event of having to convene the Board urgently, the notice may be sent in the same manner at least two days before the date of the meeting.</p> <p>Board meetings are valid even when they are held by teleconference or videoconference, provided that all participants can be identified by the Chairman and all the others attending, and they are able to follow the discussion or intervene in real time, and that all the proceedings are recorded in the minutes. If these conditions are met, the meeting is</p>

<p>for the purposes of preparing the minutes. Board meetings are valid even when not duly convened provided all the directors and statutory auditors in office are present, including in teleconference or videoconference.</p>	<p>considered as being held in the place where the Chairman and Secretary are both located for the purposes of preparing the minutes. Board meetings are valid even when not duly convened provided all the directors and statutory auditors in office are present, including in teleconference or videoconference.</p>
<p style="text-align: center;"><b>Article 19)</b></p> <p>The majority of directors in office must be present for Board resolutions to be valid. Board resolutions are adopted by majority vote of the directors in attendance.</p>	<p style="text-align: center;"><b>Article 19)</b></p> <p>The majority of directors in office must be present for Board resolutions to be valid. Board resolutions are adopted by majority vote of the directors in attendance. <u>Should the Board of Directors consist of an even number of members, the Chairman shall have the casting vote in the event of a tie.</u></p>
<p style="text-align: center;"><b><u>Article 24)</u></b></p> <p>The Board of Statutory Auditors shall consist of three standing members and two alternate members, who remain in office for three financial years and are eligible for re-election. Current laws shall apply to statutory auditors' requirements for eligibility, integrity, experience and independence, to their duties, the determination of their remuneration and their term in office; more specifically, with regard to the experience requirements under article 1 of Ministry of Justice Decree 162 dated 30 March 2000, activities that are considered strictly pertinent to those of the Company are those matters concerning commercial or tax law, economics or corporate finance and the sectors of activity</p>	<p style="text-align: center;"><b><u>Article 24)</u></b></p> <p>The Board of Statutory Auditors shall consist of three standing members and two alternate members, who remain in office for three financial years and are eligible for re-election. Current laws shall apply to statutory auditors' requirements for eligibility, integrity, experience and independence, to their duties, the determination of their remuneration and their term in office; more specifically, with regard to the experience requirements under article 1 of Ministry of Justice Decree 162 dated 30 March 2000, activities that are considered strictly pertinent to those of the Company are those matters concerning commercial or tax law, economics or</p>

<p>listed in article 4 above and the sectors of fashion, luxury goods, manufacturing industry, finance, banking and insurance.</p> <p>The Board of Statutory Auditors shall be appointed by the Shareholders' Meeting on the basis of lists presented by shareholders, with the procedures described below, so as to allow the minority to appoint one standing member and one alternate member.</p> <p>The number of candidates appearing in the lists may not exceed the number of members up for election. Each candidate shall be listed with a sequential number.</p> <p>No candidate may appear in more than one list, otherwise they will be disqualified.</p> <p><b>A) Presentation of lists</b></p> <p>Lists may be presented only by those shareholders who own, alone or together with others, at least 2% (two percent) of share capital consisting of shares with voting rights at Ordinary Shareholders' Meetings, or such other percentage envisaged by laws or regulations governing the appointment of the Board of Statutory Auditors and who are registered shareholders at the time of presenting the list through until the date of the related Shareholders' Meeting. Details of this percentage and of the appointment procedures shall be provided in the notice convening the Shareholders' Meeting.</p> <p>No individual shareholder, no shareholders belonging to a shareholder syndicate as defined by article 122 of Decree 58/1998, nor the parent company, subsidiaries and companies under common control pursuant to</p>	<p>corporate finance and the sectors of activity listed in article 4 above and the sectors of fashion, luxury goods, manufacturing industry, finance, banking and insurance.</p> <p>The Board of Statutory Auditors shall be appointed by the Shareholders' Meeting on the basis of lists presented by shareholders, with the procedures described below, so as to allow the minority to appoint one standing member and one alternate member.</p> <p>The number of candidates appearing in the lists may not exceed the number of members up for election. Each candidate shall be listed with a sequential number.</p> <p>No candidate may appear in more than one list, otherwise they will be disqualified.</p> <p><b>A) Presentation of lists</b></p> <p>Lists may be presented only by those shareholders who own, alone or together with others, at least 2% (two percent) of share capital consisting of shares with voting rights at Ordinary Shareholders' Meetings, or such other percentage envisaged by laws or regulations governing the appointment of the Board of Statutory Auditors and who are registered shareholders at the time of presenting the list through until the date of the related Shareholders' Meeting. Details of this percentage and of the appointment procedures shall be provided in the notice convening the Shareholders' Meeting.</p> <p>No individual shareholder, no shareholders belonging to a shareholder syndicate as defined by article 122 of Decree 58/1998,</p>
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<p>article 93 of Decree 58/1998, may present or vote for more than one list, either directly or through a third party or trust company.</p> <p>If this rule is not observed, the shareholder's vote for any of the lists presented is discounted.</p> <p>The lists, containing the names of the candidates for the office of standing statutory auditor and alternate statutory auditor, shall be signed by the shareholders presenting them and filed at the Company's registered offices at least 15 (fifteen) days in advance of the date set for the first calling of the related Shareholders' Meeting, except for any other form of publicity established by prevailing legislation.</p> <p>The lists must be accompanied by:</p> <ul style="list-style-type: none"> <li>(i) information on the identity of the shareholders who have presented the lists, specifying their overall percentage interest in share capital, and a certificate confirming them as the owners of such interest;</li> <li>(ii) a statement by the shareholders, other than those who individually or jointly own a controlling or majority interest, confirming the absence of relationships connecting them to the latter, as defined by article 144-quinquies of the regulations implementing Decree 58/1998;</li> <li>(iii) comprehensive details on the personal characteristics and experience of the candidates;</li> <li>(iv) a statement by the candidates themselves confirming that they are in possession of the requirements envisaged by</li> </ul>	<p>nor the parent company, subsidiaries and companies under common control pursuant to article 93 of Decree 58/1998, may present or vote for more than one list, either directly or through a third party or trust company.</p> <p>If this rule is not observed, the shareholder's vote for any of the lists presented is discounted.</p> <p>The lists, containing the names of the candidates for the office of standing statutory auditor and alternate statutory auditor, shall be signed by the shareholders presenting them and filed at the Company's registered offices at least 15 (fifteen) days in advance of the date set for the first calling of the related Shareholders' Meeting, except for any other form of publicity established by prevailing legislation. The lists must be accompanied by:</p> <ul style="list-style-type: none"> <li>(i) information on the identity of the shareholders who have presented the lists, specifying their overall percentage interest in share capital, and a certificate confirming them as the owners of such interest;</li> <li>(ii) a statement by the shareholders, other than those who individually or jointly own a controlling or majority interest, confirming the absence of relationships connecting them to the latter, as defined by article 144-quinquies of the regulations implementing Decree 58/1998;</li> <li>(iii) comprehensive details on the personal characteristics and experience of the candidates;</li> </ul>
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<p>law, that there are no reasons of ineligibility and incompatibility against them holding office and that they meet the requirements of integrity and experience established by law for members of the Board of Statutory Auditors;</p> <p>(v) statements by the candidates in which they accept their candidacy and provide details of the number of their appointments as directors or statutory auditors in other companies, with the undertaking to update this list at the date of the Shareholders' Meeting.</p> <p>(vi) any other information required by current statutory and regulatory provisions.</p> <p>Lists for which the above provisions are not observed shall be treated as if they had not been presented.</p> <p><b>B) Voting</b></p> <p>Every shareholder entitled to vote may vote for only one list, including through a third party or trust company.</p> <p>Two standing members and one alternate member shall be elected from the list that obtains the highest number of votes ("Majority List") in the sequential order in which they appear on this list.</p> <p>The third standing member and other alternate member shall be taken from the list obtaining the second highest number of votes and presented and voted by shareholders who are not associated with the majority shareholders as defined by para. 2, article 148 of Decree 58/1998 ("Minority List"). The first and second candidates appearing on this list shall be elected in the sequential order in which</p>	<p>(iv) a statement by the candidates themselves confirming that they are in possession of the requirements envisaged by law, that there are no reasons of ineligibility and incompatibility against them holding office and that they meet the requirements of integrity and experience established by law for members of the Board of Statutory Auditors;</p> <p>(v) statements by the candidates in which they accept their candidacy and provide details of the number of their appointments as directors or statutory auditors in other companies, with the undertaking to update this list at the date of the Shareholders' Meeting.</p> <p>(vi) any other information required by current statutory and regulatory provisions.</p> <p>Lists for which the above provisions are not observed shall be treated as if they had not been presented.</p> <p><b>B) Voting</b></p> <p>Every shareholder entitled to vote may vote for only one list, including through a third party or trust company.</p> <p>Two standing members and one alternate member shall be elected from the list that obtains the highest number of votes ("Majority List") in the sequential order in which they appear on this list.</p> <p>The third standing member and other alternate member shall be taken from the list obtaining the second highest number of votes and presented and voted by shareholders who are not associated with</p>
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<p>they appear therein.</p> <p>In the event of a tied vote, a second ballot shall be taken involving the entire Shareholders' Meeting in order to obtain an unequivocal result.</p> <p>The Shareholders' Meeting shall appoint the standing member elected on the Minority List as the</p> <p>Chairman of the Board of Statutory Auditors.</p> <p>In the event of a tied vote between two or more lists, the more senior candidate will be appointed as chairman.</p> <p>If, at the end of the aforementioned 15-day term for presenting lists, only one list is presented, or those presented are by shareholders associated with one another as defined by para. 2, article 148 of Decree 58/1998, other lists may be presented during the five-day period after the initial term. In this case, the share ownership requirement for list presentation is halved.</p> <p>In any event, even if at the end of this additional 5-day term only one list has been presented or admitted to voting, the candidates on this list shall be appointed as standing and alternate statutory auditors in accordance with the sequential number in which they appear in the respective sections of this list.</p> <p>If no lists are presented or if it is not possible to appoint one or more statutory auditors using the list voting system, the Shareholders' Meeting shall decide with the majorities required by law.</p> <p><b>C) Replacement</b></p>	<p>the majority shareholders as defined by para. 2, article 148 of Decree 58/1998 ("Minority List"). The first and second candidates appearing on this list shall be elected in the sequential order in which they appear therein.</p> <p>In the event of a tied vote, <u>further ballots</u> shall be taken involving the entire Shareholders' Meeting in order to obtain an unequivocal result.</p> <p>The Shareholders' Meeting shall appoint the standing member elected on the Minority List as the Chairman of the Board of Statutory Auditors.</p> <p>If, at the end of the aforementioned 15-day term for presenting lists, only one list is presented, or those presented are by shareholders associated with one another as defined by para. 2, article 148 of Decree 58/1998, other lists may be presented during the five-day period after the initial term. In this case, the share ownership requirement for list presentation is halved.</p> <p>In any event, even if at the end of this additional 5-day term only one list has been presented or admitted to voting, the candidates on this list shall be appointed as standing and alternate statutory auditors in accordance with the sequential number in which they appear in the respective sections of this list.</p> <p>If no lists are presented or if it is not possible to appoint one or more statutory auditors using the list voting system, the Shareholders' Meeting shall decide with the</p>
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<p>In the event of having to replace a statutory auditor, the replacement shall be an alternate statutory auditor belonging to the same list as the outgoing auditor in the order specified therein.</p> <p>This is without prejudice to other replacement procedures established by current statutory or regulatory provisions.</p> <p>The Shareholders' Meeting called under para. 1, article 2401 of the Italian Civil Code shall make the appointment or replacement in compliance with the principle of having the required minority representation.</p> <p>***</p> <p>The powers, duties and term in office of the statutory auditors are those established by law.</p> <p>The statutory auditors may, individually or jointly, request the Board of Directors to provide details and explanations about the information they have received and about general business trends or specific transactions, and may carry out inspections and controls at any time.</p> <p>Members of the Board of Statutory Auditors may not hold similar appointments in more than five companies that are quoted on the stock exchange. The statutory auditors shall comply with the limits on the number of appointments as a director or statutory auditor established by article 148-bis of Decree 58/1998 and related regulations for its implementation.</p> <p>No standing or alternate statutory auditor may be a director or employee of companies or</p>	<p>majorities required by law.</p> <p><b>C) Replacement</b></p> <p>In the event of having to replace a statutory auditor, the replacement shall be an alternate statutory auditor belonging to the same list as the outgoing auditor in the order specified therein.</p> <p>This is without prejudice to other replacement procedures established by current statutory or regulatory provisions.</p> <p>The Shareholders' Meeting called under para. 1, article 2401 of the Italian Civil Code shall make the appointment or replacement in compliance with the principle of having the required minority representation.</p> <p>***</p> <p>The powers, duties and term in office of the statutory auditors are those established by law.</p> <p>The statutory auditors may, individually or jointly, request the Board of Directors to provide details and explanations about the information they have received and about general business trends or specific transactions, and may carry out inspections and controls at any time.</p> <p>Members of the Board of Statutory Auditors may not hold similar appointments in more than five companies that are quoted on the stock exchange. The statutory auditors shall comply with the limits on the number of appointments as a director or statutory auditor established by article 148-bis of Decree 58/1998 and related regulations for</p>
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<p>entities that control the Company; this is without prejudice to the other limitations on the number of appointments that may be held under current statutory or regulatory provisions.</p> <p>Meetings of the Board of Statutory Auditors may be held via teleconference or videoconference, in accordance with the terms stated in article 17.</p>	<p>its implementation.</p> <p>No standing or alternate statutory auditor may be a director or employee of companies or entities that control the Company; this is without prejudice to the other limitations on the number of appointments that may be held under current statutory or regulatory provisions.</p> <p>Meetings of the Board of Statutory Auditors may be held via teleconference or videoconference, in accordance with the terms stated in article 17.</p>
<p style="text-align: center;"><b>Article 29)</b></p> <p>With regard to all matters not expressly covered in these Articles of Association, the provisions of applicable law shall apply.</p>	<p style="text-align: center;"><b>Article 29)</b></p> <p><u>Should the Board of Directors consider it necessary, and insofar as the Ordinary Shareholders' Meeting has not made provision therefor, the Board can nominate an Honorary Chairman, who must not necessarily be a member of the Board and who will be entitled to attend meetings of the Board of Directors and to intervene in the Shareholders' Meeting, but who does not have the right to vote.</u></p> <p><u>The Honorary Chairman shall carry out the duties assigned from time to time by the Board of Directors.</u></p> <p><u>The Honorary Chairman shall serve the same term as the Board of Directors in office at the time. The Honorary Chairman can be re-elected.</u></p> <p><u>The Board of Directors shall determine the remuneration of the Honorary Chairman.</u></p>

Dear Shareholders,

If you are in agreement with the foregoing, we propose to approve the following resolution.

“The Shareholders’ Meeting of SAFILO GROUP S.p.A, having examined the Directors’ report and the proposals contained herein

approves:

- a) the amendment of articles 5, 9, 11, 14, 15, 16, 17, 19, 24 and 29 of the Articles of Association, in the manner proposed by the Board of Directors, thereby adopting the new wording of the Articles of Association attached;
- b) the decision to mandate the Board of Directors, in the person of the CEO Roberto Vedovotto, to take any measures necessary and opportune in order to execute this resolution, including the requisite registration of the resolution adopted in the Companies Register, and to add any amendments required by the competent authorities to the wording of the resolution, even once it has been registered in the Companies Register. This includes the authority to delegate such powers to third parties, who must not necessarily be Directors.”

(point 2)

- A) *a reserved capital increase paid in by HAL Holding N.V., totalling EUR 12,842,735.40 (including premium), and thus within the limit of 10% of the outstanding share capital, and therefore excluding option rights, pursuant to article 2441, paragraph 4, part 2 of the Italian Civil Code, via the issue of 28,539,412 ordinary shares at a subscription price of EUR 0.45 per share, of which EUR 0.25 shall be the nominal value and EUR 0.20 the premium, which shall have standard dividend rights, identical characteristics to those of the other outstanding shares at the time of their issue, and shall benefit from option rights arising from the subsequent reserved capital increase, to be effected by 31 December 2010 - Related and consequent resolutions;*
- B) *a divisible, paid share increase for a maximum of EUR 250,041,754 (including premium), to be offered as an option to all shareholders of the Company, pursuant to article 2441, paragraph 1, of the Italian Civil Code, via the issue of 822,505,770 ordinary shares, at a subscription price of EUR 0.304 per share, of which EUR 0.25 shall be the nominal value and EUR 0.054 the premium, which shall have standard dividend rights, and identical characteristics to those of the other outstanding shares at the time of their issue . Such increase to be offered as an option by 31 December 2010 – Related and consequent resolutions.*

## **1. Reasons for and purpose of the Operation**

Dear Shareholders,

We have convened an extraordinary general meeting to submit for your approval the proposal to increase the share capital as follows:

- A) a reserved capital increase, paid in by HAL Holding N.V.(or its subsidiaries), totalling EUR 12,842,735.40 (including premium), and thus within the limit of 10% of the outstanding share capital (more precisely, a number of new shares representing 10% of the capital less one share), and therefore excluding option rights, pursuant to article 2441, paragraph 4, part 2 of the Italian Civil Code, via the issue of 28,539,412 ordinary shares, at a subscription price of EUR 0.45 per share, of which EUR 0.25 shall be the nominal value and EUR 0.20 the premium, which shall have standard dividend rights, identical characteristics to those of the other outstanding shares at the time of their issue, and shall benefit from option rights arising from the subsequent capital increase, to be offered by 31 December 2010 (the "Reserved Capital Increase").

The unit subscription price of EUR 0.45 per share for the Reserved Capital Increase is equivalent to the market value of the shares, calculated on the basis of the simple and weighted average share price in the three- to six-month period prior to the finalisation of the term sheet with the

Safilo Group's financing banks, Intesa Sanpaolo and UniCredit Corporate Banking, on 16 September 2009, as stated in point c) of the Introduction, and set out in more detail in paragraph 5 (A).

- B) a divisible, paid capital increase totalling a maximum of EUR 250,041,754 (including premium), to be offered as an option to all shareholders of the Company, pursuant to article 2441, paragraph 1, of the Italian Civil Code, via the issue of 822,505,770 ordinary shares at a subscription price of EUR 0.304 per share, of which EUR 0.25 shall be the nominal value and EUR 0.054 the premium, which shall have standard dividend rights, identical characteristics to those of the other outstanding shares at the time of their issue, to be offered as an option by 31 December 2010 (the "Rights Issue").

The subscription price per share will therefore be at a discount to the market value.

The amount of the Rights Issue (originally foreseen for a maximum total of Euro 250,000,000, inclusive of share premium) has been increased to a maximum total of Euro 250,041,754, inclusive of share premium, and the relative new shares to be issued have increased (from the original number foreseen of 822,368,421 shares) to 822,505,770. The above-mentioned modification to the resolution of the Board of Directors held on 19<sup>th</sup> October 2009, has been made with the aim of providing for an option ratio which facilitates as much as possible the ways in which all the shareholders can adhere to the offer.

An information prospectus will be drafted for the Rights Issue.

The Reserved Capital Increase and the Rights Issue together constitute one of the measures included in the Operation described in the Introduction. Please see that section for further information.

## 2. Breakdown of debt

The following table shows a breakdown of short-term and medium- to long-term consolidated net debt relating to the Company and to the Safilo Group, as of 30 June 2009.

<i>(EUR thousand)</i>	<b>Company</b>		<b>Group</b>	
	<b>31 December 2008</b>	<b>30 June 2009</b>	<b>31 December 2008</b>	<b>30 June 2009</b>
Short-term net debt	0	0	-108.9	-119.7
Medium- to long-term net debt	0	0	-461.1	-472.4
	<b>0</b>	<b>0</b>	<b>-570.0</b>	<b>-592.1</b>

### **3. Guarantee and/or placement consortia**

#### ***A) Reserved Capital Increase***

As this is a reserved capital increase for HAL Holding N.V., guarantee and/or placement consortia are not required.

#### ***(B) Rights Issue***

HAL Holding N.V., through its subsidiary HAL International Investments N.V. owns 5,941,187 shares, equal to 2.082% of the Company's share capital. In the context of the Rights Issue, HAL Holding N.V. has undertaken (directly or through its subsidiary): (1) to purchase the option rights pertaining to O3T (equal to around 36.3% of the capital post Reserved Capital Increase); (2) to subscribe the new shares to which such option rights are attached acquired in this manner (in addition to the new shares for the option rights related to the firm's initial shareholding and those associated with the option rights resulting from the subscription for the Reserved Capital Increase) and to subscribe any new shares that have not been subscribed at the end of the offer period and the subsequent auction period of option rights linked to the Rights Issue; up to a maximum of newly issued shares equal to the number of shares that HAL Holding N.V. would have had the right to subscribe had it owned 64.88% of all the option rights associated with the Rights Issue and fully exercised those rights.

At the same time as the subscription of the Reserved Capital Increase by HAL Holding N.V. (directly or through its subsidiary) and, in any case, before the start of the option offer period, Intesa Sanpaolo and Unicredit will undertake to guarantee the subscription, subject to HAL Holding N.V. (directly or through its subsidiary) subscribing the Capital Increases, of the other new shares pertaining to the Rights Issue that have not been subscribed at the end of the offer period and the subsequent auction period of option rights linked to the Rights Issue; up to a maximum number of newly issued shares equal to the number of shares that the above-mentioned banks would have had the right to subscribe had they owned, overall, 35.12% of all the option rights associated with the Rights Issue and fully exercised those rights.

### **4. Other forms of placement**

#### ***A) Reserved Capital Increase***

No other forms of placement are envisaged.

**(B) Rights Issue**

The ordinary shares issued in connection with the capital increase shall be offered as an option to the issuer's shareholders.

**5. Criteria for the calculation of the issue price of the new shares and the allocation ratio**

**A) Reserved Capital Increase**

The Board of Directors, which met on 19 October 2009, approved the subscription price of EUR 0.45. This corresponds to the market value of the shares, which was calculated on the basis of the simple and weighted average of the share prices in the three- to six-month period prior to the finalisation of the term sheet with the financing banks, Intesa Sanpaolo and UniCredit Corporate Banking, on 16 September 2009.

Note that share exchanges after the above-mentioned date were not taken into consideration in the calculation as they are speculative and clearly influenced by the publication in the press of news relating to a possible restructuring of the Group. We considered excluding the prices that might be influenced by speculative intentions, including those in the three- to six-month period, but we took all prices into account in the averages shown below. We also carefully analysed the period of share prices in question, i.e. three to six months, in line with market practice for this type of transaction. The table below summarises the simple and weighted average prices.

Average price per Safilo share since 16 September 2009

€	Simple average	Volume-weighted average price
Last 3 months	0.44	0.44
Last 6 months	0.44	0.45

The subscription price shall be subsequently confirmed in a report from the Company's auditors.

**B) Rights Issue**

After consideration of the Company's financial, asset and cash flow position, its financial problems and poor liquidity, the proposal by HAL Holding N.V. and the commitments undertaken by the latter, the Board of Directors, which met on 19 October 2009, resolved to propose to the shareholders' meeting that the issue price of the new ordinary shares should be EUR 0.304 per share.

The overall amount of the Rights Issue, now equal to Euro 250,041,754 inclusive of the share premium and the number of ordinary shares to be issued for the Rights Issue, now equal to a maximum number of 822,505,770 shares, allows an option ratio equal to 131 newly issued ordinary shares for every 50 old ordinary shares owned. For rounding reasons one shareholder will be asked to give up 40 of his option rights.

This option ration provides the advantage of being compatible with the minimum lot for participating in the Company's capital increase which was carried out when it was listed, in 2005 (equal to 600 pieces ), as well as the average share lot (estimated in multiples of 10 or 50 shares) owned by current shareholders. In this manner, shareholders that are interested in subscribing the Rights Issue will not be obliged to purchase rights to round up their position in view of entire subscription of the Rights Issue, nor to sell on the market the residual shares due to the algebraic incompatibility of the option ratio with the package that they own.

#### **6. Issues forming the basis on which the board of directors consider that the issue price for the new shares corresponds to the market value**

The Board of Directors, which met on 19 October 2009, thought that the subscription price of the shares resulting from the Reserved Capital Increase, i.e. EUR 0.45 per share, essentially corresponds to the market value, calculated using the simple and weighted average of the share prices in the three- to six-month period prior to the finalisation of the term sheet with the Safilo Group's financing banks, Intesa Sanpaolo and UniCredit, on 16 September 2009.

#### **7. Availability of shareholders to subscribe to the capital increase**

##### ***A) Reserved Capital Increase***

The transaction described consists of a capital increase to be carried out without voting rights. Therefore, pursuant to article 2441, paragraph 4, of the Italian Civil Code, shareholders are not entitled to exercise an option right on the new issue of ordinary shares.

##### ***B) Rights Issue***

HAL Holding N.V. through its subsidiary HAL International Investments N.V. holds 5,941,187 shares, which is equivalent to 2.082% of its share capital. In respect of the Rights Issue, HAL Holding undertakes (directly or through its subsidiary): (1) to purchase the option rights pertaining to O3T (equal to around 36.3% of the Company post Reserved Capital Increase); (2) to subscribe the new shares to which such option rights are attached acquired in this manner (in addition to new shares for the option rights related to the firm's initial shareholding and/ those associated with the option rights resulting from the subscription of the Reserved Capital Increase) and to subscribe the new shares that have not been subscribed at the end of the offer period and the subsequent auction period of option rights linked to the Rights Issue; up to a maximum of newly issued shares equal to the number of newly issued shares that HAL Holding N.V. would have had the right to subscribe had it owned 64.88% of all the option rights associated with the Rights Issue and fully exercised those rights.

## **8. Period during which the transaction may be carried out**

### ***A) Reserved Capital Increase***

In view of the fact that the shareholders' meeting to approve the transaction has been reconvened for 14th December 2009 (first call), for the 15<sup>th</sup> December 2009 in second call, and for the 16<sup>th</sup> December 2009 in third call, it is expected that the Reserved Capital Increase could be carried out in the period from December 2009 to February 2010, unless otherwise determined by the Board of Directors, acting within the powers conferred on it by the shareholders' meeting, including in relation to the timescales for the transaction.

### ***B) Rights Issue***

The Rights Issue is currently expected to be launched in the period from January 2010 to February 2010, subject to obtaining the necessary authorisations.

## **9. Right to receive dividends after closing date**

The new shares created from the Reserved Capital Increase and the Rights Issue shall have standard dividend rights and, therefore, shall confer on the holders of such shares equal rights to those pertaining to the outstanding shares of the Company at the time of issue.

The new shares created from the Reserved Capital Increase shall benefit from the option rights pertaining to the Rights Issue.

#### 10. Effects on the financial, asset and cash flow pro forma position

We set out below some information on the effects of the proposed Reserved Capital Increase and Rights Issue on the Safilo Group's financial, asset and cash flow position at 30 June 2009.

<i>Figures in EUR thousand</i>	<b>Consolidated net financial position (debt)/cash</b>	<b>Group shareholders' equity</b>
<i>At 30 June 2009</i>	<i>(592.1)</i>	<i>658.3</i>
<i>First capital increase (Reserved Capital Increase)</i>	<i>13</i>	<i>13</i>
<i>Second capital increase (Rights Issue)</i>	<i>250</i>	<i>250</i>
<i>Pro-forma position at 30 June 2009</i>	<i>(329.1)</i>	<i>921.3</i>

#### 11. Effects of the capital increase on the unit value of the shares

The table below shows the dilutive effects resulting from the execution of the Reserved Capital Increase and the Rights Issue.

	<b>Option rights not exercised</b>	<b>Full exercise of option rights</b>
<i>Only 3T</i>	10.02%	10.02%
<i>HAL</i>	49.99%	37.23%
<i>Financing banks</i>	25.41%	-----
<i>Market</i>	14.58%	52.75%
<i>Total</i>	<b>100%</b>	<b>100%</b>

#### *Amendments to the Articles of Association*

The approval of the proposed Reserved Capital Increase and Rights Issue described herein shall require an amendment to article 5 of the Articles of Association, which sets out the amount and composition of the company's share capital.

We set out below a comparison of the current text and proposed new text of article 5 of the Articles of Association.

<b>Current text</b>	<b>Proposed text</b>
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<b>Article 5)</b>	<b>Article 5)</b>
<p>Share capital amounts to Euro 71,348,532.00 (seventy-one million three hundred and forty-eight thousand five hundred and thirty-two) divided into 285,394,128 (two hundred and eighty-five million three hundred and ninety-four thousand one hundred and twenty-eight) ordinary shares of par value Euro 0.25 (twenty-five eurocents) each. The Extraordinary Shareholders' Meetings held on 24 November 2004 and 14 September 2005 resolved to increase share capital for payment by up to a maximum amount of Euro 1,004,079.00 (one million four thousand and seventy-nine) at par, by issuing up to a maximum of 4,016,316 (four million sixteen thousand three hundred and sixteen) ordinary shares of par value Euro 0.25 (twenty five eurocents) each, to be offered for subscription to the beneficiaries specified in the Rules of the "Safilo Holding S.p.A. - Safilo S.p.A. Stock Option Plan 2004-2008", approved by the first of the aforementioned Shareholders' Meetings (the "2004 Stock Option Plan"); these meetings established that these shares could be subscribed by 30 September 2008 at the latest, or in certain specific cases within the terms envisaged in the above Rules, at a price corresponding to par value plus a premium of Euro 3.2938 (three/2938) per share, with the exception of any adjustments resulting from the application of the anti-dilution clauses contained in the Rules; the shareholders also established that this capital increase could be carried out in several instalments and was divisible, meaning that share capital would be automatically increased on each occasion by an</p>	<p>Share capital amounts to Euro 71,348,532.00 (seventy-one million three hundred and forty-eight thousand five hundred and thirty-two) divided into 285,394,128 (two hundred and eighty-five million three hundred and ninety-four thousand one hundred and twenty-eight) ordinary shares of par value Euro 0.25 (twenty-five eurocents) each.</p> <p>Under the authority granted to it by the Extraordinary Shareholders' Meeting held on 24 October 2005, the Board of Directors resolved on 31 May 2006 to increase share capital for payment, excluding option rights pursuant to para. 5, article 2441 of the Italian Civil Code, by up to a maximum amount of Euro 2,125,296.25 (two million one hundred and twenty-five thousand, two hundred and ninety-six/25) at par, by issuing up to a maximum of 8,501,185 (eight million five hundred and one thousand, one hundred and eighty-five) ordinary redeemable shares, with a par value of Euro 0.25 (twenty-five cents) each and a share premium. The aforesaid shares will be offered for subscription to the beneficiaries specified in the Rules of the "Safilo Group S.p.A. Stock Option Plan 2006 - 2010" (the "2006 Stock Option Plan") approved by the aforementioned Board meeting, which established, amongst others, that such shares could be subscribed, within the terms prescribed in the aforesaid Rules, at a price corresponding to their par value plus a premium of Euro 4.16 (four point one six) per share, or, in the event of subsequent reassignments of options, with a share premium that will be</p>

<p>amount corresponding to the par value of the ordinary shares effectively subscribed each time.</p> <p>The above capital increase servicing the 2004 Stock Option Plan is unexecuted in respect of a maximum of 2,016,300 (two million sixteen thousand and three hundred) ordinary shares, with a par value of up to Euro 504,075.00 (five hundred and four thousand and seventy-five), plus the related premiums per share.</p> <p>Under the authority granted to it by the Extraordinary Shareholders' Meeting held on 24 October 2005, the Board of Directors resolved on 31 May 2006 to increase share capital for payment, excluding option rights pursuant to para. 5, article 2441 of the Italian Civil Code, by up to a maximum amount of Euro 2,125,296.25 (two million one hundred and twenty-five thousand, two hundred and ninety-six/25) at par, by issuing up to a maximum of 8,501,185 (eight million five hundred and one thousand, one hundred and eighty-five) ordinary redeemable shares, with a par value of Euro 0.25 (twenty-five cents) each and a share premium. The aforesaid shares will be offered for subscription to the beneficiaries specified in the Rules of the "Safilo Group S.p.A. Stock Option Plan 2006 - 2010" (the "2006 Stock Option Plan") approved by the aforementioned Board meeting, which established, amongst others, that such shares could be subscribed, within the terms prescribed in the aforesaid Rules, at a price corresponding to their par value plus a premium of Euro 4.16 (four point one six) per share, or, in the event of subsequent reassignments of options, with a share premium that will be determined in accordance</p>	<p>determined in accordance with the Rules, and in any case not less than Euro 4.16 (four point one six). It was also established that such capital increase could be carried out in several instalments and was divisible, meaning that share capital would be automatically increased on each occasion by an amount corresponding to the par value of the ordinary shares effectively subscribed each time.</p> <p><u>Option rights may be excluded, in respect of the capital increase, up to the limit of ten per cent of existing capital, on the condition that the issue price corresponds to the market value and this is confirmed in a report by the Company's auditors, pursuant to article 2441, paragraph 4, point 2, of the Italian Civil Code.</u></p> <p><u>In view of the foregoing, the Extraordinary Shareholders' Meeting on [●] approved a capital increase paid in by HAL Holding N.V., totalling a nominal value of EUR 12,842,735.40 (including premium), and thus within the limit of 10% of existing share capital, via the issue of a maximum of 28,539,412 ordinary shares with a nominal value of EUR 0.25 per share, with identical characteristics and dividend rights to those of the other outstanding shares at the time of their issue, at an issue price of EUR 0.45, of which EUR 0.20 shall be the premium, and therefore excluding option rights, pursuant to article 2441, paragraph 4, part 2, of the Italian Civil Code, to be carried out by 31 December 2010.</u></p> <p><u>The Extraordinary Shareholders' Meeting approved a further, divisible, paid share increase for a maximum of EUR 250,041,754 (including</u></p>
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<p>with the Rules, and in any case not less than Euro 4.16 (four point one six). It was also established that such capital increase could be carried out in several instalments and was divisible, meaning that share capital would be automatically increased on each occasion by an amount corresponding to the par value of the ordinary shares effectively subscribed each time.</p>	<p><u>premium), to be offered as an option to all shareholders of the Company, pursuant to article 2441, paragraph 1, of the Italian Civil Code, via the issue of 822,505,770 ordinary shares, at a subscription price of EUR 0.304 per share, of which EUR 0.25 shall be the nominal value and EUR 0.054 the premium, which shall have standard dividend rights, and identical characteristics to those of the other outstanding shares at the time of their issue. Such increase to be offered as an option by 31 December 2010.”</u></p>
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***Proposed resolution***

Dear Shareholders,

If you are in agreement with the foregoing, we propose to approve the following resolution.

“The shareholders’ meeting of the SAFILO GROUP S.p.A.,

- (i) having examined the report of the Board of Directors and the proposals contained herein;
- (ii) with regard to the Reserved Capital Increase, and being in agreement with the issues concerning the exclusion of option rights raised during the preparation of the proposed resolution, the reasons for the increase and the criteria for calculating the share subscription price; and having taken note of the opinion on the share issue price issued by the external auditors, PriceWaterhouseCoopers S.p.A. in compliance with article 158 of Legislative Decree 158/1998; as well as
- (iii) with regard to the Rights Issue, and being in agreement with the reasons for such increase and the share subscription price

approves:

a) a reserved capital increase paid in by HAL Holding N.V. (or by its subsidiary), totalling EUR 12,842,735.40 (including premium), and thus within the limit of 10% of the outstanding capital, and therefore excluding option rights, pursuant to article 2441, paragraph 4, part 2 of the Italian Civil Code, via the issue of 28,539,412 ordinary shares at a subscription price of EUR 0.45 per share, of which EUR

0.25 shall be the nominal value and EUR 0.20 the share premium, which shall have standard dividend rights, identical characteristics to the other outstanding shares at the time of their issue, and shall benefit from options arising from the subsequent reserved capital increase, to be carried out by 31 December 2010.

b) a further, divisible, paid share increase for a maximum of EUR 250,041,754 (including premium), to be offered as an option to all shareholders of the Company, pursuant to article 2441, paragraph 1, of the Italian Civil Code, via the issue of 822,505,770 ordinary shares, at a subscription price of EUR 0.304 per share, of which EUR 0.25 shall be the nominal value and EUR 0.054 the premium, which shall have standard dividend rights, and identical characteristics to those of the other outstanding shares at the time of their issue. Such increase to be offered as an option by 31 December 2010;

c) to amend article 5 of the Company's Articles of Association as follows:

*“The Extraordinary Shareholders' Meeting of [●] approved a reserved capital increase paid in by HAL Holding N.V.(or its subsidiary), totalling EUR 12,842,735.40 (including premium), and thus within the limit of 10% of the outstanding capital, and therefore excluding option rights, pursuant to article 2441, paragraph 4, part 2 of the Italian Civil Code, via the issue of 28,539,412 ordinary shares at a subscription price of EUR 0.45 per share, of which EUR 0.25 shall be the nominal value and EUR 0.20 the share premium, which shall have standard dividend rights, identical characteristics to the other outstanding shares at the time of their issue , and will benefit from options arising from the subsequent reserved capital increase, to be carried out by 31 December 2010.*

*The Extraordinary Shareholders' Meeting approved a further, divisible, paid share increase for a maximum of EUR 250,041,754 (including premium), to be offered as an option to all shareholders of the Company, pursuant to article 2441, paragraph 1, of the Italian Civil Code, via the issue of 822,505,770 ordinary shares, at a subscription price of EUR 0.304 per share, of which EUR 0.25 shall be the nominal value and EUR 0.054 the premium, which shall have standard dividend rights, and identical characteristics to those of the other outstanding shares at the time of their issue. Such increase to be offered as an option by 31 December 2010.”*

d) to confer on the Board of Directors all powers necessary or appropriate to implement these resolutions, with the option, in relation to the Rights Issue, of establishing the terms, conditions and methods for placing shares for which rights have not been subscribed; and, in relation to both capital increases, with the option to lodge the updated Articles of Association, with the new text of article 5,

pursuant to article 2436, paragraph 2 of the Italian Civil Code, after filing the declaration relating to the subscription for the capital increase, pursuant to article 2444 of the Italian Civil Code.”

Padua, 11th November 2009

The Chairman of the Board of Directors

Vittorio Tabacchi