ANNUAL REPORT 2013/2014

DAMIANI

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90 YEARS OF
EXCELLENCE AND PASSION
DAMIANI
HANDMADE IN ITALY SINCE 1924
MILAN: VIA MONTENAPOLEONE • ROME: VIA CONDOTTI • PARIS: PLACE VENDÔME • LONDON: OLD BOND STREET
BOLOGNA • FLORENCE • NAPLES • PORTO CERVO • PORTOFINO • TURIN • VENICE • VERONA • MOSCOW • KIEV • ODESSA • HONOLULU • MEXICO CITY
MONTERREY • KYOTO • OSAKA • SAPPORO • TOKYO • YOKOHAMA • SEOUL • BEIJING • CHENGDU • NINGBO • SHANGHAI • SHENYANG • SUZHOU • HONG KONG
MACAU • TAIPEI • MANILA • SINGAPORE • ULAANBAATAR • KUALA LUMPUR • NEW DELHI • BISHKEK • ALMATY • ASTANA • BAKU • DUBAI • KUWAIT CITY
THE DAMIANISSIMA COLLECTION DAMIANI.COM

GUIDO GRASSI DAMIANI
President & CEO

Dear Shareholders,

The financial year has closed in a context that is still complicated and difficult that our group has had to deal with resulting in significant conditioning of the results achieved. Nevertheless, the determination with which fulfilment of the strategic plan began in the previous financial year has continued and the positive signs recorded as a result enable us to look to the future with reasonable optimism.
The choice of investing energy and resources in some highly potential foreign countries and, in particular, the retail sector with the Damiani brand plus the completion of the internal rationalisation of the logistic and distribution processes is proving to be correct with results in line with the expectations.
In the financial year, the revenues in our directly-managed single-brand Damiani boutiques in Italy and abroad overall grew by 22%; the Rocca multi-brands also recorded satisfactory growth. The retail channel has shown continuous increases over four accounting years, a demonstration of our brand value for the final customer, both domestically and abroad.
Further strengthened by these positive results, we continued the investment in Greater China, where we have 9 shops, including the ones recently inaugurated in Beijing and Shanghai, and will reach 12 by the end of the current financial year. In Russia, we opened a new boutique in Stoleshnikov (Moscow), a street where the leading international luxury brands can be found, a destination for exclusive shopping and high-end tourism. This initiative, too, represents an important step for further expansion in an area in which we have been operating for some years, observing greater visibility and gradually increasing brand value.
The partnership with Itochu in Japan, started in the previous financial year, and the greater orientation towards retail is providing the expected results - the growth in the revenues of the branch was +30% compared to the previous financial year.
We are confident that the wholesale channel in Italy, which has suffered most due to the continuing stagnation in the consumption of luxury goods, can return to a positive performance of sales as an effect of a different mix of the offer, collections with a lower entry price and the beneficial effects of the tourist flows of an international clientele increasingly interested in our brands, who are able to distinguish and appreciate our products in their countries of origin.
As mentioned, during the financial year we completed a series of projects aimed at streamlining internal processes which has generated a reduction in operating costs, whose benefits, already partially visible in the fiscal year ended, will be fully felt in the new financial year.
All the above, which also led to the use of financial resources, have not prejudiced the financial stability of the group which stayed at levels more than sustainable, despite the well-known difficulty in accessing the credit markets, enabling us to continue our path of growth with indispensable financial soundness.
It is important to point out that our group intends to strengthen its national and international prestige, while preserving its strong Italian connotation, embellished by a consolidated product quality made in Italy to export successfully all over the world. A connotation that in many cases risks being mitigated where new ownership structures enter but which, on the contrary, is an indispensable strong point for us who, as majority shareholder, have always defended and intend to continue defending in the future with total conviction. A connotation that is increasingly appreciated by our customers and an indispensable support for our growth strategy in a global luxury goods market increasingly moving towards brands that express quality and a unique tradition like ours.

Guido Grassi Damiani

1924 The Group is established

1976 The Group wins the first of 18 Diamond International Awards

1986 The product portfolio expands with the creation of the Salvini brand

1996 The third generation of the Damiani family entered the company

1997 The internationalization process starts with the construction of foreign subsidiaries

1998 Acquisition of Alfieri St John S.p.A.

2000 Creation of the Bliss brand

2001 Voluntary auditing of annual reports. ERP/SAP implementation

2006 The brand portfolio extends further with the acquisition of the Calderoni brand

2007 Damiani at the Milan Stock Exchange

2008 Acquisition of Rocca 1794, the high-end jewellery and watch retail chain leader in Italy

2012 Partnership with Itochu in Japan and commercial agreements in Far East

2013 Opening of new direct and franchising boutiques abroad

2014 Celebration of 90 years of Damiani

1924. The origins.

The Damiani history started in Valenza in 1924, in the heart of the goldsmith centre considered the world excellence for the production of jewellery. Because of his ability as a master goldsmith, Enrico, the founder, soon became the jeweller that leading families of the time contacted for the production of unique pieces, true masterpieces of fine craftsmanship. The fact that Damiani has always been a producer of jewellery, unlike competitors who started as retailers, makes the company truly unique. Being part of the Valenza area, where all the big names gradually established their production, for generations, is an important added value for the company.
Damiani is the only Italian goldsmith company to design and produce jewellery from its foundation.

1960s.
Industrial growth and commercial expansion.

In 1934, Enrico's son Damiano Grassi Damiani was born. In the 1960s, he started a process of industrial growth and commercial expansion and promoted research into design and technical innovation, which would have a profound effect on the evolution of the company. Damiani jewellery also became increasingly famous through the idea, revolutionary at the time, of guaranteeing the price to customers and creating catalogues with all the collections.

1970s.
The first *Diamonds International Award.*

In 1976, Damiani received the first *Diamonds International Award*, the most important recognition in the sector, which gives a prize to the best design and best creation of jewellery with diamonds. The first time, it was awarded to Shark, a bracelet in yellow gold and platinum illuminated by more than 41 carats of white diamond pavé. Over the years, Damiani was to win the sought-after award 17 times, to which the four won by Calderoni can be added.

1980s. The first testimonials.

Between the end of the 1980s and the 1990s, Damiani successfully designed and created a new style of communication that associates the image of the jewellery with very famous people. Damiani, one of the leading jewellery companies in the world, introduced the use of testimonials. Personalities from show business, chosen by Damiani, were captured in portraits by internationally famous photographers for high impact advertising campaigns, winners of awards and recognitions for the innovative style of communication.
In 1986, the new brand Salvini was launched.

1990s.
The third generation and international expansion.

The third generation entered the company in the early 1990s. Silvia Grassi Damiani, born in 1966, was involved in the purchase of pearls and also responsible for communication; her brother Giorgio, born in 1971, started working in exports and Guido, born in 1968, became Sales Director, Italy. Damiano Grassi Damiani died in an accident in 1996 and management of the company, which already employed 200 people, passed definitively into the hands of his wife and children. Gabriella, his wife, now Honorary Chairman, was President at the time. Guido Grassi Damiani was appointed Chief Executive Officer, a position he still holds as well as that of President. Silvia, currently Vice President, was responsible for purchasing and communication at the time. Giorgio, now Vice President, was responsible for creation and development of the collections and the purchase of precious stones. At the end of the 1990s, the Damiani group opened the first international branches in Switzerland, the United States and Japan with the aim of supervising distribution in the main overseas markets.
In 1998, the group acquired the jewellery brand Alfieri & St. John.

2000s
From family company to listing on the Stock Exchange.

At the end of the 1990s, Damiani transformed from a family company to a listed company.
In 2000, the Bliss brand was created and launched.
In 2001, the passage to the IT system ERP/SAP was made operative with the aim of optimising processes and supporting the development of the group.
With effect from 2001, the group's financial statements were subjected to voluntary certification.
During 2006, the group acquired the brand Calderoni, a historic Milanese brand of high-end jewellery.
In November 2007, the Damiani group was listed on the Milan Stock Exchange. This project was the great desire of the family and, today, Damiani is one of the very few high-end jewellery groups in the world to have achieved this objective.
In September 2008, the group acquired full control of Rocca, the high-end jewellery and watch chain, which thus became the first distribution brand of the group.
During 2009, the group signed agreements with leading brands operating in the luxury sector for the design, creation and distribution of jewellery licences.

Year 2010.
The internationalization process.

There have been many new openings, particularly in Asia, and new commercial agreements. In more detail, the group continued to invest in Greater China. During the recently concluded financial year, the first Damiani boutique at Beijing Charter, a new luxury shopping center in the west of the city, was inaugurated. This was followed by a new opening at the Charter Store, the most prestigious luxury shopping center in the Shenyang metropolis, in the north-east of China. A second Damiani boutique was opened at Xin Tian Di, the fashionable, elegant pedestrian area for shopping and leisure in Shanghai. A new boutique was also inaugurated in Macao, in the shopping mall of the Venetian Hotel, where Sophia Loren attended. A new Damiani store was inaugurated in Kuala Lumpur, Malaysia, in the famous Starhill Gallery, a favorite of luxury consumers. A second Damiani boutique was inaugurated in Kuwait City, in The Avenues Mall Prestige, where all the leading brands of global luxury can be found. A new Damiani boutique was also opened at Biskek, Kirghizstan, the former Soviet republic. As far as the Italian market is concerned, the new, completely renovated, Damiani boutique was inaugurated in Via Condotti, Rome. Lastly, a new Damiani single-brand store was opened in terminal T3 at the Leonardo da Vinci international airport, Fiumicino, Rome. This opening marked a further step in the expansion strategy in the retail travel sector after the inauguration of the Damiani boutique at Moscow airport last July.

GUIDO GRASSI DAMIANI
President & CEO

SILVIA GRASSI DAMIANI
Vice President

GIORGIO GRASSI DAMIANI
Vice President

THE DAMIANI FAMILY

GABRIELLA GRASSI DAMIANI
Honorary President

Creativity, design and entrepreneurship are the main elements which distinguish the Damiani family. The third generation of the family, currently running the group, also characterizes the great passion for a job that has been passed on from father to son.

Guido Damiani holds the positions of President and Chief Executive Officer of the group while brother and sister Giorgio and Silvia Damiani are both Vice Presidents. Their mother, Gabriella, a solid link between the second and third generations, is Honorary Chairman. The three Damiani literally grew up amongst the jewellery and work tools that, on more than one occasion, replaced toys, living the passion of the family company from the earliest years. They have gained experience in the craftsman production of jewellery over the years in addition to purchasing gold, diamonds and pearls.

After the early death of their father in 1996, the three Damiani's have continued running the company covering the different responsibilities in synergy, entrusting the leadership to the current President and CEO.

90 YEARS OF EXCELLENCE AND PASSION

Damiani is the only Italian international fine jewelry company still run by the heirs of the founder and this year is celebrating its 90th anniversary. Guido, Silvia and Giorgio Damiani tell us the exciting story, with a special collection, of a family company which has taken Italian craftsman quality to the world. 90 years of excellence, tradition, craftsmanship, savoir-faire and passion.

The Damiani 90th Anniversary collection is a limited edition consisting of ten jewels, each inspired by a decade of Damiani's history from 1924 to date. Each article has been produced in just 9 exclusive pieces, handmade in Valenza and numbered from 1 to 9. Each piece tells the story of Damiani jewelry - from the stones to the pearls - through design and careful manual workmanship.

D A M I A N I S S I M A
2010

C H A R L E S T O N
Twenties

T A S S E L
Fifties

T R I B U T E
Eighties

C A S C A D E
Thirties

O P T I C A L
Sixties

M O O N S H I N E
Nineties

L E G E N D
Forties

B L O O M
Seventies

D.S I D E
2000

Palazzo Pitti external view - Florence

Palazzo Pitti - Oscar preparation

Sibilla della Gherardesca, Suzy Menkes,
Guido and Silvia Damiani

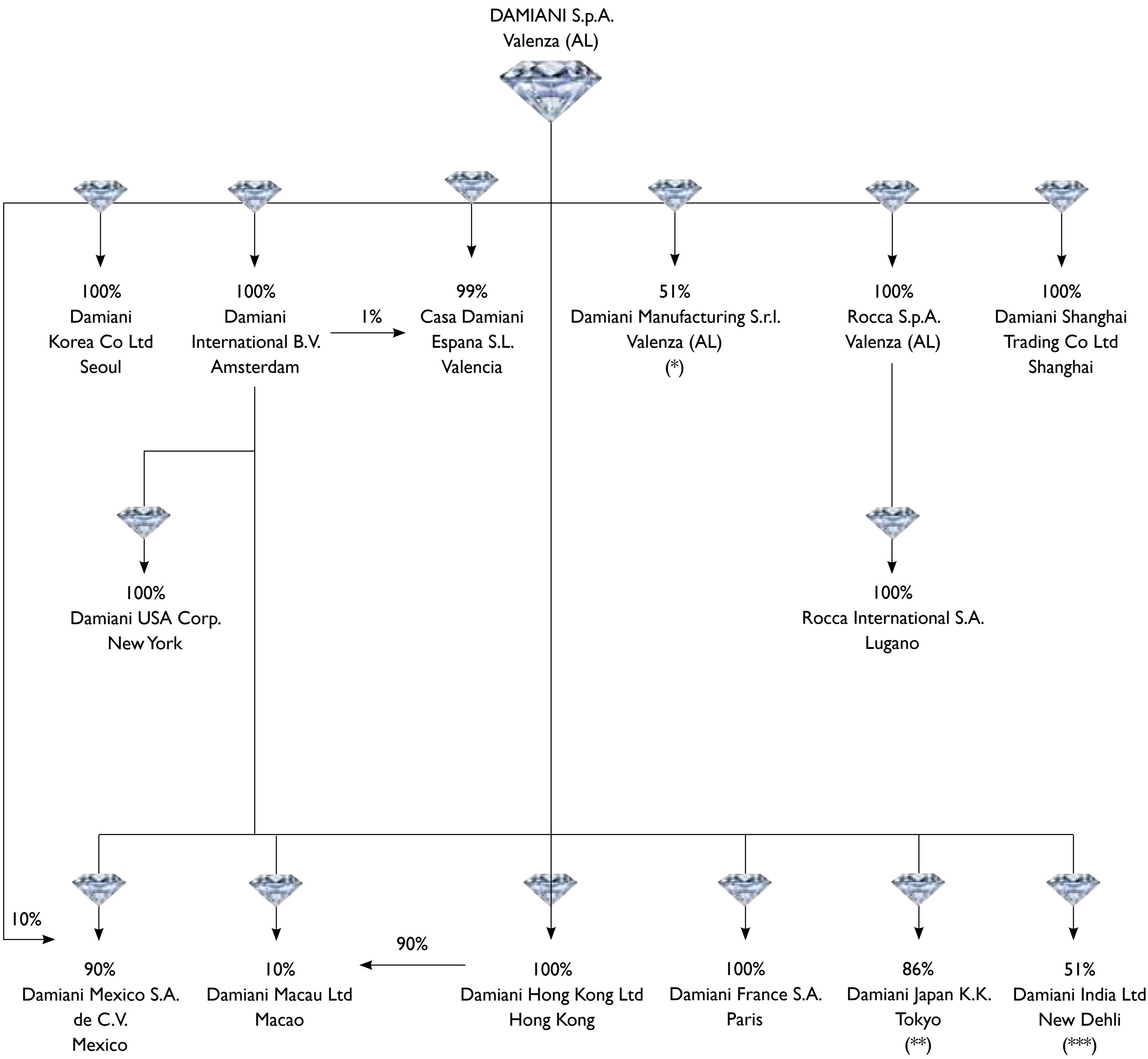
90 YEARS OF EXCELLENCE AND PASSION

Palazzo Pitti - Sala del Fiorino

The Damiani “90 Years of Excellence and Passion” exhibition which opened on 19 June, 2014 in the Gallery of Modern Art in Palazzo Pitti - Florence will remain open until September 7, 2014. In celebrating its 90th anniversary, the Museum of Palazzo Pitti dedicated an exhibition to Damiani in the Sala del Fiorino where 18 exceptional masterpieces, that have been awarded the Diamonds International Award, are exhibited, considered the Oscar in the world of jewelry. Damiani is the only jewelry company in the world to have received 18 Diamonds International Awards.
Also on display are Masterpieces dedicated to creations that have characterized 90 years of Damiani and other award-winning works.
Damiani is the only jewelry company, still in business, to have had the honor of presenting an exhibition at the prestigious Gallery of Modern Art at the Palazzo Pitti Museum.

Palazzo Pitti - Silvia and Guido Damiani

Palazzo Pitti - Press conference



(*) 49% is held by Christian and Simone Rizzetto

(**) 14% is held by Itochu Corporation

(***) 49% is held by Mehta family indian partner of JV

THE GROUP

Damiani S.p.A., the parent company of the Damiani group, is a historic leading company in the Italian market for the production and marketing of high-end designer jewellery with brands like Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni. In addition, there is Rocca, the prestigious jewellery and watches' chain.
Today, the Damiani group can be found in Italy and leading countries around the world through an extensive, organised distribution network with subsidiary companies which oversee the European, American and Asian markets - Damiani International BV, Damiani USA Corp., Damiani Japan K.K., Damiani Hong Kong, Damiani Shanghai Trading Co. ltd and Damiani Mexico S.A. de C.V..

The Damiani group has its own production facility and also produces through outsourcing, mainly in the Valenza area.

The distinctive features of the Damiani group include:

- the almost century-old tradition in the jewellery sector developed in the goldsmiths' area of Valenza with which the group has always maintained very strong links;
- the uniqueness of starting as producers of jewellery and not retailers, unlike competitors;
- the founding family's controlling interest guarantees unaltered quality over time and a continuity of its tradition;
- direct presence in the Valenza territory which allows the group to both make use of its own facility and external production units, ensuring the greatest production flexibility;
- the great fame of the Damiani brand, to be found in the main cities of the world through a network of monobrand shops;
- the strong complementary nature of the five brands in the portfolio - Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni - which enables most of the market sectors to be covered and the requests of different types of consumers to be satisfied;
- the renowned quality of the products and the raw materials used;
- the exclusive, recognisable design of the collections;
- the innovative marketing and communication strategy.

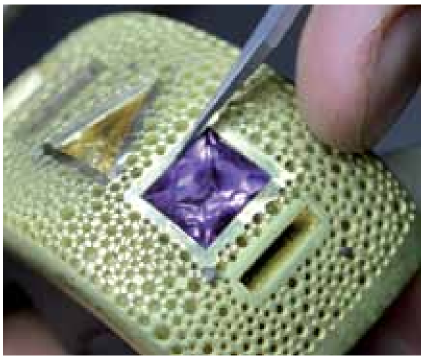
Since 2008 the group also owns Rocca, the high-end jewellery and watch chain, a unique company in Italy distributing quality and prestige watches and jewels. Rocca was founded in 1794 and was the official supplier to the Casa Savoia (Italian royal family).
Currently, Rocca has shops in the most important Italian cities.

TRADITION
Each Damiani creation is the result of an almost 100-year-old history developed in the goldsmith area of Valenza. All the jewellery of the group is the expression of a tradition that remains unchanged: from design to creation, from the search of the stones to production, from quality control to distribution.

QUALITY AND *SAVOIR FAIRE*
The main value of a Damiani jewel in the intrinsic quality it shows - the impeccable certificated raw materials (gold, stones and pearls) and the exceptional quality of the manual processing of the high-end goldsmith's art. All the jewels, entirely made by hand with the greatest care for detail are true masterpieces of the goldsmith's art. Damiani's craftsman savoir-faire appears in the Masterpieces, unique pieces of great value, as in each piece of jewellery. Each Damiani jewel goes through four quality control checks.

DESIGN
Very high-level design is a feature of each piece of Damiani jewellery. Aesthetic, modern and innovative taste make each creation unique and unmistakeable.

ETHICS
All Damiani group suppliers belong to a small group of highly selected companies that respect the UN resolutions on the certification of the origin of the diamonds. Adhering to the Kimberley Process to purchase diamonds as well as a strong attention to obtain a certified origin for each stone shows how ethics are essential for Damiani. Damiani also requires ethics in the working world and respect for all the persons involved, at every stage of manufacturing process.



AUTONOMY
Damiani has maintained the DNA of a family company and, today, is led by the third generation - Guido, Giorgio and Silvia Grassi Damiani, the founder's grandchildren. The Damiani group is still one of the few 100% Italian companies which has kept its independence, history and philosophy intact.

INNOVATION
Damiani jewellery is classic yet contemporary. The creative team favours innovation in design, as in production, while remaining linked to a strong craftsman tradition that ensures exceptional quality.

EXCLUSIVITY
Owning a piece of Damiani jewellery doesn't just mean having something precious but, in particular, something exclusive or even unique. Alongside the collections, Damiani creates Limited Editions and unique Masterpieces which are sometimes created or personalised at the customer's request. Of these, the Damiani Masterpieces are true expressions of the goldsmith's art at an exceptional level which, over the years, have obtained prestigious awards and recognitions.

TREASURING
Each Damiani jewel is a token of a value handed down from generation to generation and creates an indissoluble bond between the past and future. A heritage, which is also affective, to keep forever.
Damiani offers yet another guarantee of quality:
Damiani personalizes solitaires with an exclusive incision of the Damiani logo on the girdle of the diamond and a Damiani certificate of authenticity, even for diamonds with a carat weight of less than 30 points. Diamonds that are larger than 0.30 carats have another incision inside the shank giving the features of the diamond - color, carats and the international certificate number (GIA or HRD).

Damiani

Founded in 1924, Damiani established itself in the Italian and international markets as an Italian brand synonymous for fine jewelry, tradition, quality and craftsmanship. Damiani targets a sophisticated, elegant woman who wants the best for herself. The result is each Damiani jewel, entirely handmade, in an exclusive design with great attention to the quality of the raw materials and with perfect workmanship.

Damiani has also been creating watches since 1995. The range of Damiani watches is inspired by the brand's jewelry collections.

Salvini

Salvini started in 1986 and soon gained a strong identity both in terms of product and communication. The brand offers classic jewellery for the contemporary woman with Italian taste and great attention to quality. Salvini revisits tradition from a modern point of view.
The actress Eva Longoria is actually testimonial for Salvini.

ALFIERI & ST.JOHN

Alfieri & St. John, founded in 1977, was acquired by the Damiani group in 1998 with the aim of enlarging the brand portfolio. The brand targets young, modern, fashion-conscious women. Alfieri & St John offers a vast range of jewellery and presents itself as a young versatile brand.

bliss

Bliss, launched by the Damiani group in 2000, is for a wide, transversal target, offering modern, elegant jewellery which interprets current trends. Bliss jewellery is made from precious materials, such as gold and silver, but also steel and other innovative materials, like carbon.
Bliss products aim to reach a public of young curious consumers.

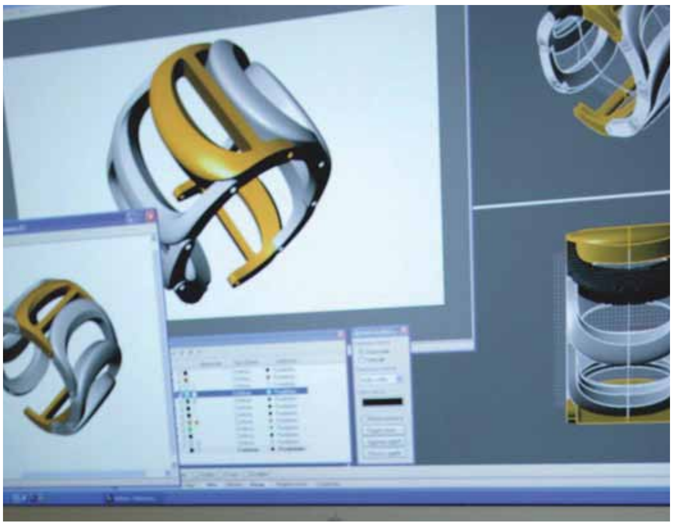
CALDERONI
MILANO 1840

Calderoni was founded in 1840 under the arcades of Piazza Duomo and, for decades, was the main jeweller of Milan, becoming a supplier to the Royal Family and serving the nobility and high society of the time, and also passing through maharajahs and sultans. Calderoni high-end jewels have always featured impeccable balance between originality and tradition, classicity and modernity.
Calderoni has won four *International Diamond Awards*.

ROCCA
1794

The Rocca family started as master watchmakers in 1794. Rocca soon became one of the Italian importers of Swiss watches and, over the years, customers have included famous personalities such as Cavour, Garibaldi, d'Annunzio, Verdi and Pirandello.
Today, Rocca is a unique chain of high-end watches and jewels in Italy and exclusive in the world.

Damiani manufacturing in Valenza



Damiani group's products are designed, created and marketed following a management model common to all its' companies which feature strict controls of the chain value. The organisational model for each brand can be divided into the following stages:

Market analysis and product creation

Analysis of the market is the preliminary work carried out by the group to identify the market's product needs.
The process of creation and development of each jewel starts on the basis of these results. This stage, carried out by the Marketing department, means the creation of drawings which are transformed into prototypes.
After a careful selection and review, the CEO is called to approve the prototypes that will be put into production and marketed. At this stage, the Marketing division defines the selling price and the prototype is consigned to the production and logistics division. The company has a special software to support this work at all stages.

Purchase of raw materials

The Damiani group has significant experience in the selection of raw materials which includes diamonds, precious stones, pearls, gold and platinum.

Precious stones

The group strictly uses 'conflict free' rubies, emeralds, sapphires and diamonds.

Gold

Damiani purchases gold only at banks.

Pearls

The main pearl production areas are Japan, Australia and Polynesia. In particular, the Damiani group has a long standing commercial relationship with Japanese farm-owner suppliers.

Production

The group uses both its own workshop in Valenza and external production units. The production of Damiani, Salvini and Alfieri & St. John jewellery is in the goldsmiths' area of Valenza while for the Bliss brand, part of the jewellery and the steel are produced in Asia.

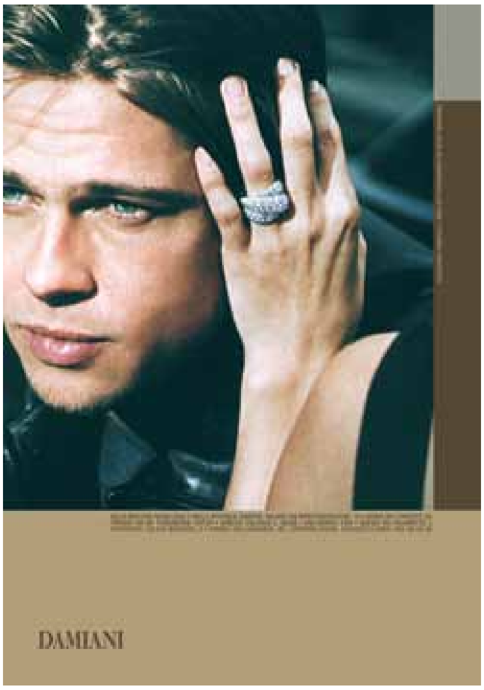
Quality control

The Damiani group pays special attention to the quality of its jewellery. A special internal team is responsible for making constant checks to guarantee the indispensable Damiani quality standard.

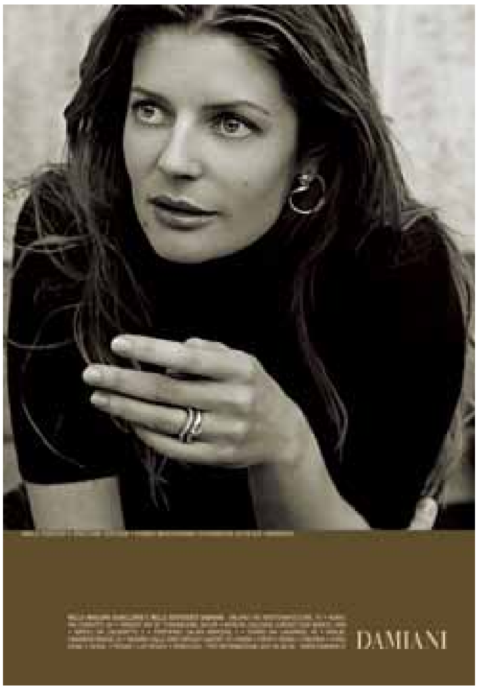
Distribution

The Damiani group mainly distributes its products through two channels. Retail has 54 mono and multibrand points of sale directly managed by the group while wholesale manages 20 monobrand franchised boutiques, independent multi-brand jewellers, jewellery chains, department stores and distributors.
The Damiani group sells its products through 2,000 wholesale resellers around the world.

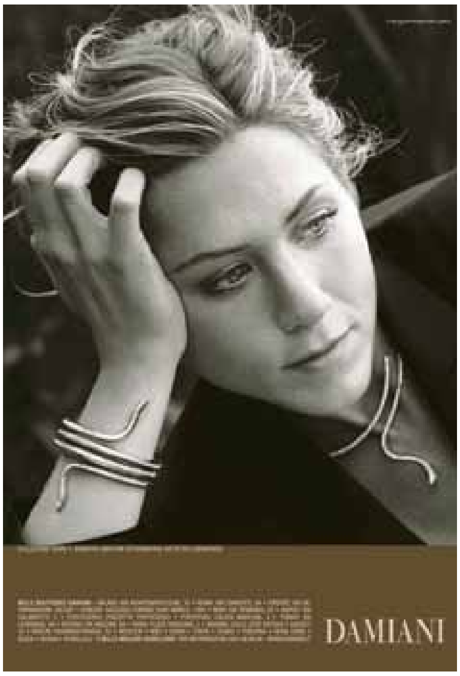
Isabella Rossellini
Adv campaign 1999



Brad Pitt
Adv campaign 2000 - Peter Lindberg



Chiara Mastroianni
Adv campaign 2001 - Peter Lindberg



Jennifer Aniston
Adv campaign 2002 - Peter Lindberg

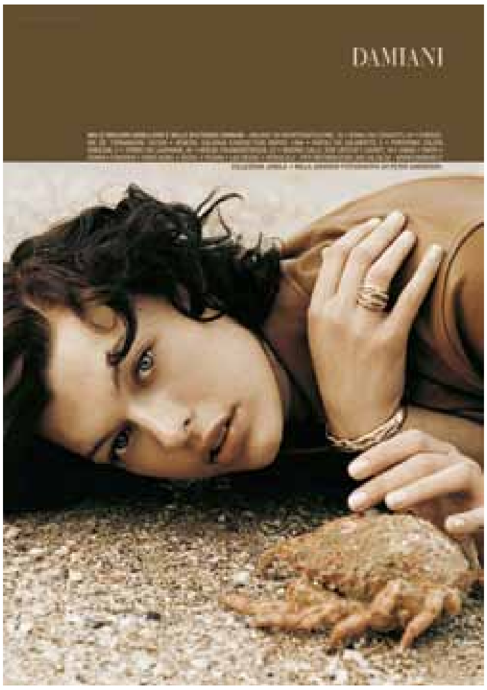
Gwyneth Paltrow
Adv campaign 2006 - Sante d’Orazio

Gwyneth Paltrow
Adv campaign 2006 - Sante d’Orazio

COMMUNICATION

Damiani historical adv campaigns

In the early Eighties, Damiani was one of the first Italian companies already renowned as the ambassadors of a luxury brand.
Since then, Damiani has worked with people like Mila Jovovich, Jennifer Aniston, Isabella Rossellini, Natassja Kinski, Sophia Loren, Chiara Mastroianni, Brad Pitt, Gwyneth Paltrow and Sharon Stone, to mention only a few.
Francesca Neri, Raul Bova, Luis e Helene Figo, Eva Longoria, Vasco Rossi, Alessandro Del Piero, Paris Hilton have represented other brands of the Group.



Milla Jovovich
Adv campaign 2001 - Peter Lindberg

Natassia Kinski
Adv campaign 2001 - Peter Lindberg

Sharon Stone
Adv campaign 2008 - Sølve Sundsbø

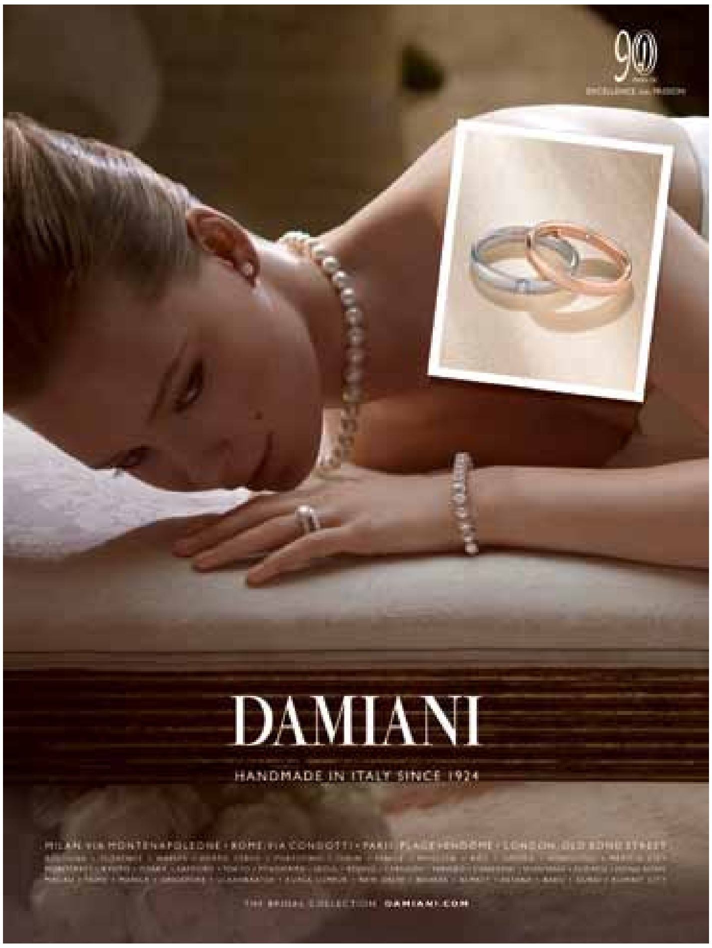
Sharon Stone
Adv campaign 2011 - Sølve Sundsbø

Baci

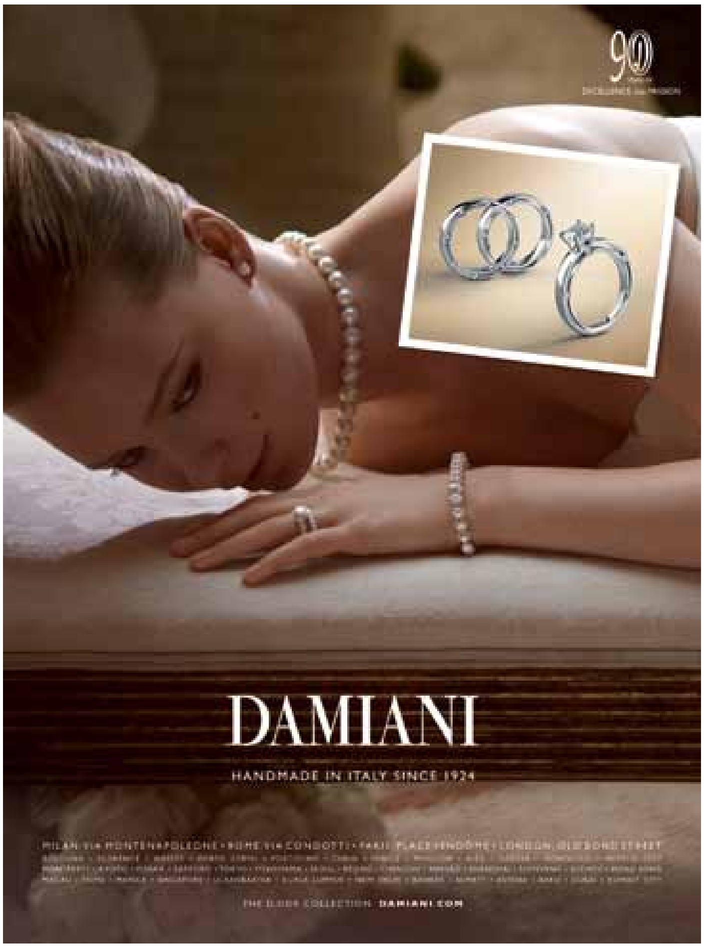
Battito d’Ali

Belle Epoque

Bridal



D.Side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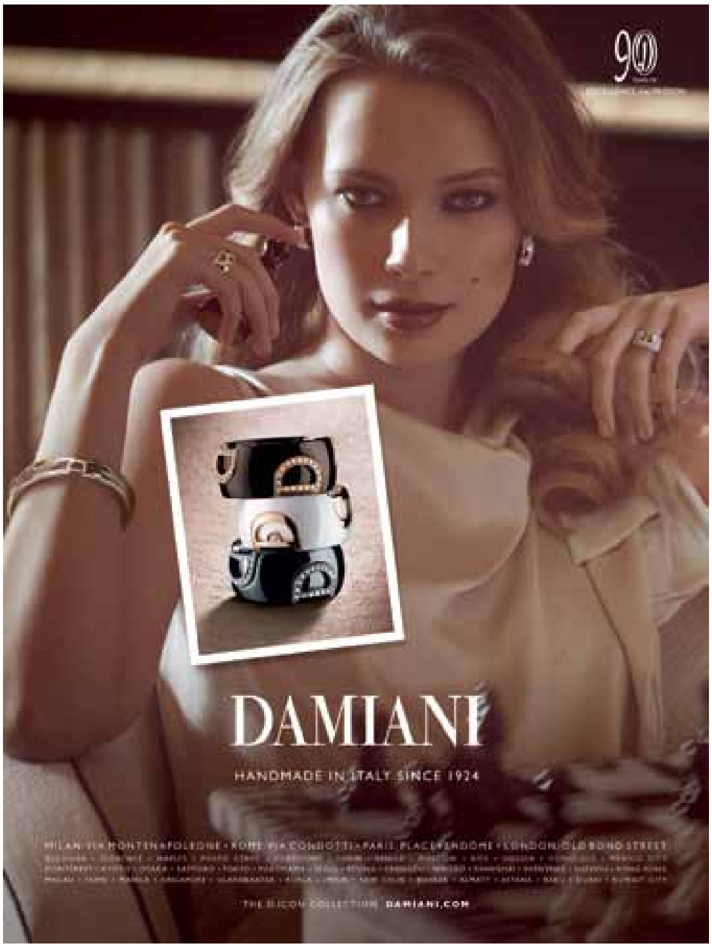
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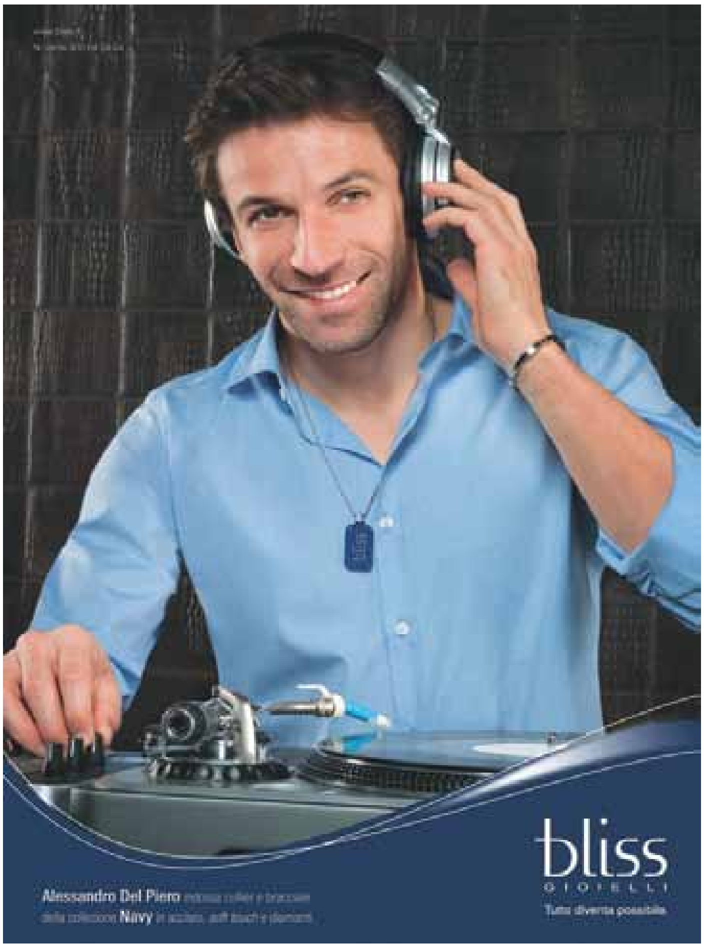
Francesca Neri for Salvini - 2004

Raoul Bova for Salvini - 2007

Alessandro Del Piero for Bliss - 2005



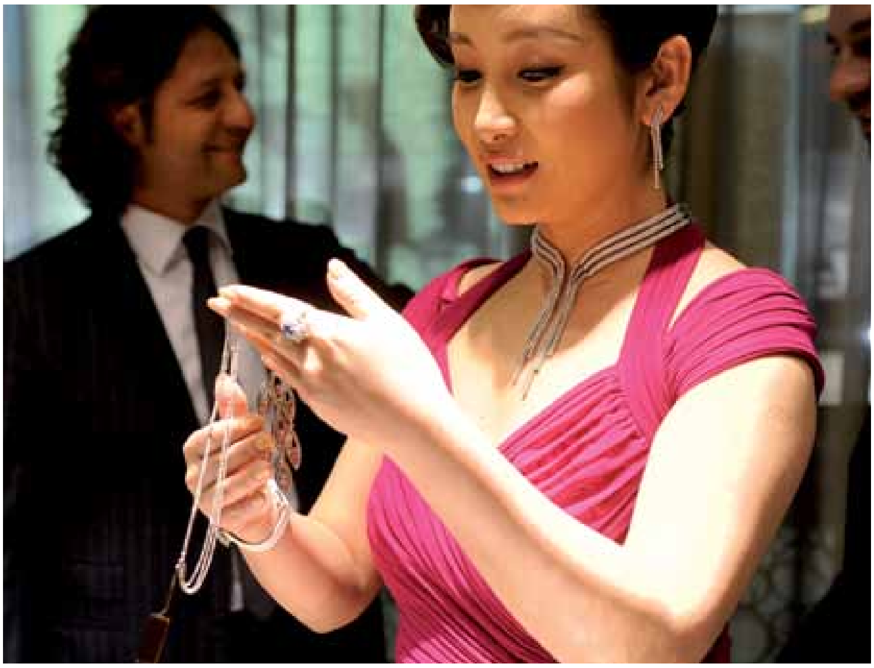
Paris Hilton for Bliss - 2007

Salvini Bridal Adv campaign 2014

COMMUNICATION

Salvini and Bliss adv campaigns

Bliss Adv campaign 2014



Qin Hailu - cocktail re-opening boutique Montenapoleone - 2012

Eva Longoria - Cannes 2014

Madalina Ghenea – Cannes 2013

CELEBRITIES WHO WORE DAMIANI

Livia Firth and his husband Colin Farrell at Golden Globes 2012

Sharon Stone - Baftas Awards 2009

Milla Jovovich – 66th Cannes Film Festival

Paolo Sorrentino and his wife Daniela – Oscar 2014

Federica Pellegrini

Damiani joins the Comitato Leonardo

Damiani has become part of the Comitato Leonardo, an association started through the initiative of Confindustria and the Istituto Nazionale per il Commercio Estero (I.C.E. National Foreign Trade Institute), which aims to promote the image of Italy as a national economic system through events. Companies with an unquestionable international reputation from the point of view of product quality and their international projection are members of the Comitato Leonardo – Italian Quality Committee.
Guido Damiani, Chairman and Managing Director of Damiani group, was invited to Rome by President Napolitano in the preceding days for the 'Giornata della Qualità Italia' (Italian Quality Day), endorsed by the Committee for all companies to promote the image, style and excellence of Made in Italy and Italy around the world. This is a further confirmation of recognition for Damiani, valued all over the world for its all Italian style, design and craftsman manufacture of its creations.

Damiani and the City Angels

Damiani organized the presentation of the Damiani D.Icon hearts at the Damiani boutique at Via Montenapoleone 10 for the upcoming Mother's Day. A percentage of all the sales of the evening were donated to City Angels, in support of their work with Milanese homeless.
The initiative continued for the rest of May and the percentage of sales of D.Icon hearts was given to the association.

Damiani for Sardinia - helping those in difficulty with a gift

Last autumn, Damiani promoted charity work in favor of the people of Sardinia struck by the cloud-burst with the aim of raising funds in support of the Croce Rossa Italiana (Italian Red Cross). The operation involved all Damiani single-brand boutiques and Rocca shops in Italy. Each store offered a selection of the Damiani collections and 'must-haves', on sale only for this limited period, at an exceptional price. Damiani gave part of the net revenues to the Croce Rossa Italiana for operations in the areas struck by the cloud-burst. Damiani supported the 'EMERGENZA SARDEGNA della CROCE ROSSA ITALIANA' (SARDINIA EMERGENCY of the ITALIAN RED CROSS) campaign with its donation.

Kuala Lumpur, Damiani wins the 'A Journey Through Time VII' Watch & Jewellery Awards 2013

Damiani received another important international recognition at the annual 'A Journey Through Time VII' Watch & Jewellery Awards 2013, held in Kuala Lumpur, Malaysia, in November. During the exhibition, organized by Starhill Gallery on 22-29 November 2013 and now in its 7th edition, the Masterpiece necklace 'Sophia Loren' was crowned winner.
'Sophia Loren' is a collection designed in homage to the beauty and charm of the greatest star of Italian cinema. The most precious piece, the one that received the award in Kuala Lumpur, is a sublime necklace, a unique piece in white gold with 1352 diamonds weighing a total of 81 carats.

Damiani wins the "Bazaar Jewelry - the Best Annual Fine Jewelry Award 2013"

Damiani was chosen by Bazaar Jewelry China for the Best Annual Fine Jewelry Award 2013. The Damiani necklace Vulcania, a masterpiece in white gold and white and fancy diamonds, was awarded the winning prize. This is the second time that Damiani has won this award after that obtained with the Burlesque bracelet in 2012.

The winners of Bazaar Jewelry prizes were voted by Chinese jewelry collectors and the readers of Bazaar Jewelry China, the most important fine jewelry magazine in China.
Seduction, charm and femininity are the inspirations of 'Vulcania', which was created with 1370 diamonds that sparkle like incandescent lava in various tones and shades of color, with a total of more than 110 carats in the typical setting that Damiani calls 'apparent chaos'. The necklace required about 530 hours of work.
The award is an additional international confirmation and a new success for Damiani, valued all over the world for its all Italian style, design and craftsman manufacture of its creations. Damiani has received many awards in its 90-year history and is the only jewelry company in the world to have won 18 Diamonds International Awards.

Guido Damiani wins the America 2013 Award

The Fondazione Italia USA conferred the 'America 2013' award on Guido Damiani. The entity assigns the award to leading figures that stand out for having contributed to promoting and strengthening the relationships between Italy and the United States of America with their work. The Fondazione Italia USA was started to testify the friendship between Italians and American people and is a Parliamentary foundation chaired by MPs and senators Damiani has been present in the American. market since the 1960s and has strong links with the United States, also because Damiani jewelry is often the first choice of many Hollywood stars - Brad Pitt, Sharon Stone, Jennifer Aniston, Gwyneth Paltrow and Tilda Swinton, just to name a few. The award ceremony, chaired by the journalist Michele Cucuzza, was held in Rome in October 2013 at the Camera dei Deputati (Chamber of Deputies) before senators, MPs, journalists and famous people. The award, of great civil and institutional value, saw the support of Giorgio Napolitano, the President of the Republic.

Eden 2000

INTERNATIONAL AWARDS

Spaziale 1988

Damiani is the only goldsmith company in the world to have received 18 *Diamond International Awards*, the international jewellery Oscar, an unequalled record. Bocca di Squalo, a bracelet designed by Gabriella Damiani in 1976, won the first *Diamond International Award*. Calderoni won 4 others of these awards.

To quote only a few, Damiani also won two *Tahitian Pearl Trophies*, a *Haute Couture Design Award*, a *Vogue Joyas* and lots of others awards in the entrepreneurship and communication fields.

Flash 1992

Sahara 1996

Onda Marina 1988

Bocca di squalo 1976

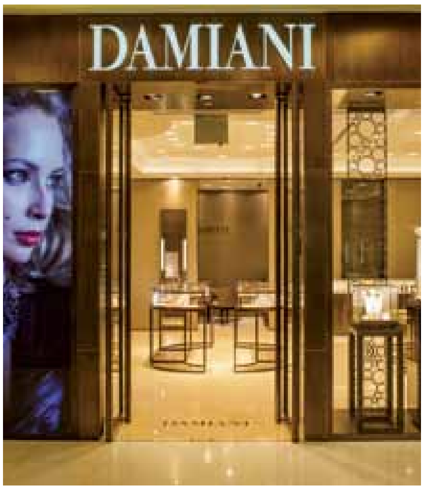
The Well 1998

Blue Moon 1996

THE DAMIANI GROUP AROUND THE WORLD

The distribution network

The Damiani group mainly distributes its products through two distribution channels:
- the retail channel, consisting of 54 mono- and multi-brand points of sale run directly by the group. Damiani has created an international flagship stores, multibrand and mono-brand shops network.
- the wholesale channel includes 20 franchised mono-brand boutiques in addition to independent multi-brand jeweller's, jewellery chains, department stores, franchisees and distributors. The group distributes its products around the world through more than 2,000 retailers.



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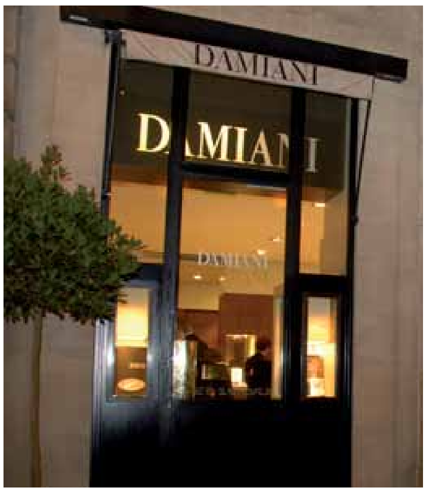


6

1. Singapore
2. Tokyo
3. Hong Kong
4. Kuwait City
5. Pechino
6. Paris

7

8

9

10

11

12

7. Moscow
8. Shanghai Xin Tian Di
9. Shenyang
10. Ulan Bator
11. London
12. Shanghai

BOUTIQUES DAMIANI

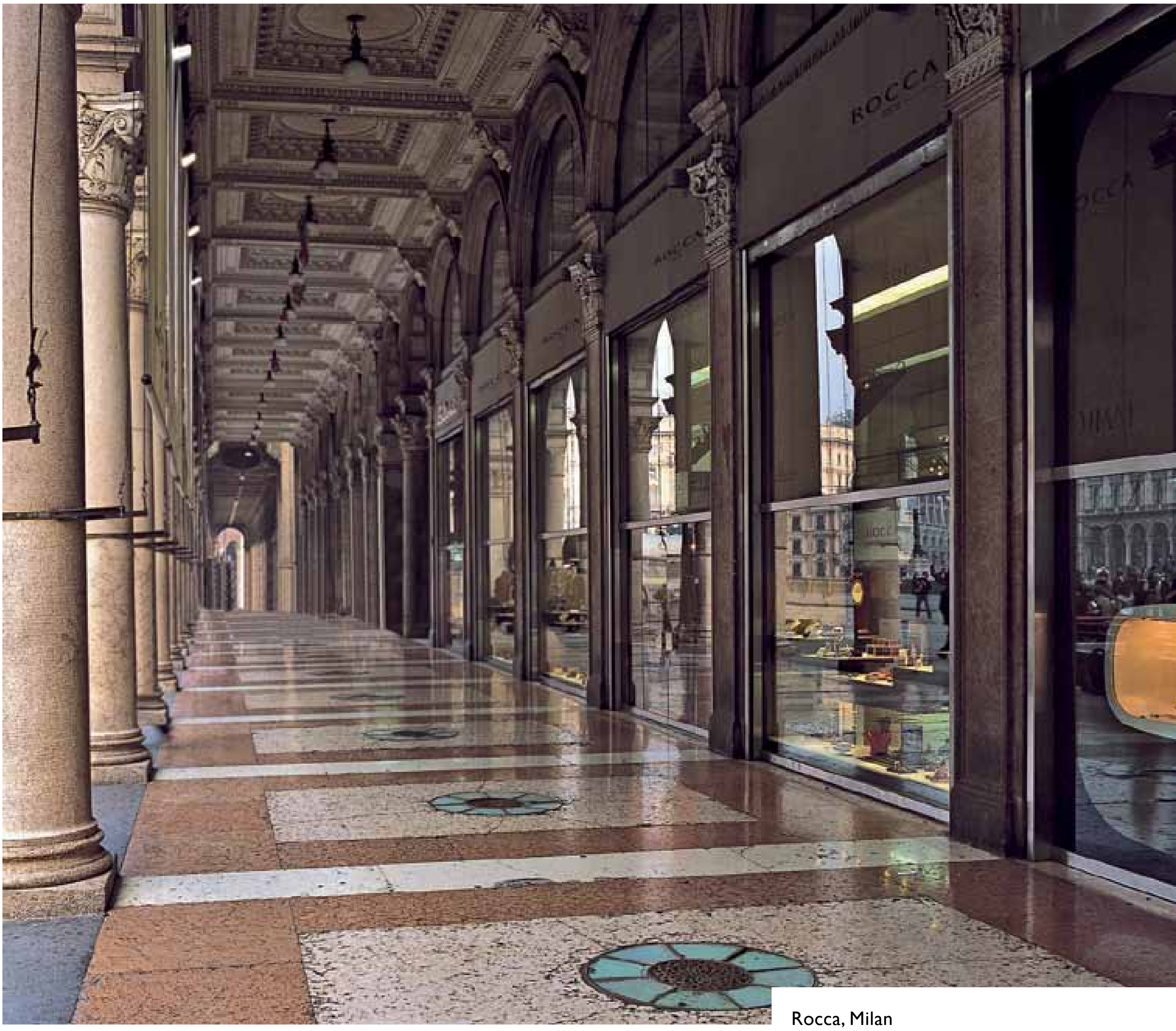
BOLOGNA
FLORENCE
MILAN
NAPLES
PORTOCERVO
PORTOFINO
ROME
TURIN
VENICE
LONDON
PARIS
MOSCOW
KIEV
ODESSA
HONOLULU
MEXICO CITY
MONTERREY
OSAKA
KYOTO
SAPPORO
TOKYO
YOKOHAMA
SEOUL
BEIJING
HONG KONG
HANGZHOU
MACAO
NINGBO
SHANGHAI
SINGAPORE
SUZHOU
TAIPEI
ALMATY
ASTANA
BAKU
DUBAI
KUWAIT CITY
NEW DELHI
CHENGDU
SHENYANG
ULAN BATOR
KUALA LUMPUR
BISKEK


DAMIANI
DAMIANI
DAMIANI
VIA MONTE NAPOLEONE
VIA SANT ANDREA

The Damiani boutique in Montenapoleone Street

BOUTIQUES ROCCA

BARI
CATANIA
LECCE
LUGANO
MANTOVA
MILAN
PADOVA
PESCARA
ROME
TAORMINA
TURIN
VENICE



Rocca, Milan

Rocca, Lugano

Rocca, Catania

CORPORATE BOARDS

Board of Directors

President & CEO	Guido Grassi Damiani
Vice President	Giorgio Grassi Damiani
Vice President	Silvia Grassi Damiani
Board Director	Roberta Benaglia
Board Director	Stefano Graidi
Board Director	Giancarlo Malerba
Board Director	Fabrizio Redaelli

Board of Statutory Auditors

President	Gianluca Bolelli
Statutory Auditor	Milena Motta
Statutory Auditor	Simone Cavalli
Alternate auditor	Paola Mignani
Alternate auditor	Fabio Massimo Micaludi

External Auditors — Ernst & Young S.p.A.

Internal Control and Corporate Governance Committee

President	Fabrizio Redaelli
	Roberta Benaglia
	Giancarlo Malerba

Remuneration Committee

President	Fabrizio Redaelli
	Roberta Benaglia
	Giancarlo Malerba

SUMMARY OF ECONOMIC DATA

Over the accounting year to 31 March 2014, the Damiani group generated consolidated revenue of Euro 144.3 million, EBITDA of Euro 0.3 million, operating earnings (EBIT) of Euro -3.8 million and a net result for the group of Euro -8.6 million.

At 31 March 2014, the sales revenue for the Damiani group came from:

the wholesale channel (60.3%) and

the retail channel (39.7%).

The sales revenue at 31 March 2014 broken down by geographic area is:

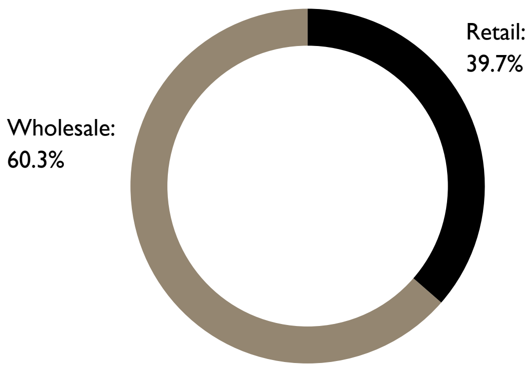
Italy 68.8%

Overseas 31.2%

The Damiani brand generated more than half the revenues in the overseas market.

Sales revenue by distribution channel (Accounting year 2013/14 to 31 March 2014)

Total sales revenue: Euro 144.2 million
Wholesale: Euro 86.9 million
Retail: Euro 57.3 million



Sales revenue by geographic area (Accounting year 2013/14 to 31 March 2014)

Total sales revenue: Euro 144.2 million
Italy: Euro 99.3 million
Overseas: Euro 44.9 million

TREND ON THE STOCK EXCHANGE

The graph illustrates the trend in the price of Damiani S.p.A. in the period between 2 April 2013 and 31 March 2014 compared with the trend in the main market indices (FTSE Italia All Share Index and FTSE Italia Star Index).

Factors influencing the trend in the stock price/value

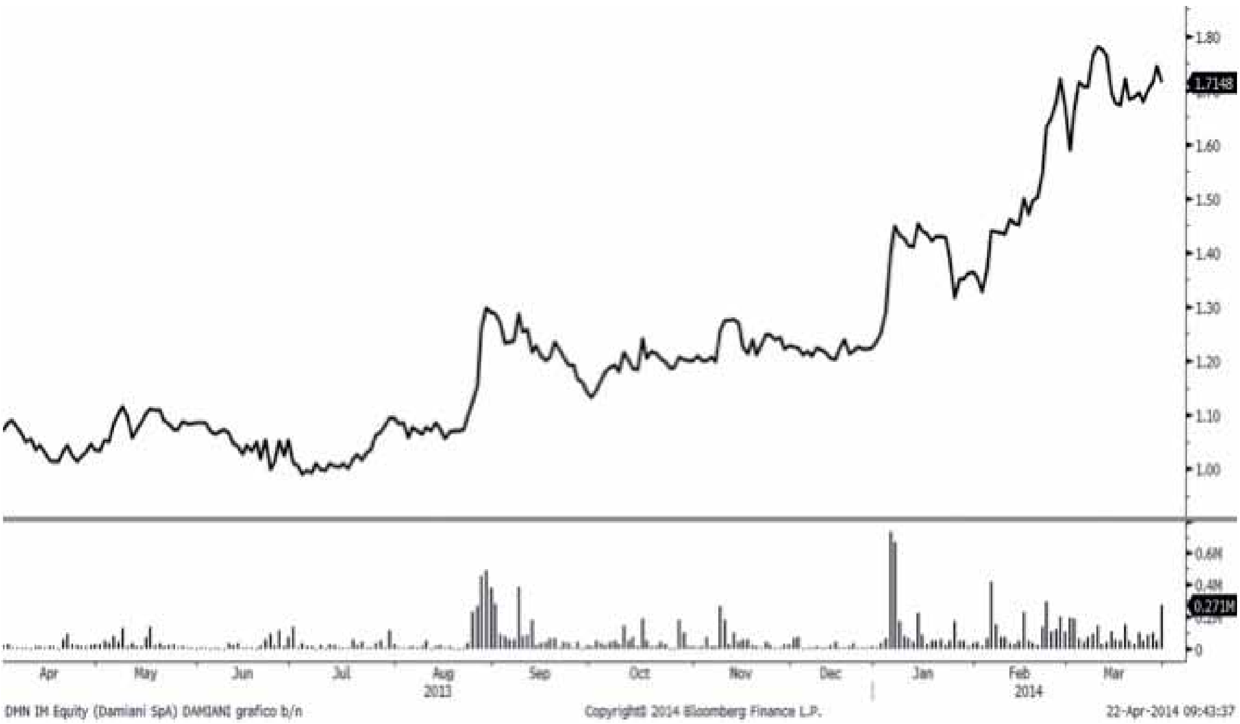
In the 2013/2014 accounting year, Damiani recorded an increase of 60.19% from 2 April 2013 to 31 March 2014 (FTSE Italia All Share Index +39.23%, FTSE Italia Star Index +61.44%). The most influential factors on the markets in general and the Damiani stock price/value in particular over the accounting year were:

- the equity markets in general benefited from the expectations of a consolidation in the world upturn which started in 2013. The Eurozone is moving up and, overall, the expansion can be expected to continue in the coming quarters;
- the equity market benefitted the small and medium capitalization securities in particular. The Star index and the Damiani stock price/value definitely outperformed the general index of the Italian Stock Exchange.

At 31 March 2014 (the last day of trading in the accounting year), the Damiani stock price/value was officially listed at Euro 1.7148; the relative Stock Exchange capitalization was Euro 141.6 million.

The table below summarizes the main stock and stock exchange data for the year to 31 March 2014.

Stock and stock exchange data for the year to 31 March 2014.

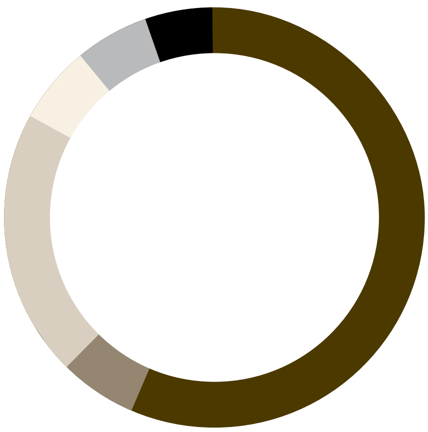


Source: Bloomberg

Damiani in the Stock Market*

Official Price on April, 2nd 2013 (euro)	1.0705
Official Price on March 31st 2014 (euro)	1.7148
Maximum official price (euro)	1.7801 (on 11st March 2014)
Minimum official price (euro)	0.9896 (on 3rd July 2013)
Average volumes	61,625
Maximum volumes	732,603 (on 7th January 2014)
Minimum volumes	10 (on 10th June 2013)
N° shares Company capital	82,600,000
Market capitalisation at March 31st, 2014 (euro mln)	141,6

Shareholders**



Leading Jewels***	58,8%
Guido Damiani	5,9%
Giorgio Damiani	6,1%
Silvia Damiani	5,3%
Market	17,2%
Own shares****	6,7%

Notes:

*The table above summarizes the main stock data at 31 March 2014

**Shareholder structure at 31 March 2014

***Controlled by Guido Damiani

****Includes purchase/buying back of 5,556,559 own shares

Source: Bloomberg Finance LP

CONSOLIDATED FINANCIAL STATEMENTS OF THE DAMIANI GROUP AS OF AND FOR THE YEAR ENDED MARCH 31, 2014

Prepared in accordance with IAS/IFRS accounting standards

Damiani S.p.A.

Report on operations of the
Consolidated financial statements
as of March 31, 2014

Structure of the Damiani Group

The Damiani Group has been operating for 90 years in the jewelry industry, with a significant presence in Italy and in the major markets that has emerged over time thanks to the quality and beauty of its products, recognized by customers around the world who appreciate the luxury Made in Italy.

The Group, leader in Italy, works abroad with direct commercial subsidiaries that oversee the major markets.

The parent company is Damiani S.p.A., which in addition to directly carry out production and commercial activities, also covers the role of industrial and financial holding company, developing the strategic direction of the Group, managing and coordinating initiatives and providing technical, financial and administrative assistance, both for manufacturing operations and for those commercial activities of the companies, directly or indirectly controlled.

The consolidated financial statements for the financial year ended March 31, 2014 include the financial statements of the parent company, Damiani S.p.A. and those of the companies which it controls, either directly or indirectly, as per article 2359 of the Civil Code.

The subsidiaries included in the consolidation area at March 31, 2014, and therefore consolidated using line-by-line method, are listed below:

COMPANY NAME	REGISTERED OFFICE	CUR-RENCY	SHARE CAPITAL (local currency)	HELD BY	% DIRECT (*)	% OF THE GROUP
Laboratorio Damiani S.r.l.	Valenza (AL), Italy	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Damiani International B.V.	Amsterdam, Netherland	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan K.K.	Tokyo, Japan	JPY	495,000,000	Damiani International B.V.	0.00%	86.00%
Damiani USA, Corp.	New York, USA	USD	900,000	Damiani International B.V.	0.00%	100.00%
Casa Damiani Espana S.L.	Valencia, Spain	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Hong Kong Ltd.	Hong Kong	HKD	72,500,000	Damiani S.p.A.	96.00%	100.00%
Damiani France S.A.	Paris, France	EUR	38,500	Damiani International B.V.	0.00%	100.00%
Damiani Macau Ltd.	Macau	MOP	22,500,000	Damiani Hong Kong Ltd.	0.00%	100.00%
Rocca S.p.A.	Valenza (AL), Italy	EUR	4,680,000	Damiani S.p.A.	100.00%	100.00%
Rocca International S.A.	Lugano, Switzerland	CHF	600,000	Rocca S.p.A.	0.00%	100.00%
Damiani Mexico S.A. de C.V.	Mexico Distrito Federal	MXN	3,000,000	Damiani International B.V.	10.00%	100.00%
Damiani Shanghai Trading Co. Ltd.	Shanghai, China	CNY	42,500,000	Damiani S.p.A.	100.00%	100.00%
Damiani Korea Co. Ltd.	Seoul, South Korea	KRW	500,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani India Co. Ltd.	New Delhi, India	INR	35,980,000	Damiani International B.V.	0.00%	51.00%

(*) It's the share directly held by Damiani S.p.A.

Compared to the annual report ended March 31, 2013 the consolidation area at March 31, 2014 changed as follows:

- On April 15, 2013 Damiani International B.V., a Dutch company 100% owned by Damiani S.p.A. acquired 51% of the share capital of Damiani India Private Ltd by the previous Indian owner. The transfer resulted in an outflow for the Group in Indian Rupees (INR) of 3.57 million, amounting to approximately Euro 51 thousands. Subsequently Damiani International B.V. subscribed a capital increase, to its share, which resulted in an additional outlay of INR 14,779,800 (approximately Euro 210 thousands). The Indian company manages a Damiani flagship store in New Delhi.
- As part of the reorganization of the Group, in particular with reference to the productive sector, on March 19, 2014 Damiani S.p.A. sold to Damiani Manufacturing s.r.l. its investment in Laboratorio Damiani s.r.l., equal to 9.35%, for a value of Euro 320 thousands. Subsequently, the merger between Damiani Manufacturing s.r.l. and Laboratorio Damiani s.r.l., approved by the respective Shareholders' meeting on December 16, 2013, was completed on March 26, 2014. The related accounting and tax effects are backdated to April 1, 2013. The merger has no effects on the consolidated financial statements.

The Damiani Group, which is focused on producing and distributing jewelry both in Italy and abroad, offers wide coverage of the main market segments and thanks to its different brands provides customers with a large range of differently priced jewelry. The Group's portfolio

[1] The Damiani Group ends its financial year on March 31. Therefore the consolidated financial statements at March 31, 2014 cover the period April 1, 2013 – March 31, 2014 (henceforth referred to as Financial year ended March 31, 2014 or Financial Year 2013/2014). For comparative purposes are shown also the figures related to the previous period April 1, 2012 – March 31, 2013 (henceforth referred to as Financial year ended March 31, 2013 or Financial Year 2012/2013).

is made up of five brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni.
Furthermore, through the fully owned network Rocca, the Group distributes prestigious third party brands, mainly in the timepiece sectors.
The distribution of the Group products takes place through two different channels in Italy and abroad:
- the wholesale channel, consisting of independent multi-brands jewelers, department stores, franchisees and distributors;
- the retail channel consisting of the store directly managed by the Group (boutiques, shop-in-shop and corners). As of March 31, 2014 the Point of Sales ("POS") in Italy and abroad were 54, whose 39 under the Damiani brand, one single-brand Bliss and 14 multi-brand Rocca. Geographically, the network of directly operated stores of the Group is as follows:

BOUTIQUES AND CORNER	ITALY	JAPAN	REST OF THE WORLD	TOTAL
Mono-brand Damiani	11	13	15	39
Mono-brand Bliss	1	-	-	1
Multi-brand Rocca	13	-	1	14
Total	**25**	**13**	**16**	**54**

In the financial year 2013/2014 the Group developed its network by opening eight new mono-brand Damiani boutiques, six of which are abroad.

Corporate Governance

The governance system of Damiani S.p.A. is the so-called "latin" or "traditional" form: the corporate bodies are the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.
The Board of Directors of the parent company was renewed on July 26, 2012 by the Shareholders' Meeting, which confirmed for a further three years period, until the approval of the Financial statements as of March 31, 2015 of Damiani S.p.A., the 8 Directors expiring. The composition of the Board of Directors complies with the applicable regulations (as per articles 147-ter and 148, paragraph 3, of the Legislative Decree n. 58/1998), and the principles of corporate governance contained in the Self-Regulation Code for Listed companies.
The new Board of Directors of Damiani S.p.A. on July 26, 2012 appointed Guido Grassi Damiani as President and CEO, Giorgio and Silvia Grassi Damiani as Vice-Presidents, Stefano Graidi as Director responsible for the internal control system and risk management and Fabrizio Redaelli as Lead Indipendent Director.
Following the verification of the requirements of non-executive and independent directors, pursuant to article 148 of the Legislative Decree n. 58/1998 and article 3 of the Self-Regulation Code for Listed companies, the Directors Fabrizio Redaelli, Roberta Benaglia and Giancarlo Malerba were designated to form the Remuneration Committee and the Risk Committee.
On June 14, 2013 the Director Francesco Minoli (non-executive and independent) resigned for personal reasons, effective from the date of the Shareholders' Meeting held on July 26, 2013 that approved the Financial statements of Damiani S.p.A. and the Consolidated financial statements as of March 31, 2013. Therefore, the Board of Directors of Damiani S.p.A. is currently formed by seven members.
On November 29, 2013 the Board of Directors of Damiani S.p.A. appointed Giorgio Grassi Damiani as Director responsible for the internal control system and risk management, in lieu of Stefano Graidi that, due to unexpected commitments, gave up this position.
Damiani S.p.A. and the Italian subsidiaries Laboratorio Damiani S.r.l. and Rocca S.p.A. adopted a Code of Ethics and the Organizational Model prescribed by the Legislative Decree n. 231/2001. The Code of Ethics refers to the values the Damiani Group adheres to when carrying out its activities and contains the ethical principles and rules that must guide the conduct of the individuals for whom it is meant. The Code of Ethics is applicable to all directors, employees, suppliers, consultants, agents and business partners and in general all those individuals who operate on behalf of the Company.
The Organizational Model adopted in its current version by the Board of Directors of Damiani S.p.A. on May 29, 2014 is a set of specific regulations dealing with conduct and operational procedures and it is designed to prevent unlawful conduct within those areas of business activities where there is a potential risk.
The Supervisory Body under Legislative Decree n. 231/2001 supervises to ensure the correct application of the Organizational Model and Code of Ethics. The Supervisory Body (hereinafter S.B.) of the Parent company in office during the financial year ended March 31, 2014 was collegial and consisting of the Internal Auditor and two external consultants, paid for the job done.
The S.B. has been assigned all the powers and resources (with a budget periodically revised) necessary for ensuring the Organizational

Model adopted by the Company is effectively implemented and observed and that is efficient and effective in preventing the offences currently specified in Legislative Decree n. 231/2001. The S.B. has the possibility to make recommendations to the Board of Directors about updating or adjustments of the Organizational Model.
The Supervisory Body of Damiani S.p.A. met 8 times during the financial year 2013/2014.
At March 31, 2014 the mandate of the Supervisory Body expired. Therefore, the Board of Directors of Damiani S.p.A. of May 29, 2014 appointed the new S.B., by modifying the Organizational Model in the part relating to the composition of the Supervisory Body. On the proposal of the Director responsible for the internal control system and risk management, with the approval of the Board of Statutory Auditors, the Board of Directors has appointed until the approval of the financial statements of Damiani S.p.A. as of March 31, 2017 a S.B. sitting alone in the person of the Internal Auditor, Francesco Delucchi. To the new S.B. was allocated an annual budget of expenses for the activities and functions conferred to it.
For further details about the corporate governance system of the Company, together with information on the company structure per article 123–bis of Legislative Decree n. 58/1998, see the Annual report on corporate governance published at the same time as the financial statements and also available for consultation in the investor relation section of the website www.damiani.com.

About the obligation under Title VI of the Regulation of Legislative Decree n. 58 of February 24, 1998, concerning market discipline (Market Regulations), states that Damiani S.p.A. controls directly or indirectly five companies which are not part of the European Union and which are relevant as per article 151 of the Market Regulations. According to article 36 of Market Regulations, states that:

- the companies have, in the opinion of the Issuer Damiani S.p.A., an administrative and reporting system suitable for regular reporting to the Corporate of Damiani S.p.A. of economic and financial figures necessary to prepare the consolidated financial statements and to carry out the statutory audit;
- the Issuer has the Statute and knows the composition of the Corporate bodies, and their powers, of the above mentioned companies, and it is advised of any modifications in a timely fashion;
- the reporting package of the companies, prepared for the purposes of consolidated financial statements of the Damiani Group, are provided in the manner and terms established by law.

Share buy-back program

The Shareholders' Meeting of July 26, 2013 resolved to authorize - subject to revocation, for the part non executed of the resolution adopted by the Shareholders' Meeting of July 26, 2012 – the purchase and disposal of treasury shares under co-joined articles 2357 and 2357 ter of the Civil Code and article 132 of the Legislative Decree n. 58/1998.
The authorization to purchase treasury shares is structured as follows:

- Damiani S.p.A. may purchase a maximum of ordinary shares whose nominal value does not exceed the limit of the law, up to a maximum of n. 16,520,000 ordinary shares, at a nominal value of 0.44 euro each.
- The authorization was granted for a period of 18 months starting from the Shareholders' Meeting date and lasting until the date of January 26, 2015.
- The purchase price of each share, including additional expenses of purchase, must be as a minimum not less than 20% and a maximum not more than 20% of the official price registered by the share in the trading session before each exchange transaction.
- The purchase transactions will be conducted on regulated markets in accordance with local regulations (article 132 of the Legislative Decree n. 58/1998 and article 144bis of Consob Regulations n. 11971/1999) and respecting the principle of equal treatment of Shareholders and any other regulations, including Community rules.

As of March 31, 2014 Damiani S.p.A. owns n. 5,556,409 treasury shares (equal to 6.73% of the share capital), and no additional treasury shares have been purchased or sold between April 2013 and March 2014.

Directors' fees

The fees for the financial year 2013/2014 due to the directors, statutory auditors and executives with strategic responsibilities of Damiani S.p.A., also with reference to what is perceived to similar functions performed within other Group companies are reported in the Annual report on remuneration, prepared pursuant to article 123-ter of the Legislative Decree n. 58/1998 and article 84-quater of Consob Regulation n. 11971/1999.
This report sets out the policy of Damiani S.p.A. regarding the remuneration of members of the Board of Directors and the executives with strategic responsibilities with reference to the financial year 2014/2015, and the procedures used for the adoption and implementation of this policy, and contains, among other things, information concerning the plans based on financial instruments pursuant to the current article 114-bis of the Legislative Decree n. 58/1998.
In this regard it should be noted that the Board of Directors of Damiani S.p.A. of June 14, 2013 confirmed the waiver of fees for the financial year 2013/2014 of Directors Guido Grassi Damiani (President and CEO), Giorgio Grassi Damiani (Vice President) and Silvia Grassi Damiani (Vice President) for a total of Euro 1.3 million. This waiver has already occurred in the previous two financial years.
The Remuneration report is made available to the public, together with the annual statements and the Report on corporate governance and ownership structure, at the registered office of the Issuer Damiani S.p.A. and on the website www.damiani.com

Financing operations

In order to face effectively the needs of medium-term related to the investments required to the development, primarily in international markets, and the recovery of profitability, the Group during the financial year 2013/2014 has signed three major financing operations that have also led to the re-balancing, in terms of time, between funding and lending [2].

The first operation, aimed at the end of September 2013, consisting in the issue by Damiani S.p.A. of a non-convertible bond with a nominal value of Euro 5,000 thousand reserved for subscription of executive directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani. The duration of the bond is defined in six years, from October 1, 2013 to September 30, 2019, with repayment on the due date, and the annual remuneration at a fixed rate of 5.5%, with payment in annual postponed installments, the first of which will take place on December 31, 2014. Pursuant to article 5 of Consob Regulation n. 17221/2010, which governs transactions with related parties and article 6 of the specific procedure for transactions with related parties approved by the Boards of Directors of Damiani S.p.A. on November 26, 2010 and subsequently updated on February 10, 2012, was prepared the Disclosure document relating to the bond issue, due to the importance constituted by this operation which has also received a favorable opinion by the Audit and Risk Committee on September 20, 2013. The Disclosure document is available at the registered office and at the website www.damiani.com in the Investor relations section.

The second operation consists in a medium-term loan underwritten by Damiani S.p.A. on November 6, 2013 with a pool of Italian Banks for an amount up to a maximum of Euro 11,000 thousand. The loan is intended to support the continued operation of the Damiani Group, mainly by financing the industrial investments and the initial stock required for the development of the retail channel. Disbursements are subject to the effective implementation of the investment plan of the Group and to comply with financial covenants stated in the contract and verified quarterly by lenders. Interest accrues on the amounts at the 6-month Euribor rate, plus a spread of 6.05% per annum. The repayment of the credit line runs from the 30th month following the signature of the contract, to be completed after 66 months from the signature according to the established plan.

A guarantee of the bank loan, the executive directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani have signed an Equity Commitment, consisting of an eventual financial support up to a maximum of Euro 5,000 thousand (for consideration and on terms equivalent to market), in the event of breach of the financial covenants stated in the contract.

This commitment – usual in transactions of a similar nature and amount – has been qualified as ordinary transaction at market conditions, and so it has benefited from the exemption under article 13, paragraph 3, letter c) of Consob Regulation n. 17221/2010 and article 8.1 letter f) of the current procedure for transactions with related parties of Damiani S.p.A., as well as shared by the Audit and Risk Committee on November 4, 2013. Communication to Consob has been provided on November 13, 2013.

At March 31, 2014, Damiani S.p.A. based on the progress of its investment plan, properly documented in accordance with the modes laid down in the contract, received by the lending banks a total amount of Euro 6,012 thousand.

The third operation was completed on December 31, 2013 and consists of the financial contribution of 29,826,000 HK$ (equivalent to approximately Euro 2,904 thousand) by Simest S.p.A. (66.7% of the total) and by the Venture Capital Fund of the Italian Ministry of Economic Development (the remaining 33.3%) in the subsidiary Damiani Hong Kong Ltd in order to support the development of the Group in Greater China. The injection of liquidity in the subsidiary amounted to 70,000,000 HK$, considering also the contribution of Damiani S.p.A. (equal to 39,774,000 HK$) occurred mainly through the conversion of outstanding commercial credit to the Asian subsidiary, and for the remaining portion of Damiani International B.V. (for 400,000 HK$). In legal term the transaction resulted in a capital increase for Damiani Hong Kong Ltd equal to the contribution of all of the entities involved. Accounting standpoint, this contribution is instead configured as a medium/long term financing and as such recognized in the Consolidated financial statements of the Damiani Group. The accounting approach follows the commitment under the agreement signed between Damiani S.p.A. and Simest S.p.A. (and with the Venture Capital Fund), which provides for the repurchase of shares at a predetermined minimum price (at least equal to the initial) at the end of the agreed period (starting from September 30, 2018 and until September 30, 2021), and the flat-rate annual fee to be paid to Simest S.p.A. (and to the Venture Capital Fund), equated to the initial payment, converted into Euro. At March 31, 2014 Damiani Hong Kong Ltd operates three flagship stores Damiani located in the Asian metropolis.

Research and development

The products offered, together with the reputation and image of the brands sold, has always represented the key of the Group's success, which over the years has been able to provide innovations in style and design in the collections offered to customers. The internal staff specifically dedicated to develop the products operates with this goal. During the financial year 2013/2014 the total cost for product development was equal to Euro 892 thousand.

Main risks and uncertainties for the Damiani Group

Macroeconomic and market of luxury goods risks and uncertainties

The economic and financial performance of the Group is affected by the consumption trends of the countries in which it is directly present, that are influenced by changes of the factors that make up the general macro-economic scenario (GDP trends, level of confidence of consumers and firms, interest rates, unemployment rate). Also the market for luxury goods is affected by the evolution in time, positive or negative, of these factors.

Increasing globalization and integration not only for the financial flows but also for the real economy with trade in goods and consumer products more and more intense and a greater flow of people (business and tourism) that generate higher volume of transactions for

[2] Minor operations of medium/long term underwritten by the Group during the financial year 2013/2014 are described in the following paragraph relating to liquidity risk.

purchase of goods outside the domestic borders have an increasing impact on the overall performance of the Group, which has started a process of internationalization for some years.
Since 2008 the world economic system, however, was marked by a highly volatility with significant impacts on all markets, including the luxury goods.
In 2013 there was a general slowdown in the global economy[3]. The crisis manifested its effects mainly in the Euro Area, with a decline in real GDP of –0.5%, while globally there has been a +3.0%, compared to +3.2% in 2012. In the advanced economies has fallen from +1.4% in 2012 to +1.3% in 2013, in emerging countries from +5.0% to + 4.7%.
In some large countries the decline was more pronounced: in the U.S. from + 2.8% in 2012 to +1.9% in 2013; in Russia from +3.4% to +1.3%; in Mexico from +3.9% to +1.1%. Other countries maintained the same level of growth (China unchanged at +7.7%) or slight increases (Japan from +1.4% to +1.5%). In this scenario, characterized by lights and shadows, Italy among the world's major economies is the country that has once again recorded the worst performances: GDP fell by -1.9% in 2013, slight improvement compared to the decrease of -2.4% in 2012.
As a consequence of this general trend of the economies of various countries, inflation was under control, with prices rose on average less than the previous year: +1.4% in advanced economies, and even less in the Euro Area (+1.3%), but was concerned at the growth in the unemployment rate that has exceeded 12% in the Euro Area (it was 11.4% in 2012), with a peak of 26.4% in Spain. In Italy the unemployment rate reached 12.2% in 2013, more than 1.5 percentage points higher than the previous year.
The policies implemented by western governments, with sovereign debts that remain dangerously high and generate onerous tax burden on businesses and consumers, rising unemployment rates and the poor flow of financial resources to the manufacturing sector, have not yet started a virtuous cycle of medium/long term sustained growth of the production system and consumption, with consequent beneficial effects on macro-economic indicators. Therefore, forecasts for 2014 indicate a modest improvement both globally and in the main geographical areas. In the Eurozone forecast returns positive, with an expected GDP growth of +1.2% (+0.6% in Italy) and the unemployment rate down slightly to 11.9% (12.4% in Italy). Best estimates of GDP are instead for the other major advanced economies: U.K. +2.9%, U.S. +2.8%, Japan +1.4% and Korea +3.7%. In emerging countries, forecasts are more contrasted: growth still strong in China (+7.5%), the recovery expected in India (+5.4%) and Mexico (+3.0%), greater uncertainty is linked to Russia (+1.3%), with recent downward revisions of forecasts due to the political crisis linked to relations with neighboring Ukraine and the possible impact on international trade flows of raw materials, which historically support the development of the country's economy. Quite stable, and higher than +4% remain the forecasts of GDP growth in the major countries of the Middle East (Emirates and Saudi Arabia).
Even the international trade of goods and services are expected to grow in 2014, increasing from +3.0% in 2013 to +4.3% in 2014.
The geographical areas mentioned above have all a high relevance such as markets for luxury goods, in some cases strengthened over time (U.S., Japan, Western Europe), and in other more recent development (Russia, China and the Arab countries) and with growth rates that have already subverted positions than until a few years ago seemed immutable. In a global market for luxury goods that in 2013 reached a total value of around 217 billion euro (+2.5% YoY in real terms, +6.5% at constant prices. The hard luxury segment, which includes jewelry and watches, worth approximately 50 billion euro, 23% of the total), the expenditure incurred by consumers in emerging countries, that are approximately 130 million people (slightly more than 200 million instead in the advanced countries), has far exceeded the 50% resulting in approximately 115 billion euro, with a growing weight of China (which generates about 28% of the total global spending on luxury goods)[4].
The Damiani Group during the financial year 2013/2014 has further increased its presence in international markets, but still operates in countries and areas with a weight strongly inhomogeneous. Its presence is more established in the economically advanced countries: Italy remains the main market, followed by Japan where the strong growth in turnover in real terms was impacted by the depreciation of the yen. The weight of revenues generated by the emerging countries is growing, among which the Greater China (China, Hong Kong, Macau and Taiwan) and Russia and former Soviet Republics, in which the Group is focusing a significant portion of its investments.
It should be noted, however, that the political turmoil or the trend of exchange rates and the government anti-corruption measures recently introduced in some countries can also influence in a sudden and significant way the trends of consumption of luxury goods and the same tourist flows toward western countries in which, to a greater extent in recent years, consumers from emerging countries have focused a significant portion of their purchases.
Therefore, the context and the macro-economic development may affect the expected trend in revenues (and hence profitability), particularly in the Asian markets that represent the main driver on which the future Group's growth is based. In fact, in these areas the Group has strategically decided to focus in more recent years a substantial flow of resources (financial and human), growing mainly in the retail channel, conscious of the fact that the timing of return of these investments are accelerated.

Price fluctuations' risk and availability of raw materials
Among its raw materials the Damiani Group mainly uses precious stones, gold, pearls and other precious materials, whose market prices and availability can vary significantly due to factors as government regulations, market trends and investors' speculative positions, rela-

[3] The data are taken from the World Economic Outlook of April 2014 of the International Monetary Fund.

[4] Data on the market for luxury goods is taken from Bain & Company research (January 2014) and from Worldwide Luxury Markets Monitor, Bain & Co. and Fondazione Altagamma, May 2014 edition.

tionships with suppliers (above all regarding the purchase of diamonds) and consequent conditions of supply.
During the financial year 2013/2014 the average price of gold, subject to much speculation in times of economic and financial crisis, recorded a strong decrease even if with wide fluctuations: in April 2013 the average monthly value was 36.6 euros per gram, in December 2013 the average value was down to 28.7 euros per gram, before recovering to 31.1 euros per gram in March 2014. The annual average was 31.8 euros per gram, compared to an annual average in the previous financial year 2012/2013 which has been equal to 41.3 euros per gram, a decrease by 22.9%. In the following months (April-May 2014) gold prices remained steady slightly above 30 euros per gram, without significant fluctuations. This context is generally positive for the impact of the decline in price determines on the cost of production, although strong fluctuations in the short term make it more complex and less reliable the formulation of expected purchase of raw materials, even if carried out with hedging mechanisms to reduce the risk of price fluctuations, and planning of production processes which in turn are influenced by the seasonal trend of the target market.
The risks related to price of raw materials and to the strong and sudden fluctuations are amplified by movements in the exchange rate, because some materials have official prices in currencies other than Euro and the same purchases are settled in US Dollar (diamonds) and Yen (pearls), while the Group's functional currency is the Euro.
The Damiani Group mitigates this risks as follows: a) proceeds to forward purchases of raw materials (gold only) with fixed prices and quantities in relation to the dynamics of the production process (at March 31, 2014 active contracts relating to purchases of gold were 6 for a total quantity of 68 kilograms and an agreed equivalent of Euro 1,981 thousands); b) purchases finished products from suppliers with a well established relationships and defined agreements for a medium-term time (normally six months) that enable to mitigate the effects associated with rapid and frequent price fluctuations; c) the retail price is increased (usually annually) in relation to the increase in the production costs.
If there were in the medium-long term an uptrend in the price of raw materials used in the production process, or sudden strong swings, it could inevitably cause a reduction of margins for the Group, as it would be impossible to fully pass on the retail price the increase in the cost of acquisition/production.

Exchange rate risks
The Damiani Group's functional currency is the Euro and, therefore, the transactions in other currencies are subject to exchange rate fluctuations, mainly of the US Dollar and Japanese Yen, which are the currencies of financial statements of the foreign subsidiaries located outside the Eurozone. The fluctuations in exchange rates affect the financial result and the financial position of the Group.
Furthermore, some purchases of raw materials and finished products, as described above, are made in US Dollar and Japanese Yen, which exposes them to the consequent exchange rate risk. If this risk is considered to be significant, as in those times of particular pressure on exchange rates, specific currency forward contracts are signed, for the purpose of hedging the exchange rate risk. The notional amount of the currency forward purchases made by the Group during the financial year 2013/2014 amounted to a total of Euro 10,811 thousands. At March 31, 2014 there were outstanding currency forward contracts entered into by Damiani S.p.A. for a total of Euro 4,689 thousands. At March 31, 2013 contracts were instead equal to a total of Euro 2,344 thousands.

Liquidity risk
As part of the overall financing needs for the ongoing management and support for the development, the Group uses various forms of financing in the medium/long term and short (lines of credit and factoring), with the goal of containing the cost and risk of exposure to fluctuations in interest rates and maintain the structure of the sources balanced with that of the uses of resources acquired.
During the financial year 2013/2014, the Group to fund expansion projects, mainly abroad, and deal with the gradual repayment of medium-long term loans subscribed in the past (June 2009, for a maximum period of 6 years) for a total of Euro 25,000 thousands as well as counteract excessive exposure in the short term that was being created (albeit short lines are only partially used and at costs that are lower than those currently imposed on medium/long term) proceeded to take out new loans.
These medium term loans underwritten, and their terms of duration and rate, are summarized here:

- On April 2013 the subsidiary Rocca S.p.A. has signed with a national bank a three years loan agreement (to be repaid in 36 monthly installments) for Euro 2,000 thousands, to 3-month Euribor rate plus a spread of 3%, for the coverage of investments in its retail structure.
- On June 2013 was paid the first installment, equal to 30% of the total subsidized financing from Simest S.p.A. of Euro 3,012 thousands which was signed in February 2013, for the implementation of development programs in China (to cover investment and operating costs to be incurred in the 24 months following the date of conclusion of the contract). The contract provides for the repayment in seven years (after the first two pre-amortization), in half-yearly installments and subsidized rates. A further tranche of Euro 786 thousands was paid in the month of December 2013.
- On November 2013 Damiani S.p.A. has underwritten a medium-term loan with a pool of Italian Banks for an amount up to a maximum of Euro 11,000 thousands. The loan is intended to support the continued operation of the Damiani Group, mainly by financing the industrial investments and the initial stock required for the development of the retail channel. Disbursements are subject to the effective implementation of the investment plan of the Group and to comply with financial covenants stated in the contract and verified quarterly by lenders. Interest accrues on the amounts at the 6-month Euribor rate, plus a spread of 6.05% per annum. The repayment of the credit line runs from the 30th month following the signature of the contract, to be completed after 66 months from the signature according to the established plan. At March 31, 2014 the amount disbursed was Euro 6,012 thousands.

- Those funding is added the non-convertible bond with a nominal value of Euro 5,000 thousands issued in September 2013 by Damiani S.p.A. and signed by the executive directors and majors shareholders Guido, Giorgio and Silvia Grassi Damiani. The duration of the bond is defined in six years, with effect from October 1, 2013 repayable in a single installment on the due date, and annual compensation at a fixed rate of 5.5%, with subsequent payment in annual installments, the first which will take place on December 31, 2014.
- Finally, on December 31, 2013 Simest S.p.A. (66.7% of the total) and the Venture Capital Fund of the Italian Ministry of Economic Development (the remaining 33.3%) have provided financial means for Euro 2,904 thousands to the subsidiary Damiani Hong Kong Ltd to support the development of the Group in Greater China. In legal terms, the injection of liquidity into the subsidiary (which also contributed Damiani S.p.A. and in small part Damiani International B.V.) resulted in a capital increase for Damiani Hong Kong Ltd equal to the contribution of all of the entities involved. From an accounting standpoint this contribution, as described above, it is rather much like an interest-bearing loan in the medium-long term (weighted average annual rate of 5.9%) and as such recognized in the consolidated financial statements of the Damiani Group.

In order to manage the needs generated by the performance of the operating working capital (inventory, trade receivables and payables), the Damiani Group also has unused bank lines of credit at March 31, 2014 to approximately Euro 34 million (out of a total of Euro 54.5 million). In addition there are other Euro 5 million related to the long term syndicate financing, described above, and not yet disbursed.
Furthermore, under the proper balance between resources generated or absorbed by operating activities also includes assessments made by management to bring the inventories to a better dimension related to the current volume of activity. In order to achieve this balance the Group can carry out different types of interventions that can be: i) fusion of the finished product with recovery of valuable raw materials (in contrast with earlier periods in financial year 2013/2014 have not been implemented operations of this type); ii) the destocking operations on channels other than ordinary. The use of one rather than another type of intervention varies over time in the light of developments in the prices of raw materials and related production requirements, and in terms of convenience as brand equity.

Interest rate risks

Closely related to liquidity risk is the risk of time-dependent fluctuations in interest rates. The Group is active to minimize its burden diversifying the sources of financing in consideration of the rates applied and their variability over time.
The medium-long term loans are fixed-rate (residual portion of the loan disbursed in 2009, bond signed by the major shareholders, supply of Simest S.p.A. in Damiani Hong Kong Ltd) and facilitated (Simest S.p.A. funding for programs of development in China), and partly variable rate (loan to Rocca S.p.A. and syndicated loan to Damiani S.p.A.). The short lines are floating rate, with values ranging in the different forms of financing, and an average cost of about 3%, which is currently lower than that at market conditions that matured on medium-long term loans of the financial year 2013/2014 (interest rates applied to different funding obtained are shown in the previous section).
Therefore, upward swing of the reference rates of the market could lead to a negative effect on the economic performance of the Group.

Credit risk

The credit risk is defined as the possibility of incurring a financial loss, which could be brought about by the non-fulfillment of a contractual obligation by a counterpart.
With reference to the dealership, the Group deals with a customer base consisting mainly of jewelry shops and distributors and therefore collaterals are not generally required. The Group carries out a preliminary information survey to customers through a specific information company and monitors all customers with the attribution of a specific trust. An automatic control is also operating with the help of an information company for reporting possible negativity (eg. Protests) that trigger the immediate blocking procedures and starting the process of debt collection. When there are critical situations with some customers, the credit management department formalizes plans to return while generating a lengthening of the average collection times, minimizes the risk of loss. This constant monitoring to date has determined the containment of losses to an acceptable level, albeit in a context where market conditions were partially damaged (mostly domestically), and the difficulty to access to credit can impact the solvency of some clients. The Group shall conduct timely assessment of risks both in the closing of the financial year as well as when preparing the interim reports.

For more details see note 39. Financial risk management of the in the Consolidated financial statements.

Uncertainties

At the date of approval of the Annual Report, in the Damiani Group there were some ongoing tax audits by the regional directorates of the Tax Agency. The circumstances described below did not reveal any problems that could generate liabilities classified as "probable" for any company of the Group and hence in the financial year 2013/2014 has been provided the necessary information, not under the conditions provided for by the applicable accounting standards for the recognition of a liability.

On September 26, 2012 the Provincial Directorate of Como of the Tax Agency has notified the Italian Tax Representative of Damiani International B.V. notice of assessment on the control on value added tax for the year 2007. The observations in the assessment mainly relate to the non-deductibility of VAT on a lease, in addition to other minor points, resulting in a higher tax, in addition to administrative penalties, for an amount of Euro 155 thousands. Tax advisors believed unfounded the findings of the Tax Agency and consequently on March 18, 2013 Damiani International B.V. filed an appeal in the Provincial Tax Commission of Como for the cancellation of the assessment. On this basis, the liability has been qualified as "possible" and in the financial year 2012/2013 had not proceeded to make specific provisions. While waiting for the judgment of the Commission, the Provincial Directorate of Como of the Tax Agency has notified namely on May 17 and 22, 2013 notice of assessment on the same subject (non-deductible VAT on lease contracts) with reference to the years 2008, 2009 and 2010.
On September 10, 2013 the first-instance judgment of the Provincial Tax Commission of Como was filed. It has welcomed the approach advocated by the applicant Damiani International B.V. for the year 2007 and has condemned the Tax Agency to pay the costs.
On February 7, 2014 the Office has appealed against the judgment. Damiani International B.V. has resisted the call by presenting a challenge to the Regional Tax Commission of Milan on April 8, 2014. A hearing of the case has been scheduled for September 16, 2014.
On October 21, 2013 Damiani International B.V. ha also filed an appeal in the Provincial Tax Commission of Como for the annulment of the assessment for the years 2008, 2009 and 2010. The hearing was held at the Commission on March 25, 2014 and at the moment the judgment has not yet been filed.

On September 5, 2012 the Provincial Directorate II of the Tax Agency in Milan initiated in Rocca S.p.A. a tax audit on IRES and IRAP (income taxes) for the period 2009/2010 and for VAT purposes for the year 2009. On October 22, 2012 the Office has notified Rocca S.p.A. a report of findings by formulating a series of reliefs: i) improper deductions of costs of Euro 126 thousands; ii) incorrect accounting entries for a taxable value of Euro 380 thousands and VAT corresponding to Euro 76 thousands; iii) penalties for Euro 50 thousands for formal errors in the 2010 tax return. Following the issuance of the report of findings:

- On February 21, 2013 Rocca S.p.A. filed a tax settlement to the report;
- On June 5, 2013 the Provincial Directorate served the summons to appear as a result of which has been established the contradictory with the Office;
- During the contradictory, on October 3, 2013 Rocca S.p.A. had also appealed to the Provincial Tax Commission of Milan for the annulment of sanctions (Euro 50 thousands) imposed as a result of the failure indication (in the opinion of the officer of Tax Agency) in the 2010 tax return of "black list" costs;
- The contradictory ended with a negative result on June 3, 2014, with the signing by Rocca S.p.A. and the Tax Agency of the minutes of negative closing of accession.

To date has not yet been notified to Rocca S.p.A. any notice of assessment resulting from the report of findings.

On December 20, 2013 the Provincial Directorate of the Tax Agency in Alessandria notified Damiani S.p.A., the acquiring company, the notice of assessment for IRES (income tax) for the tax year 2008/2009 of New Mood S.p.A. (incorporated in Damiani S.p.A. in the financial year 2012/2013), which states a higher taxable income of Euro 1,106 thousands, which generates a recalculation of loss for that tax period and increased IRES for Euro 304 thousands (New Mood S.p.A., which operates under Group taxation, in that period declared a tax loss of Euro 4,158 thousands). The higher taxable income resulted from the sum of three separate surveys: i) improper deduction of costs for royalties for Euro 97 thousands; ii) higher revenues not declared for Euro 252 thousands on sales abroad, according to an inductive reconstruction of the Tax Agency; iii) extraordinary expenses wrongly deducted as not related for Euro 757 thousands. On February 13, 2014 Damiani S.p.A. filed a tax settlement pursuant article 9-bis of the Legislative Decree 19/6/97 n. 218. As part of the accession process thus established, on May 9, 2014 Damiani S.p.A. transmitted electronically the instance of the calculation decreases of the consolidated losses (IPEC) from the higher taxable income established in the notice of assessment received, by suspending therefore for further sixty days the terms of presentation the appeal.

On March 13, 2014 the Provincial Directorate of the Tax Agency in Alessandria has initiated an audit in Damiani S.p.A. in the field of transfer pricing with reference to the tax period 2011/2012. The Company has provided on April 1, 2014 all the required documentation, and proceeded to a subsequent integration on May 29, 2014 providing additional documentation required by the Tax Agency on May 19, 2014. The audit is then in progress.

Human resources and environment

During the twelve months period closed at March 31, 2014 the average number of employees of the Damiani Group was 583.5 people, an increase of 16.5 units compared to the previous financial year in which they were equal to 567 people, divided as follows by category and by geographic area:

LABOUR CATEGORIES	FINANCIAL YEAR 2013/2014	% ON TOTAL	FINANCIAL YEAR 2012/1013	% ON TOTAL	Δ
Executives and Managers	46.5	8.0%	52.0	9.2%	-5.5
Clerks	441.0	75.6%	413.0	72.8%	28.0
Workers	96.0	16.5%	102.0	18.0%	-6.0
Total	**583.5**		**567.0**		**16.5**

EMPLOYEES BY GEOGRAPHICAL AREA	FINANCIAL YEAR 2013/2014	% ON TOTAL	FINANCIAL YEAR 2012/1013	% ON TOTAL	Δ
Italy	429.0	73.5%	445.5	78.6%	-16.5
Foreign countries	154.5	26.5%	121.5	21.4%	33.0
Total	**583.5**		**567.0**		**16.5**

The workforce at March 31, 2014 was made of 70.9% women (including n. 19 executives and managers) and the average age of the human resources was 42 years.

During the financial year there were not recorded any cases of workplace accidents that resulted in serious or extremely serious injuries to personnel nor there have been any complaints or claims regarding work-related illnesses involving employees or former employees or any legal proceedings for mobbing for which the Group has been declared responsible.

The actions taken during the financial year 2013/2014 which affected the staff were previously shared, where necessary, with the trade unions.

With regard to the environment, the activities of the Damiani Group do not entail significant impact on the habitat. It should be noted that during the financial year the Group has not cause any damage to the environment for which it has been convicted or has been subject to sanctions or penalties.

Key Data

SHARE CAPITAL	March 31 2014	March 31 2013
Number of shares issued	82,600,000	82,600,000
Par value per share	0.44	0.44
Share capital (in euro)	36,344,000	36,344,000
OWNERSHIP	% on shares issued	% on shares issued
Leading Jewels S.A. (1)	58.81%	58.49%
Sparkling Investment S.A. (1)	-	0.32%
Guido Grassi Damiani	5.99%	5.99%
Giorgio Grassi Damiani	6.11%	6.11%
Silvia Grassi Damiani	5.30%	5.30%
Damiani S.p.A. (treasury shares) (2)	6.73%	6.73%
Market	17.06%	17.06%

Shares held by the subjects indicated by art. 79 Legislative Decree n. 58/98		
INDIVIDUAL	Office held	Number of shares
Guido Grassi Damiani (total n. 59,078,736) (3)	Director	4,943,850
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,379,371
Strategic executives		12,000

(1) Companies traceable to Damiani Family.

(2) The Shareholders' Meeting of July 26, 2013 approved the authorization, for the part not executed of the resolution of the Shareholders' Meeting of July 26, 2012, for the purchase of treasury shares up to a maximum of n. 16,520,000 ordinary shares of Damiani S.p.A., within a period of 18 months from the date of the Shareholders' resolution. As of March 31, 2014 the treasury shares in portfolio were n. 5,556,409, equal to 6.73% of the share capital.

(3) As controlling shareholder to Mr. Guido Grassi Damiani are traceable the shares owned by Leading Jewels S.A. and the treasury shares of Damiani S.p.A.

Consolidated economic/financial data

MAIN ECONOMIC DATA (in thousands of Euro)	Financial Year 2013/2014	Financial Year 2012/2013 (restated)*	CHANGE	CHANGE %
Revenues from sales and services	**144,241**	**137,605**	**6,636**	**4.8%**
Total revenues	144,315	137,823	6,492	4.7%
Cost of production	**(144,064)**	**(140,117)**	**(3,947)**	**2.8%**
EBITDA**	**251**	**(2,294)**	**2,545**	**n.m**
EBITDA %	**0.2%**	**-1.7%**		
Depreciation and amortization	**(4,099)**	**(3,575)**	**(524)**	**14.7%**
Operating income	**(3,849)**	**(5,869)**	**2,020**	**34.4%**
Operating income %	**-2.7%**	**-4.3%**		
Net financial incomes (expenses)	(2,571)	(2,419)	(152)	6.3%
Result before taxes	(6,420)	(8,288)	1,868	22.5%
Net result of the Group	(8,557)	(8,390)	(167)	-2.0%
Basic Earnings (Losses) per Share	**(0.11)**	**(0.11)**		
Personnel cost	(25,502)	(26,814)	1,312	-4.9%
Average number of employees (***)	**583.5**	**567.0**	**16.5**	**2.9%**

(*) Economic data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2 of this document).

(**) EBITDA represents the operating result gross of depreciation, amortization and write downs. EBITDA thus defined is used by the Group's management to monitor and evaluate the Group's operational performance and is not an IFRS accounting measure, therefore it must not be considered as an alternative measure for evaluating Group's results. Since EBITDA is not regulated by the accounting standards adopted, the criteria used by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

(***) Average number of employees in the two financial years compared.

BALANCE SHEET DATA (in thousands of Euro)	Situation at March 31 2014	Situation at March 31 2013	CHANGE
Fixed Assets	47,208	49,191	(1,983)
Net working capital	66,418	67,553	(1,135)
Non current Liabilities	(6,461)	(6,622)	161
Net Capital Invested	**107,165**	**110,122**	**(2,957)**
Shareholders' Equity	66,395	77,159	(10,764)
Net Financial position (*)	40,770	32,963	7,807
Sources of Financing	**107,165**	**110,122**	**(2,957)**

(*) Net financial position is determined according to the indication of Consob communication n. DEM/6064293 of July 28, 2006.

In the following table there is given the reconciliation between the result for the financial year closed at March 31, 2014 and the net equity at March 31, 2014 of the Group parent company with the same figures in the consolidated accounts:

(in thousands of Euro)	Situation at March 31 2014	
DESCRIPTION	SHAREHOLDER'S EQUITY	NET RESULT
Shareholders' Equity of Damiani S.p.A.	97,670	(2,033)
1.Elimination of the book value of consolidated investments: - Difference between book value and shareholders' equity	(21,157)	(6,348)
TOTAL	(21,157)	(6,348)
2. Elimination of the transaction between consolidated companies: Infra-group profits included in the value of inventories		
- Gross value	(15,843)	(256)
+ Deferred taxes	3,271	80
TOTAL	**(12,572)**	**(176)**
Shareholders' equity and net profit belonging to the Group	**63,941**	**(8,557)**
Shareholders' equity and net profit belonging to the Minorities	**2,454**	**(11)**
Shareholders' equity and net profit belonging to the Shareholders	**66,395**	**(8,568)**

Comments on the main economic and financial data of the Group

The consolidated financial statements at March 31, 2014 have been prepared on a going concern basis because, despite the difficulties reflected by the economic loss, the Group believes that there is no uncertainty about the ability to continue its activity for the foreseeable future, even considering the actions taken, the full implementation of which is underway, to adapt to changing trends of the target market, reflected in the business plan of the Group that foresee, in the next financial year, a further increase in revenues, especially abroad, and a recovery in the margins.

Consolidated revenues from sales and services have recorded an increase over the previous financial year by 7.7% at constant exchange rates and 4.8% at current exchange rates. Even the operational performance rebounded with EBITDA came back positive (Euro 251 thousands), and an improvement of Euro 2,545 thousands compared to the previous financial year (net of non-recurring items improvement would be greater and equal to Euro 3,930 thousands). The positive gross operating result recorded in the financial year 2013/2014 confirms the correctness of the actions taken and provides a solid basis on which to build the development in the near future and to recover levels of positive net profitability at consolidated level.

The net loss of the Group is in line with the previous financial year, reflecting an higher tax impact of Euro 1,847 thousands, mainly due to the reduction of deferred tax assets in relation to the reversal of the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases.

In the following table is shown the consolidated income statement for the financial year 2013/2014 and for comparison to the financial year 2012/2013:

INCOME STATEMENT (in thousands of Euro)	Financial Year 2013/2014	Financial Year 2012/2013 (restated)*	CHANGE	CHANGE %
Revenues from sales and services	144,241	137,605	6,636	4.8%
Other revenues	74	218	(144)	-66,0%
Total revenues	**144,315**	**137,823**	**6,492**	**4.7%**
Cost of production	(144,064)	(140,117)	(3,947)	2.8%
EBITDA **	**251**	**(2,294)**	**2,545**	**n.m.**
EBITDA %	***0.2%***	***-1.7%***		
Depreciation and amortization	(4,099)	(3,575)	(524)	14.7%
Operating income	**(3,849)**	**(5,869)**	**2,020**	**34.4%**
Operating income %	***-2.7%***	***-4.3%***		
Net financial incomes (losses)	(2,571)	(2,419)	(152)	6.3%
Result before taxes	**(6,420)**	**(8,288)**	**1,868**	**22.5%**
Result before taxes %	***-4.4%***	***-6.0%***		
Taxes	(2,148)	(301)	(1,847)	n.m.
Net result	**(8,568)**	**(8,589)**	**21**	**0.2%**
Net result %	***-5.9%***	***-6.2%***		
Minorities Interests	(11)	(199)	188	n.m.
Net result of the Group	(8,557)	(8,390)	(167)	-2.0%
Net result of the Group %	*-5.9%*	*-6.1%*		

(*) Economic data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2 of this document).

(**) EBITDA represents the operating result gross of depreciation, amortization and write downs. EBITDA thus defined is used by the Group's management to monitor and evaluate the Group's operational performance and is not an IFRS accounting measure, therefore it must not be considered as an alternative measure for evaluating Group's results. Since EBITDA is not regulated by the accounting standards adopted, the criteria used by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

In detail, the components of the financial statements recorded the trends described below:

REVENUES

Consolidated revenues from sales and services for the financial year 2013/2014 increased by Euro 6,636 thousands (+7.7% at constant exchange rates; +4.8% at current exchange rates) compared to the financial year 2012/2013, from Euro 137,605 thousands to Euro 144,241 thousands.

The growth of the consolidated revenues is due to the increase in the retail channel (+18.9% at constant exchange rates; +14.2% at current exchange rates), and in particular the very positive performance recorded by Damiani single-brand boutiques in Italy and abroad (overall +30% at constant exchange rates; +19% at current exchange rates), reflecting the appreciation by the end consumers of our collections. The wholesale channel remains substantially stable (+1.3% at constant exchange rates; -0.6% at current exchange rates), with the increase in the Damiani brand that is offset by a reduction in revenues in the minor brands.

During the financial year the Group increased its presence abroad (revenues grew by 18% at constant exchange rates and 8.5% at current exchange rates, compared to the financial year 2012/2013), both in the wholesale channel and in retail, benefiting from growth rates higher than that of Italy, which, despite stagnant consumption, however recorded an increase in revenues (+3.2% compared to the previous financial year). The table below shows the total revenues divided by sales channel.

REVENUES BY SALES CHANNEL (in thousands of Euro)	Financial Year 2013/2014	Financial Year 2012/2013	CHANGE	CHANGE %
Retail	**57,274**	**50,142**	**7,131**	**14.2%**
Percentage on total revenues	*39.7%*	*36.4%*		
Wholesale	**86,967**	**87,462**	**(495)**	**-0.6%**
Percentage on total revenues	*60.3%*	*63.5%*		
Total revenues from sales and services	**144,241**	**137,605**	**6,636**	**4.8%**
Percentage on total revenues	*99.9%*	*99.8%*		
Other revenues	**74**	**218**	**(144)**	**-66.0%**
Percentage on total revenues	*0.1%*	*0.2%*		
Total Revenues	**144,315**	**137,823**	**6,493**	**4.7%**

The share of the retail revenues is therefore a further increase with a percentage just under 40% on total, more than three percentage points higher than the previous financial year. This trend confirms the expectations and rewards the efforts made by the Group to increase its notoriety and visibility, especially abroad, with the opening of new stores under direct management.
In the fourth quarter (January-March 2014) revenues amounted to Euro 33,949 thousands, an increase by 12.7% compared to the same period of the previous financial year (Euro 30,122 thousands).

Cost of production
Overall the total net costs of production for the financial year ended March 31, 2014 were equal to Euro 144,064 thousands, an increase of Euro 3,947 thousands (+2.8%) compared to the financial year ended March 31, 2013 (Euro 140,117 thousands).
In detail the trend of costs in the financial year 2013/2014 was the following:

- Cost of raw materials and other materials, including purchase of finished products, was Euro 79,677 thousands, an increase of 5.8% compared to the twelve months period ended March 31, 2013 (Euro 75,284 thousands). The increase was due to higher revenues recorded in the financial year 2013/2014, as well as to the combined effects of different mixes in terms of sales by channel and by product category, which correspond different costs of buying and margins.
- Costs for services were Euro 41,830 thousands an increase of 2.7% compared to the previous financial year (Euro 40,713 thousands); the overall trend of these costs is influenced by the contraction of some components, as a result of the savings resulting from the reorganization carried out in the previous financial year and a more efficient use of resources devoted to advertising and promotion activities that are basically stable in a context of growing revenues, especially in new markets that in the initial phase require greater support from the advertising costs. The higher operating costs for rents are linked to the development of the retail sector.
- Personnel costs amounted to Euro 25,502 thousands, a decrease of 4.9% compared to the previous financial year (Euro 26,814 thousands). Even in the presence of an average staff larger than the previous financial year (+16.5 units), as a consequence of the aforementioned retail development, the cost is reducing, fully benefiting from the rationalization of the structure and organizational processes. In the financial year ended March 31, 2014 the average number of employees of the Group was 583.5 units.
- The Other net operating incomes were Euro 2,945 thousands compared to a net profit of Euro 2,694 thousands also in the financial year 2012/2013. The balances of the two financial years compared include the net positive effects of the provisions for returns on revenues, given the drop in the volume of returns from wholesale customers, and provisions for risks and charges for litigation and the credit risk of customers with deferred payments. In addition, in the financial year 2013/2014 is included a non-recurring gain of Euro 570 thousands arising from the sale to third parties of a lease on a directly managed store that was not profitable nor strategic for the Group. Even in the financial year 2012/2013 the balance included a non-recurring operating income generated by the allowance received for the loss of the commercial goodwill for the issuance of a store (Euro 1,955 thousands).

EBITDA
The trend of revenues and costs of production described above results in a positive EBITDA in the financial year ended March 31, 2014 of Euro 251 thousands, an improvement compared to the gross operating result of the previous financial year (negative of Euro 2,294 thousands) for Euro 2,545 thousands. Net of non-recurring incomes recorded in the two financial years compared (of which evidence has been provided in the preceding paragraph) the improvement in EBITDA would have been greater and equal to Euro 3,930 thousands.

Depreciation, amortization and devaluation
In the financial year ended March 31, 2014 the amortization, depreciation and write downs amounted to Euro 4,099 thousands, an improvement to Euro 524 thousands compared to the previous twelve-months period (Euro 3,575 thousands). This increase is the result of higher depreciation for Euro 654 thousands, generated by industrial investments for the development of the retail channel, and lower write-downs of fixed assets for Euro 130 thousands. In both financial years we proceeded to the devaluation of the net assets relating to two DOS closed as non-profitable and non-strategic for the Group.

Operating result

In the financial year ended March 31, 2014, due to the factors described above, the operating result was negative for Euro 3,849 thousands compared to a negative result for Euro 5,869 thousands in the financial year 2012/2013, resulting in an improvement of Euro 2,020 thousands. Net of non-recurring income recorded in the two financial years compared the level of improvement in EBIT would have amounted to Euro 3,653 thousands.

Net financial incomes (expenses)

The balance of the financial management in the financial year ended March 31, 2014 was negative for Euro 2,571 thousands, worsening compared to the twelve-months period ended March 31, 2013 (negative balance of Euro 2,419 thousands). This change is attributable to the following factors: i) higher net charges of Euro 788 thousands due to the higher financial exposure during the year; ii) the net positive exchange rates effects of Euro 127 thousands compared to net foreign exchange losses from the previous financial year to Euro 509 thousands.

Result before taxes

In the financial year ended March 31, 2014 the result before taxes was negative and amounted to Euro 6,420 thousands, an improvement compared to the twelve-months period ended March 31, 2013 of Euro 1,868 thousands (the loss before taxes in the previous financial year was Euro 8,288 thousands).

Current, prepaid and deferred taxes

In the financial year ended March 31, 2014 income taxes have a negative impact on the consolidated result of Euro 2,148 thousands, while in the financial year 2012/2013 the negative impact was Euro 301 thousands. The higher value of taxes is mainly due to the reduction of deferred tax assets in relation to the reversal of the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases.

With reference to the provisions of Legislative Decree n. 344 of December 12, 2003 which introduced the tax regime of the Group called “fiscal consolidation”, Damiani S.p.A. formalized on September 14, 2012 to the electronic service of the Tax Agency the renewal of the national consolidated taxation for the period 2013-2015 which includes its subsidiaries Rocca S.p.A. and Laboratorio Damiani S.r.l. (initially also the subsidiaries Alfieri & St. John S.p.A., New Mood S.p.A. and Damiani Manufacturing S.r.l. that have been integrated by mergers in 2013 and in 2014). From January 1, 2013 has been activated also the regime of Group VAT (Damiani S.p.A., Rocca S.p.A. and Laboratorio Damiani S.r.l.), pursuant to Presidential Decree 633/72 article 73, paragraph 3, DM 13/12/1979.

Net result

Consolidated net result attributable to the Group for the financial year ended March 31, 2014 was a loss of Euro 8,557 thousands, a decrease of Euro 167 thousands compared to the financial year ended March 31, 2013 (loss of Euro 8,390 thousands). This deterioration is due solely to the described negative fiscal impact.

Balance sheet and financial position

The following table shows the consolidated balance sheet of Damiani Group at March 31, 2014 compared to March 31, 2013.

BALANCE SHEET DATA (In thousands of Euro)	Situation at March 31 2014	Situation at March 31 2013	CHANGE
Fixed Assets	47,208	49,191	(1,983)
Net working capital	66,418	67,553	(1,135)
Non current Liabilities	(6,461)	(6,622)	161
Net Capital Invested	**107,165**	**110,122**	**(2,957)**
Shareholders' Equity	66,395	77,159	(10,764)
Net Financial position (*)	40,770	32,963	7,807
Sources of Financing	**107,165**	**110,122**	**(2,957)**

(*) Net financial position is determined according to the indication of Consob communication n. DEM/6064293 of July 28, 2006.

Fixed assets

At March 31, 2014 the consolidated fixed assets were Euro 47,208 thousands, a decrease compared to March 31, 2013 of Euro 1,983 thousands. This change is mainly due to the decrease in deferred tax assets related to temporary differences between the book values and tax values recorded in previous financial years (see also as stated in previous sections), while depreciation (and devaluations) recorded in the period for Euro 4,099 thousands compensate for the increases resulting from investments amounted to Euro 4,246 thousands.

Net working capital

At March 31, 2014 the Net working capital amounted to Euro 66,418 thousands, a decrease compared to March 31, 2013 of Euro 1,135 thousands.

Non-current liabilities

At March 31, 2014 the non-current liabilities amounted to Euro 6,461 thousands, stable compared to March 31, 2013.

Shareholders' Equity

At March 31, 2014 the Shareholders' Equity amounted to Euro 66,395 thousands, a decrease of Euro 10,764 thousands compared to March 31, 2013. The change was due to the following items:

- Net loss of the financial year for Euro 8,568 thousands (including minorities);
- Increase of stock option reserve for the provision under IFRS 2 related to the stock option plan implemented on April 2011 for Euro 122 thousands;
- Actuarial loss on defined benefit plans for employees recognized in accordance with IAS 19 (2011) for Euro 555 thousands;
- Other negative changes in reserves for a total of Euro 1,764 thousands, mainly due to translation differences.

Net financial position

The following table shows the composition of the net financial position at March 31, 2014 and its evolution in relation to March 31, 2013:

NET FINANCIAL POSITION (*) (in thousands of Euro)	Situation at March 31 2014	Situation at March 31 2013	CHANGE
Current portion of loans and financing	3,664	5,500	(1,836)
Drawdown of credit lines, short term financing and others	21,554	21,493	61
Current portion of loans and financing with related parties	1,038	1,042	(4)
Current financial indebtedness	**26,256**	**28,035**	**(1,779)**
Non current portion of loans and financing	12,851	4,500	8,351
Non current portion of loans and financing with related parties	12,127	8,263	3,864
Non current financial indebtedness	**24,978**	**12,763**	**12,215**
Total gross financial indebtedness	**51,234**	**40,798**	**10,436**
Financial current assets	-	(147)	147
Cash and cash equivalents	(10,464)	(7,688)	(2,776)
Net Financial Position (*)	**40,770**	**32,963**	**7,807**

(*) Net financial position is determined according to the indication of Consob communication n. DEM/6064293 of July 28, 2006.

At March 31, 2014 the Group had a net financial debt of Euro 40,770 thousands. Compared to March 31, 2013 the net financial position worsening by Euro 7,807 thousands (the net debt was Euro 32,963 thousands).

Compared to March 31, 2013 the borrowings composition is more balanced, with a medium-long term share of 49% on total gross debt (at March 31, 2013 the weight was 31%), increased as a result of the financing received by the shareholders and the banking system and other financial institutions during the financial year 2013/2014 (see previous sections).

It should be noted that the net financial position at March 31, 2014 includes Euro 8,165 thousands of payables to related parties to real estate transactions accounted as sale and lease-back.

Capital Expenditures

During the financial year ended March 31, 2014 the Group carried out capital expenditures of Euro 4,246 thousands compared to Euro 3,385 thousands booked in the previous financial year.

These investments were mainly directed to the retail channel, even for new stores abroad activated.

Key economic data by geographical segments

The Damiani Group operates in a single operating segment in which there aren't any significant differences that could be considered as a basis for constituting separate business units. Therefore, the geographical dimension, featuring by the segments described afterwards, is subject of periodic observation and revision by the Directors as well as within the operational responsibilities of Group management. The sectors are thus formed:

i) the **Italy** segment includes revenues and operating costs of the parent company Damiani S.p.A., related to the domestic market, and its subsidiaries that operate in Italy;

ii) the **Foreign countries** segment that includes revenues and operating costs of Damiani S.p.A. attributable to foreign markets, and commercial subsidiaries with registered offices outside the national borders and distribute the Group's products in their local markets.

The reorganization of the Damiani Group implemented during the previous financial year 2012/2013 resulted in the reallocation and the simplification of operational activities within the Italian and foreign companies. Therefore, the division between Italy and Foreign countries is the main dimension on which the Group proceeds to the analysis and evaluation of the business, both in term of revenues and operating profitability. To this end, we proceeded to restate the economic results of the previous financial year 2012/2013 and to maintain comparability between periods in the information by geographic region data taken from internal management systems of the Group are also considered, in order to properly allocate revenues and operating costs on the relevant areas.
In the following table are shown revenues by geographical sectors in the financial year ended March 31, 2014 and in the previous financial year ended March 31, 2013.

REVENUES BY GEOGRAPHICAL AREA (in thousands of Euro)	Financial Year 2013/2014	% ON TOTAL	Financial Year 2012/2013	% ON TOTAL	CHANGE %
ITALY	**99,320**	**68.8%**	**96,366**	**69.9%**	**3.1%**
Revenues from sales and services	99,288		96,179		
Other revenues	32		186		
FOREIGN COUNTRIES	**44,995**	**31.2%**	**41,457**	**30.1%**	**8.5%**
Revenues from sales and services	44,953		41,425		
Other revenues	42		32		
Total revenues	**144,315**	**100.0%**	**137,823**	**100.0%**	**4.7%**

Compared to the previous financial year the revenues in **Italy** increased by 3.1% and benefited from the sustained and lasting growth of the retail channel (+12.4%), which shows the appreciation by the consumers of the offer mainly focused on the Damiani brand (the increase reaches almost 25%), and which is able to absorb the stagnation of wholesale (-2.2%), which although it shows signs of cautious optimism compared to previous years there is still a very conservative approach in purchases by retailers.
Revenues in the **Foreign countries** grow by 8.5% at current exchange rates, although penalized by negative exchange rate effects (+18.0% at constant exchange rates), with a positive performance in both the retail channel (+35.3% at constant exchange rates) and in the wholesale (+9.1% at constant exchange rates). In Japan, the main market for the Group's products after Italy, the increase at constant exchange rates was almost 32% (the excellent performance is strongly impacted by the depreciation of the yen against the euro: at current exchange rates the increase is only 4.5%).

The following table shows the EBITDA breakdown by geographical areas in the financial years ended March 31, 2014 and March 31, 2013.

EBITDA BY GEOGRAPHICAL AREA (in thousands of Euro)	Financial Year 2013/2014	% ON TOTAL	Financial Year 2012/2013 (restated)**	% ON TOTAL	CHANGE
ITALY	2,756	n.m.	573	n.m..	2,183
FOREIGN COUNTRIES	(2,505)	n.m.	(2,867)	n.m.	362
Consolidated EBITDA (*)	**251**		**(2,294)**		**2,545**
% on Revenues	0.2%		-1.7%		

(*) EBITDA represents the operating result gross of depreciation, amortization and write downs. EBITDA thus defined is used by the Group's management to monitor and evaluate the Group's operational performance and is not an IFRS accounting measure, therefore it must not be considered as an alternative measure for evaluating Group's results. Since EBITDA is not regulated by the accounting standards adopted, the criteria used by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

(**) Economic data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2 of this document).

In terms of EBITDA, **Italy** recorded an increase by Euro 2,183 thousands related to the growth of sales and to a more balanced structure of operating costs.
The gross operating result in the **Foreign countries** is also improved but still negative as burdened by the costs incurred to develop the retail presence, which especially in the Greater China is still in a start-up phase.

Related parties transactions

The operations carried out by the Damiani Group with related parties are mainly of real estate nature (property leasing for shops and offices) and starting from the financial year 2013/2014 are also financial (the executive Directors and shareholders Damiani brothers signed a bond). Data concerning dealings of the Group with related parties in the financial year ended March 31, 2014 and in the previous financial year are displayed hereunder (for further details see note 32 – Transactions with related parties).

(in thousand of Euro)	Financial Year 2013/2014		Balance at March 31 2014			
	NET OPERATING COSTS	FINANCIAL EXPENSES	OTHER CURRENT ASSETS	FINANCIAL DEBTS (INCLUDING LEASING)	OTHER CURRENT LIABILITIES	TRADE PAYABLES
Total with related parties	(1,055)	(941)	691	(13,165)	(138)	(4,575)
Total from Financial Statements	(148,164)	(2,867)	7,322	(51,234)	(6,149)	(49,183)
%age weight	1%	33%	9%	26%	2%	9%

(in thousand of Euro)	Financial Year 2012/2013		Balance at March 31 2013		
	NET OPERATING COSTS	FINANCIAL EXPENSES	OTHER CURRENT ASSETS	FINANCIAL DEBTS (INCLUDING LEASING)	TRADE PAYABLES
Total with related parties	881	(911)	788	(9,305)	(3,263)
Total from Financial Statements	(143,692)	(2,733)	10,799	(40,798)	(45,604)
%age weight	-1%	33%	7%	23%	7%

Non-recurring, atypical and/or unusual transactions

In the financial year 2013/2014 there were no positions or transactions deriving from atypical and/or unusual operations as defined in the Consob ruling n. 15519 as of July 27, 2006.

As non-recurring operation it should be noted:

- transfer to third parties of the lease on the Damiani boutique in Verona which was non-profitable and non-strategic for the Group. This sale generated a gross income of Euro 570 thousands, booked among other operating income, and a net positive impact on the income statement (gross of related tax effects) of Euro 323 thousands, considering the related write-down of the goodwill booked initially in 2002 when the commercial space was acquired (Euro 247 thousands).

Significant events during the financial year

After the authorization by the Indian competent body in November 2012, on April 15, 2013 Damiani International B.V., a subsidiary 100% owned by Damiani S.p.A. acquired 51% of the share capital of Damiani India Pvt. Ltd. by the Indian partner, owner of all the shares. The transfer of n. 357,000 shares (at a price of RS 10) led to the Group for an outlay of Indian Rupees (INR) of 3.57 million, amounting to approximately Euro 51 thousands. In the days following Damiani International B.V. subscribed to a capital increase, for the share of its responsibility, which resulted in an additional outlay of INR 14,779,800 (around Euro 210 thousands). The Indian company manages a flagship store Damiani in New Delhi.

From 14 to 20 April 2013 the Damiani Group has organized, with the prestigious collaboration of the diva Sophia Loren, four important events in Singapore, Beijing, Shanghai and Hong Kong to promote the Damiani brand and its prestigious collections, excellence of Made in Italy, in Asia, meeting with clients, local media and personalities and getting general appreciation.

In May 2013 Damiani won the international Andrea Palladio Jewellery Award for best communication campaign 2012/2013, sponsored by the Vicenza Fair and dedicated to excellence in design, production and communication in jewelry.

As part of the development plan abroad, the Group in the financial year 2013/2014 continued its expansion by opening new stores under the Damiani brand, both directly operated and franchising. In detail:

- in May the first DOS in Beijing, at Beijing Charter, the new mall dedicated to luxury located in the west of Chinese metropolis;
- in July a new point of sale at the Moscow airport Vnukovo;
- in September in China at Shenyang, a new DOS at Charter Store, the luxury most prestigious mall in the city located in the north-east of the country;
- in September in Malaysia in Kuala Lumpur in the famous Starhill Gallery frequented by the luxury consumers;
- in September has been inaugurated the new DOS in Macau, at the Venetian hotel's shopping mall, with the presence of an icon of Made in Italy as Sophia Loren;
- in October the presence abroad of the Damiani Group is further increased with the opening of the first Damiani boutique in franchising in Kyrgyzstan, a former Soviet republic in Central Asia;
- in October was inaugurated the secondo DOS Damiani in Shanghai, at Xin Tian Di, trendy and elegant pedestrian area for shopping and leisure in the Chinese megalopolis;
- in January 2014 Damiani S.p.A. has opened a new flagship store Damiani at the T3 terminal of the international airport Leonardo da Vinci-Fiumicino in Rome;

- in February the Group has launched the direct management of the Damiani boutique in London, in the prestigious Old Bond Street, formerly led by a local partner;
- always in February was opened the first Damiani boutique in franchising in Ulan Bator, capital of Mongolia, within the Central Tower Mall where there are some of the most important international luxury brands.

On November 20, 2013 has been organized the event for the reopening of the Damiani boutique in Rome, in via Condotti, completely renovated in 400 square meters on three floors, with the new concept presented in via Montenapoleone in Milan last year. Sophia Loren was the guest of honor, which has been a great success among the press and selected guess attending. The Rome event also marks the beginning of the celebrations for the 90th anniversary of the company, which is celebrated in 2014.
At the end of November 2013 Damiani got another international recognition, with the victory of the Watch & Jewellery Awards 2013 in Kuala Lumpur, Malaysia. The event, now in its seventh year, has awarded the collier "Sophia Loren", a unique masterpiece in diamonds for a total of 81 carats. In Kuala Lumpur, the Group is present with a Damiani boutique in franchising, opened in September 2013.
In January Damiani has won another international award. The necklace Vulcania, masterpiece of over 110 carats, was honored by the magazine's Best Annual Bazaar Jewelry China Fine Jewelry Award 2013. It is the second time that Damiani won this prestigious award.
In January 2014, has been completed the capital increase of the subsidiary Damiani Macau Ltd. for an amount of MOP 20.3 million (equivalent to approximately Euro 1,844 thousands), as part of the recapitalization of the direct parent company Damiani Hong Kong Ltd (owns 90% of the share capital of the subsidiary in Macau, while 10% is owned by Damiani International B.V.) and to support the development of the Group in Greater China. The transaction had no dilutive effect in the direct shareholdings.
On March 26, 2014, the merger between Damiani Manufacturing S.r.l. and Laboratorio Damiani S.r.l. was completed, as approved by the respective Shareholders' Meeting on December 16, 2013. The transaction qualifies as a merger technically "reverse", took place with the incorporation of Damiani Manufacturing S.r.l. in Laboratorio Damiani S.r.l. and related accounting and tax effects were backdated to April 1, 2013.
In March 2014 Damiani became part of the Leonardo Committee, an initiative of the Confindustria and the ICE to promote the image of Italy as a country's system. Are members of this association some of the most famous Italian brands which enjoy high prestige and an international reputation.

Significant events after the end of the financial year

On May 28, 2014, the activities of the second flagship store in Singapore initiated. The store is located at Marina Bay Stands, the shopping center of the city where there are major international luxury brands. American actress Eva Longoria was the guest of honor at the event inauguration of the boutique, which was attended by local dignitaries and journalists.
Damiani has participated as a sponsor in the celebrations of the centenary of the Olympic Committee in Rome. At the official ceremony June 9, 2014 at the Foro Italico in the prestigious setting of the Stadio dei Marmi, in the presence of the President of the Republic Giorgio Napolitano, Damiani has exposed the limited edition collection created to celebrate the 90th Anniversary of the maison. It is numbered exclusive jewelry that are inspired by each decade of history of Damiani from 1924 to today.

Business outlook

The financial year 2013/2014 was a period of change for the Damiani Group. After a few years, the Group has returned to record a positive EBITDA with a growth in revenues and with the operating costs, which, although it continued the strategy of expansion and of investments driven by the Damiani brand, are structurally controlled and, for the fixed components, better sized to the volume of current affairs and those planned for the near future.
The expected path of international growth of the Group in the financial year 2014/2015 is now properly supported by the appreciation of the offer demonstrated by our customers that all over the world attend the stores of the Group and from those who enthusiastically participated at prestigious events in recent months, with an economic and image return that has exceeded expectations, and that outlines the growth in sales compared to the year ended.
The commitment to continue in the coming months in the actions of streamlining of the business processes to recover margins of efficiency in the activities, particularly in the areas of staff, together with the expected growth in revenues and to the limited dynamics of commodity prices is expected will lead to a recovery of profitability, even at the bottom level, and cash generation, thereby strengthening the financial structure that, in light of the operations carried out recently, it is already solid and adequate to support the process of business expansion of the Group.

Under article 3 of Consob Resolution n. 18079 of January 20, 2012, we inform you that Damiani S.p.A. uses the derogation provided for article 70, paragraph 8 and 71, paragraph 1-bis, of Consob Regulation n. 11971/99 and subsequent changes and additions.

Milan, June 12 2014

For the Board of Directors
President & CEO
Mr. Guido Grassi Damiani

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	Note	March 31, 2014	March 31, 2013 (restated)*
NON-CURRENT ASSETS			
Goodwill	4	4,737	4,984
Other Intangible Assets	5	4,282	4,930
Property, plant and equipment	6	17,447	16,907
Investments	7	167	167
Financial receivables and other non current assets	8	4,125	4,349
Deferred tax assets	9	16,450	17,854
TOTAL NON CURRENT ASSETS		**47,208**	**49,191**
CURRENT ASSETS			
Inventories	10	85,745	83,434
Trade receivables	11	30,525	25,126
Tax receivables	12	497	1,373
Other current assets	13	7,322	10,799
of which towards related parties		691	788
Current financial assets		-	147
Cash and cash equivalents	14	10,464	7,688
TOTAL CURRENT ASSETS		**134,553**	**128,567**
TOTAL ASSETS		**181,761**	**177,758**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		36,154	46,623
Group net income (loss) for the period		(8,557)	(8,390)
TOTAL GROUP SHAREHOLDERS' EQUITY		63,941	74,577
NON CONTROLLING INTEREST			
Non controlling interest share capital and reserves		2,465	2,781
Non controlling interest net income (loss) for the period		(11)	(199)
TOTAL NON CONTROLLING INTEREST		**2,454**	**2,582**
TOTAL SHAREHOLDERS' EQUITY	**15**	**66,395**	**77,159**
NON CURRENT LIABILITIES			
Non current portion of long term financial liabilities	16	24,978	12,763
of which towards related parties		12,127	8,263
Employees Termination Indemnities	17	5,005	4,208
Deferred Tax liabilities	9	407	547
Provision for risks and charges	18	581	1,296
Other non current liabilities	19	468	571
TOTAL NON CURRENT LIABILITIES		**31,439**	**19,385**
CURRENT LIABILITIES			
Current portion of long term financial liabilities	16	4,702	6,542
of which towards related parties		1,038	1,042
Trade payables	20	49,183	45,604
of which towards related parties		4,575	3,263
Short term borrowings	21	21,554	21,493
Tax payables	22	2,340	1,993
Other current liabilities	23	6,149	5,582
of which towards related parties		138	-
TOTAL CURRENT LIABILITIES		**83,928**	**81,214**
TOTAL LIABILITIES		**115,367**	**100,599**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**181,761**	**177,758**

(*) Financial data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)	NOTE	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Revenues from sales and services		144,241	137,605
Other revenues		74	218
TOTAL REVENUES	24	**144,315**	**137,823**
Cost for raw materials and consumables	25	(79,677)	(75,284)
Cost of services	26	(41,830)	(40,713)
of which towards related parties		(1,055)	(1,092)
Personnel cost	27	(25,502)	(26,814)
Other net operating (charges) incomes	28	2,945	2,694
of which towards related parties		-	1,973
of which not recurring		570	1,955
Amortization, depreciation and write downs	29	(4,099)	(3,575)
of which not recurring		(247)	-
TOTAL OPERATING EXPENSES		**(148,164)**	**(143,692)**
OPERATING INCOME (LOSS)		**(3,849)**	**(5,869)**
Financial Expenses	30	(2,867)	(2,733)
of which towards related parties		(941)	(911)
Financial Incomes	30	296	314
INCOME (LOSS) BEFORE INCOME TAXES		**(6,420)**	**(8,288)**
Income Taxes	31	(2,148)	(301)
NET INCOME (LOSS) FOR THE PERIOD		**(8,568)**	**(8,589)**
Attributable to:			
Equity holders of the parent		(8,557)	(8,390)
Non controlling interests		(11)	(199)
Basic Earnings (Losses) per Share(**)		**(0.11)**	**(0.11)**
Diluted Earnings (Losses) per Share(**)		**(0.11)**	**(0.11)**

(*) Economic data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

(**) The earnings (losses) per share are calculated by dividing the net result for the financial year belonging to the ordinary shareholders of the parent company by the weighted average of the number of shares in circulation during the period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Net income (Loss) for the period	(8,568)	(8,589)
Other gains (losses) that will be reclassified to net income for the period:		
Gain (Losses) on cash flow hedges	0	3
Tax Effect	(0)	(1)
Gain (Losses) on exchange differences on translating foreign operations	(1,700)	(673)
Tax Effect	(64)	208
Other gains (losses) that will not be reclassified to net income for the period:		
Gain (Losses) on the remeasurement of defined benefit plans	(766)	(238)
Tax effect	211	65
Total Comprehensive Income (loss) for the period	**(10,886)**	**(9,225)**
Equity holders of the parent	(10,758)	(8,940)
Non controlling interests	(128)	(285)

(*) Economic data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Euro)	Share Capital	Share Premium Reservei	Legal Reserve	Cash flow hedging reserve	Shareholders payment reserve	Stock option reserve	Treasury Shares	Other reserves	IAS 19 reserve *	Net income (Loss) for the period	Group shareholders' equity	Non controlling interest	Total shareholders' equity
Balances at March 31, 2012	**36,344**	**69,858**	**2,434**	**(2)**	**8,618**	**264**	**(8,149)**	**(14,457)**	**340**	**(11,939)**	**83,311**	**2,867**	**86,178**
Allocation of the result for the period								(11,939)		11,939			
Other comprehensive income/(loss)				2				(379)	(173)	(8,390)	(8,940)	(285)	(9,225)
Stock option						191					191		191
(Purchase)/Sale of treasury shares							15				15		15
Balances at March 31, 2013	**36,344**	**69,858**	**2,434**	**0**	**8,618**	**455**	**(8,134)**	**(26,775)**	**167**	**(8,390)**	**74,577**	**2,582**	**77,159**

(in thousands of Euro)	Share Capital	Share Premium Reservei	Legal Reserve	Cash flow hedging reserve	Shareholders payment reserve	Stock option reserve	Treasury Shares	Other reserves	IAS 19 reserve *	Net income (Loss) for the period	Group shareholders' equity	Non controlling interest	Total shareholders' equity
Balances at March 31, 2013	**36,344**	**69,858**	**2,434**	**0**	**8,618**	**455**	**(8,134)**	**(26,775)**	**167**	**(8,390)**	**74,577**	**2,582**	**77,159**
Allocation of the result for the period								(8,390)		8,390			
Other comprehensive income/(loss)								(1,679)	(522)	(8,557)	(10,758)	(128)	(10,886)
Stock option						122					122		122
Balances at March 31, 2014	**36,344**	**69,858**	**2,434**	**0**	**8,618**	**577**	**(8,134)**	**(36,844)**	**(355)**	**(8,557)**	**63,941**	**2,454**	**66,395**

(*) Equity data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	**(8,568)**	**(8,589)**
Adjustments to reconcile the income (loss) for the period to the cash flow generated (absorbed) by operations::		
Amortization, depreciation and write downs	4,099	3,575
Costs/(revenues) for stock option	122	206
(Gains)/Losses from sale of non current assets	47	105
Accrual (releases) of allowance for doubtful accounts	881	247
Accrual (releases) of provision for risks and charges	70	325
Changes in the fair value of financial instruments	56	(71)
Accrual to employees' termination indemnity	399	330
Employees' termination indemnity payments	(157)	(306)
Changes in the deferred tax assets and liabilities	1,264	103
	(1,787)	(4,075)
Changes on operating assets and liabilities:		
Trade receivables	(6,280)	3,947
Inventories	(2,311)	4,357
Trade payables	3,579	(5,576)
Tax receivables	876	183
Tax payables	347	(158)
Provisions for risks and charges	(785)	(848)
Other current assets and current and non current liabilities	4,032	1,153
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	**(2,330)**	**(1,017)**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposal of intangible assets and property, plant and equipment	116	9
Purchase of property, plant and equipment	(4,040)	(2,891)
Purchase of intangible assets	(206)	(494)
Damiani India incorporation	(4)	-
Net change in the other non current assets	224	218
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	**(3,910)**	**(3,158)**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of long term loans	(7,231)	(7,324)
Issuance of long-term debt	17,606	-
Net change in short-term financial liabilities	61	12,876
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES ©	**10,436**	**5,552**
TOTAL CASH FLOW (D=A+B+C)	**4,197**	**1,377**
Effect of exchange rates on cash (E)	**(1,421)**	**(347)**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR (F)	**7,688**	**6,658**
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (G=D+E+F)	**10,464**	**7,688**

(*) Cash flow data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

EXPLANATORY NOTES

1. COMPANY INFORMATION AND BASIS OF PRESENTATION

Company information

The Damiani Group has been engaged for several years in the production and distribution of jewelry products through both wholesale and retail channels. In particular, the Group offers five prestigious jewelry brands, such as Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni. Moreover, through the Rocca network, the Damiani Group also distributes prestigious third-party brands in multi-brand boutiques, mainly regarding timepieces.

The registered office of the parent company Damiani S.p.A. is located in Piazza Damiano Grassi Damiani 1, Valenza (AL), Italy. Damiani S.p.A. is controlled by Leading Jewels S.A. (due to the family Grassi Damiani) which owns 58.81% of share capital.

Declaration of conformity to the International Accounting Standards (IFRS)

The Damiani Group prepared its consolidated financial statements as of and for the year ended March 31, 2014 in accordance with IAS/IFRS international accounting standards and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC) and by the International Accounting Standards Board (IASB) and adopted by the European Community, and with the measures implementing article 9 of Legislative Decree 38/2005.

Basis of presentation

The consolidated financial statements of the Damiani Group as of and for the year ended March 31, 2014 cover the period April 1, 2013 – March 31, 2014, and includes the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and the explanatory notes (hereafter, the "Consolidated Financial Statements") and was approved by the Board of Directors of Damiani S.p.A. on June 12, 2014.

The statements comply with the provisions of IAS 1 – (Revised) Presentation of financial statements.

The structure of the statement of financial position follows the classification by "current assets" and "non-current assets", while the income statement classifies by nature. The cash flow statement has been prepared using the indirect method.

In accordance with Consob Resolution n. 15519 dated July 27, 2006, the effects of transactions with related parties are presented in the statement of financial position as well as in the income statement. Transactions with related parties are identified in accordance with the extended definition laid down by IAS 24, i.e. including relations with the administrative and control bodies as well as those executives who have strategic responsibilities. See also note 32. Transactions with related parties.

The Consolidated financial statements were prepared in thousands of Euro. All amounts included in the tables presented below are shown in thousands of Euro, unless otherwise indicated.

2. ACCOUNTING POLICIES

Criteria used

The Consolidated financial statements for the period April 1, 2013 – March 31, 2014 have been prepared in accordance with IFRS as adopted by the European Union and include the financial statements of Damiani S.p.A. and of the Italian and foreign subsidiaries, directly or indirectly controlled by the Company determining their financial and management decisions and obtaining the corresponding benefits. Financial statements and equivalent accounts of Italian and foreign subsidiaries prepared following local GAAP were adjusted in order to be consolidated under IFRS.

The Consolidated financial statements as of and for the year ended March 31, 2014 have been prepared on a going concern basis. Despite the difficulties reflected by the economic loss, the Group believes that there is no uncertainty about the ability to continue its activity for the foreseeable future, even considering the actions taken, the full implementation of which is underway, to adapt to changing trends of the target market, reflected in the business plan of the Group that foresee, in the next financial year, a further increase in revenues, especially abroad, and a recovery in the margins.

The income statement, the changes in shareholders' equity and the cash flow statement for the financial year ended March 31, 2014 are compared to the figures for the corresponding prior year period. The statement of financial position as of March 31, 2014 is compared to that as of March 31, 2013.

Subsidiaries are fully consolidated from the date of the acquisition of the control by the Group and they cease being consolidated from the date when such control ceases.

The following subsidiaries are included within the scope of consolidation on March 31, 2014:

COMPANY NAME	REGISTERED OFFICE	CUR-RENCY	SHARE CAPITAL (local currency)	HELD BY	% DIRECT (*)	% OF THE GROUP
Laboratorio Damiani S.r.l.	Valenza (AL), Italy	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Damiani International B.V.	Amsterdam, Netherland	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan K.K.	Tokyo, Japan	JPY	495,000,000	Damiani International B.V.	0.00%	86.00%
Damiani USA, Corp.	New York, USA	USD	900,000	Damiani International B.V.	0.00%	100.00%
Casa Damiani Espana S.L.	Valencia, Spain	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Hong Kong Ltd.	Hong Kong	HKD	72,500,000	Damiani S.p.A.	96.00%	100.00%
Damiani France S.A.	Paris, France	EUR	38,500	Damiani International B.V.	0.00%	100.00%
Damiani Macau Ltd.	Macau	MOP	22,500,000	Damiani Hong Kong Ltd.	0.00%	100.00%
Rocca S.p.A.	Valenza (AL), Italy	EUR	4,680,000	Damiani S.p.A.	100.00%	100.00%
Rocca International S.A.	Lugano, Switzerland	CHF	600,000	Rocca S.p.A.	0.00%	100.00%
Damiani Mexico S.A. de C.V.	Mexico Distrito Federal	MXN	3,000,000	Damiani International B.V.	10.00%	100.00%
Damiani Shanghai Trading Co. Ltd.	Shanghai, China	CNY	42,500,000	Damiani S.p.A.	100.00%	100.00%
Damiani Korea Co. Ltd.	Seoul, South Korea	KRW	500,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani India Co. Ltd.	New Delhi, India	INR	35,980,000	Damiani International B.V.	0.00%	51.00%

(*) It's the share directly held by Damiani S.p.A.

Compared to 2013 the consolidation area at March 31, 2014 changed as follows:

- On April 15, 2103 Damiani International B.V., a Dutch company 100% owned by Damiani S.p.A. acquired 51% of the share capital of Damiani India Private Ltd by the previous Indian owner in Damiani International B.V., a Dutch company 100% owned by Damiani S.p.A.. The transfer resulted in an outflow for the Group in Indian Rupees (INR) of 3.57 million, amounting to approximately Euro 51 thousands. Subsequently Damiani International B.V. subscribed a capital increase, to its share, which resulted in an additional outlay of INR 14,779,800 (approximately Euro 210 thousands). The Indian company manages a Damiani flagship store in New Delhi.
- As part of the reorganization of the Group, in particular with reference to the productive sector, on March 19, 2014 Damiani S.p.A. sold to Damiani Manufacturing S.r.l. its direct participation in the share capital of Laboratorio Damiani S.r.l., equal to 9.35%, for a value of Euro 320 thousands. Subsequently, the merger between Damiani Manufacturing S.r.l. and Laboratorio Damiani S.r.l., approved by the respective Shareholders' meeting on December 16, 2013, was completed on March 26, 2014. The related accounting and tax effects are backdated to April 1, 2013. The merger has no effects on the consolidated financial statements.

Associated companies

Associated companies are those in which the Group owns at least 20% of voting rights or exercises significant influence, but not control, over financial and operating policies.
At March 31, 2014 the Group had no interests in associated companies.

Other investments

The following table includes information regarding investments in other companies held by the Damiani Group as of March 31, 2014 whose total value was Euro 167 thousands. See the "Summary of the main accounting policies" paragraph below for details regarding the evaluation criteria of the other investments.

COMPANY NAME	CURRENCY	SHARE CAPITAL (in thousands of Euro)	BOOK VALUE (in thousands of Euro)	HELD BY	% OWNED DIRECTLY	% OWNED BY WHOLE GROUP
Fin-or-val S.r.l. (1)	Euro	2,966	126	Damiani S.p.A.	4.36%	4.36%
Banca d'Alba (1)	Euro	46,953	41	Damiani S.p.A.	0.50%	0.50%

(1) Share Capital at December 31, 2012

Consolidation

In the preparation of the consolidated financial statement the assets, liabilities, costs and revenues were consolidated using the line by line method, while "non-controlling" interests (in shareholders' equity and in the net result for the period) are accounted for separately in the statement of financial position and income statement. The carrying amount of the investment in each of subsidiary annulled against the corresponding portion of shareholders' equity in the same subsidiary, taking into consideration any fair value adjustments of its assets and liabilities, at the acquisition date, and allocating to goodwill any residual difference.

All balances and transactions within the Group, including any unrealized gains arising from intra-Group relations, are netted out. Likewise all profits and losses on trade with associate companies, to the extent of the Group's share. Intra-group losses are also netted out, except impairments.

Translation of financial statements expressed in foreign currencies different from euro

The consolidated financial statements are expressed in Euro, which is also the functional currency in which the main Group companies operate. The statement of financial position and the income statement figures for companies operating in currency other than Euro are translated into Euro, by applying: (i) the spot exchange rates at year end, for statement of financial position items; (ii) the historical exchange rates, for shareholders' equity items; (iii) the yearly average rates, for income statement items.

Exchange rate translation differences arising from the application of different exchange rates for assets and liabilities, shareholders' equity and the income statement are recognized in the consolidated shareholders' equity item "Foreign currency conversion reserve" for the portion attributable to the Group, and in the item "Non-controlling interests share capital and reserves" for the portion attributable to non-controlling interests.

The statement of financial position and income statement figures translated into Euro are those denominated in the functional currency. Goodwill and fair value adjustments generated when recognizing the purchase cost of a foreign company are recognized in the currency in which they were paid and are translated using the exchange rate at the end of the financial period.

Accounting standards

The Damiani Group prepared its consolidated financial statements as of and for the year ended March 31, 2014 in accordance with international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Community and with the measures implementing article 9 of Legislative Decree 38/2005. IFRS also included all revised International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously called Standing Interpretations Committee (SIC).

The accounting policies adopted in the preparation of these Consolidated financial statements are consistent with those applied in preparing the consolidated financial statements as of March 31, 2013, except as outlined below in relation to the amendments and interpretations applicable from April 1, 2013.

Accounting standards, amendments and interpretations effective from April 1, 2013

Below are the description and the impact of any new standard/modification:

- IAS 1 Presentation of financial statements – Disclosure of the items of the other components of comprehensive income, which requires all entities to group items presented in other comprehensive income/(loss) depending on whether they can or cannot be reclassified subsequently to the income statement. The Group adopted this amendment from April 1, 2013 and the adoption was limited to the presentation mode and did not have any impact on the Group's financial position or results.
- IFRS 13 fair value measurement, which under IFRS introduces a unique guideline for all fair value measurement. IFRS 13 does not change when an entity is required to use fair value, but rather provides a guide on how to measure fair value under IFRS, when the application of fair value is required or permitted by international accounting standards themselves. The application of IFRS 13 has not had a material impact on the fair value measurements carried out by the Group.
- IFRS 7 Disclosures and compensation of financial assets and liabilities. The amendment requires information on the rights of offsetting financial assets and financial liabilities on the balance sheet. The Group has adopted this new standard and its adoption had no accounting impact.
- IAS 19 (2011) Employee benefits (IAS 19R). IAS 19R includes a number of changes in accounting for defined benefit plans, including actuarial gains and losses that are now recognized as other components of comprehensive income and permanently excluded from the separate income statement. It requires recognition in the income statement net interest on liabilities (assets) of the plan. That interest should be calculating using the same rate of interest used to discount the obligation. The costs relating to past service are now recognized in the income statement at the date that occurs first between i) the subsequent reduction or modification of the plan, or ii) the recognition of the related restructuring costs or termination of the employment relationship. Other changes include new disclosures, such as a qualitative sensitivity. The Group has applied IAS 19R with retrospective effect from April 1, 2013. The transition to IAS 19R has had an impact on the accounting treatment of actuarial gains and losses that are now recognized as other components of comprehensive income and permanently excluded from income statement. Moreover, starting from April 1, 2013 the

portion relating to the financial components is classified as a financial expense. The application retrospectively resulted in the restatement of the financial position at March 31, 2013 and the income statement of the financial year 2012/2013, as if the standard has already been applied. The following table shows the changes made to the figures at March 31, 2013, relating to IAS 19 (2011).

INCOME STATEMENT (in thousands of Euro)	FINANCIAL YEAR 2012/2013 (restated)	FINANCIAL YEAR 2012/2013	CHANGE
Operating income (loss)	**(5,869)**	**(6,306)**	**437**
Net financial income (expenses)	(2,419)	(2,220)	(199)
Result before taxes	**(8,288)**	**(8,526)**	**238**
Taxes	(301)	(236)	(65)
Net result	**(8,589)**	**(8,762)**	**173**
Gains (losses) from actuarial termination indemnities	(238)	0	(238)
Tax impact	65	0	65
Other gains/(losses) from comprehensive income	(463)	(463)	0
Total comprehensive result	**(9,225)**	**(9,225)**	**0**

SHAREHOLDERS' EQUITY (in thousands of Euro)	MARCH 31, 2013 (restated)	MARCH 31, 2013	CHANGE
Share capital	36,344	36,344	0
Reserves	46,623	46,796	(173)
Group net income (loss) for the period	(8,390)	(8,563)	173
Group shareholders' equity	**74,577**	**74,577**	**0**
Non controlling interest share capital and reserves	2,781	2,781	0
Non controlling interest net income (loss) for the period	(199)	(199)	0
Non controlling interest	**2,582**	**2,582**	**0**
Total shareholders' equity	**77,159**	**77,159**	**0**

Accounting standards, amendments and interpretations not yet effective and not early adopted by the Group

In addition, the IASB issued the following new accounting standards, interpretations and amendments applicable to the company financial statements for periods beginning after April 1, 2013 and not applicable nor adopted early by the Group:

- IAS 32 – Tax effects on distribution to shareholders (Amendment): the amendment clarifies that taxes related to distributions to shareholders must be accounted for in accordance with IAS 12 – Income taxes. The amendment removes from the IAS 32 the requirements relating to taxes and would like to apply IAS 12 to any taxes related to the distribution to shareholders. The change has no impact on the consolidated financial statements of the Group, in the absence of monetary and non-monetary distribution.
- IAS 34 – Interim financial reporting and segment information for total assets and liabilities (Amendment): the amendment clarifies the disclosure for segment information to improve the consistency with IFRS 8 – Operating Segments. It's necessary to give information on the total assets and liabilities for reportable segment only when the amounts are regularly provided to the top operating decision maker and there has been a material change in the total amount presented in the previous annual consolidated financial statements for the same sector. The amendment is not applicable to the consolidated financial statements of the Group.
- IAS 1 Presentation of financial statements – Clarification on the comparative information required: this amendment to IAS 1 clarifies that additional comparative information with respect to the minimum required by IFRS, must be presented in the notes to the financial statements. The presentation of this voluntary comparative disclosure does not require a complete set of tables in the financial statements. When the retrospective application of an accounting standard involves a material effect on the financial position at the beginning of the previous period, a statement of financial opening (the Third balance sheet) must be submitted, without notes. The clarification has no impact on the consolidated financial statements of the Group as there are no retrospective application of accounting standards with material effects.
- IFRS 10 Consolidated financial statements, IAS 27 (2011) Separate financial statements. IFRS 10 introduces a single control model that applies to all companies, including the company's purpose and replaces the part of IAS 27 which governs the accounting of the consolidated financial statements and SIC-12. IFRS 10 changes the definition of control, establishing that an investor controls an entity subject to investment when it is exposed, or has rights, to variable returns from its relationship with itself and at the same time has the ability to affect those returns by exercising its power over the entity. The application of this standard is provided for annual periods beginning after January 1, 2014. In any case are not expected impacts on the consolidation of Group's subsidiaries.
- IFRS 11 Joint arrangements and IAS 28 (2011) Investments in associated companies and joint ventures. IFRS 11 replaces IAS 31 and SIC-13 and removes the option to account jointly controlled entities using the proportional method. Jointly controlled entities that meet the definition of joint ventures are required to be accounted for using the equity method. The application of this standard is

provided for annual periods beginning after January 1, 2014. In any case are not expected impacts on the Group.

- IFRS 12 Disclosure of interests in other entities: this standard includes the disclosure requirements for interests held by a company in subsidiaries, joint venture, associated companies and structured entities. The application of this standard is provided for annual periods beginning after January 1, 2014. In any case are not expected impacts on the Group.
- IAS 32 – Financial instruments: presentation (Amendment). The amendment clarifies the application of certain criteria for offsetting financial assets and liabilities present in IAS 32. The application of this standard is provided for annual periods beginning after January 1, 2014.

Use of estimates

The preparation of the financial statements and the explanatory notes under the IFRSs requires the Group to make estimates and assumptions which affect the values of the assets and liabilities stated in the consolidated financial statements and the reporting of potential assets and liabilities. Final results could differ from these estimates which are used to measure provisions for credit risk, returns, inventory obsolescence, determining the useful life of property, plant and equipment and intangible assets in the calculation of depreciation, asset impairments, employee benefits, provisions for risks and charges and the assessment of taxable income for the purposes of determining the recoverability of deferred tax assets. These estimates and assumptions are reviewed periodically, and the effects of any change are booked directly to the income statement.

The main valuation processes for which the Group has used estimates regard the analysis of recoverability of goodwill and value of investments in the financial statements (impairment test), valuation of expected future returns, determination of trade receivable and inventory write-downs, and determination of risk reserves for which at the reporting date there are obligations for which are likely to use resources to satisfy them.

The current economic and financial environment has a great volatility and uncertainty. Therefore, assumptions regarding future trends are characterized by high randomness and results of upcoming financial periods may be significantly different from those estimated, calling for adjustment of their respective valuations, which cannot be estimated or foreseen at this time. The financial statements items that may be affected are the funds for return on sales, the allowance for doubtful accounts and the inventory obsolescence reserve.

Additional details on the estimates are found in the specific notes to the financial statements.

Summary of the main accounting policies

Goodwill

Goodwill acquired in a business combination is defined as the amount by which the cost of the combination is exceeded by the combined Group's share of its total shareholders' equity at current values as calculated from the values of the identifiable assets, liabilities and potential liabilities that have been acquired. Following the initial entry, goodwill is valued at cost less any accrued impairment. Goodwill is subjected to an impairment test, either annually or more often if events or changes occur that might give rise to any impairment.

For the purposes of these impairment tests, the goodwill acquired with business combinations is allocated, from the acquisition date onwards, to each of the cash-generating units (or groups of units) which are believed to profit from the synergistic effects of the acquisition, regardless of the allocation of any other assets or liabilities acquired. Each unit or group of units to which goodwill is allocated:

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes;
- is no greater than an operating segment of the Group as defined in the operating segments chart under IFRS 8.

Impairment is determined by defining the recoverable value of the cash generating unit (or group of units) to which the goodwill is allocated. If this recoverable value of the CGU (or group of CGUs) is lower than the book value, an impairment loss is recognized. Where goodwill has been attributed to a CGU (or group of CGUs) whose assets are partially disposed of, the goodwill associated with the asset disposed of is taken into account for the purposes of calculating any capital gain (or loss) arising from the transaction. In these circumstances the goodwill transferred is measured on the basis of the amount of the sold asset in proportion to the asset still held by the same unit.

Intangible assets

Intangible assets acquired separately are recognized at cost, while those acquired through business combinations are recognized at fair value at the acquisition date. After initial recognition, intangible assets are booked at cost, net of accumulated amortization and any accumulated impairments. Intangible assets generated internally are not capitalized, but are recognized in the income statement for the period in which the cost of generating them was incurred.

The useful life expectancy of intangible assets is assessed as finite or indefinite. Intangible assets with a finite useful life are amortized over their estimated useful life and subjected to impairment tests whenever there are reasons to suspect a possible impairment. The amortization period and method applied to them is reviewed at the end of each financial period, or more often if necessary.

Changes in the expected useful life or in the way the future financial rewards connected with the intangible asset are reaped by the Group are recognized by modifying the amortization period or method, and treated as changes in the accounting estimates. The amortization rates for intangible assets with a finite life are recognized in the income statement in the cost category consistent with the intangible asset's function.

Intangible assets with an indefinite useful life are subjected annually to an impairment test at the individual level or at the cash-generating unit level. These assets are not amortized at all. The useful life of an intangible asset with an indefinite useful life is reviewed each year to check that the conditions for this classification are still met. If not, the change from indefinite to finite useful life is done prospectively.
Gains or losses arising on disposal of an intangible asset are measured as the difference between the net revenue from the sale and the net book value of the asset, and are recognized in the income statement at the time of the sale.
In the case of intangible assets with a finite life expectancy, the annual amortization rates applied are as follows:

CATEGORY	RATE
Industrial rights and patents	from 10% to 20%
Software licences	from 20% to 33%
Key Money (indemnities paid for renewal of shop rental contracts)	duration of contract
Other deferred charges	from 14% to 20%

Research and development costs
Research costs are directly recognized in the income statement in the financial year when they are incurred.
Development expenditures on a particular project are capitalized only when the Group can demonstrate the technical possibility of completing the intangible asset so as to make it available for use or sale, the intention of completing it for in-house use or for sale to third parties, the generation of probable financial benefits in future, the availability of technical, financial and other resources needed to complete development, the ability to reliably evaluate the cost of the asset during its development and the existence of a market for the products and/or services that will arise from the asset and/or its usefulness for internal purposes can be demonstrated.
Following initial recognition, development costs are booked net of accumulated amortization and of any impairment losses recognized as previously described for intangible fixed assets with a finite useful life.
As of March 31, 2014 there are no capitalized development costs in the consolidated financial statements.

Property, plant and equipment
Buildings, plant and machinery acquired separately – based on purchase or lease agreements – are recognized at purchase cost, while those acquired through business combination transactions are recognized on the basis of the fair value determined at the acquisition date.
Buildings, plant and machinery are recognized at cost, including the ancillary costs directly attributable and necessary for the asset's deployment in the function for which it was purchased, plus (if relevant and where obligations are incurred immediately), the present value of the estimated expense of dismantling and removing the asset. If significant portions of these tangible assets have different useful lives, these items are accounted for separately. Land, whether undeveloped or built up, are not depreciated since their useful life is unlimited.
The carrying amount of property, plant and equipment is reviewed whenever events or changes take place which give reason to believe that the carrying amount, as established under the amortization plan, might not be recoverable. If such reason exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units to which the assets have been allocated are written down to their recoverable value.
The carrying value of the assets, their useful lives and the methods applied are reviewed annually and, if necessary, they are adjusted at the end of each period.
The depreciation rates applied are as follows:

CATEGORY	RATE
Buildings	from 2% to 3%
Plant and machinery	from 12% to 25%
Industrial and commercial equipments	from 7% to 35%
Other assets	from 12% to 25%
Leasehold improvements	Duration of lease contract

Leased assets
Finance leases, which essentially transfer all the risks and rewards arising from ownership of the leased asset to the Group, are booked, as of the lease commencement date, at the leased asset's fair value or, if lower, at the current lease value. The rental amounts are divided into a capital portion and an interest portion in such a way as to give a constant rate of interest on the remaining balance of the liability. Borrowing costs are charged directly to the income statement.
The capitalized leased assets are depreciated over the shorter of the asset's useful life expectancy or the lease period, unless it is reasonably certain that the Group will become the owner of the asset at the end of the contract.
Rental amounts on operating leases are booked to the income statement for the duration of the lease.

Impairment test

At the closing date of each period the Group assesses whether there has been a decrease in the value of its intangible assets with a finite useful life, its property, plant and equipment and its leased assets. If such a decrease has occurred, an impairment test is carried out. Goodwill and other intangible assets with indefinite useful lives are subjected to impairment test every year, whether or not there is any reason to suspect a loss in value.

Recoverable value is determined as the greater of the fair value of an asset or cash-generating unit (net of selling costs) and its value in use, and it is calculated asset by asset, except where the asset generates income which is not fully independent of that generated by other assets or asset groups, in which case the Group estimates the recoverable value of the cash-generating unit to which the asset belongs. In particular, since goodwill does not generate any income independently of other assets or asset groups, the impairment test is conducted on the unit or group of units to which the goodwill has been allocated.

In determining value in use, the Group discounts at the current value the estimated future cash flow, using a pre-tax discount rate which reflects the market's evaluation of the temporal value of the money and any specific risks pertaining to the asset.

In order to estimate the value in use, future cash flows are derived from the business plans drawn up by the Corporate of the parent company and approved by its Board of Directors, since these represent the Group's best forecast of the economic conditions over the period of the plan.

Such forecasts are reflected over three years period; long-term growth rate used to estimate the terminal value of the asset or unit is normally lower than the average long-term growth rate of the relevant industry, country or market. Future cash flows are estimated on the basis of current conditions, therefore estimates do not take into account any benefits arising from future restructuring to which the company is not yet committed, nor any future capital expenditures that aim to enhance or optimize the asset or unit or significantly modify it.

If the carrying amount of an asset or cash-generating unit exceeds its recoverable value, that asset has lost value and is consequently written down to its recoverable amount.

All impairment loss of operating assets are recognized in the income statement under the cost items relating to the asset that had lost value. Moreover, at the closing date of each period the Group assesses whether there is any reason to suspect that losses previously recognized may now be excessive and if this is the case, a new estimate of the fair value is made. The value of a previously written-down asset (except for goodwill) may only be restored if there have been changes in the estimates used to determine the asset's fair value after the most recent recognition of an impairment loss. In that case the asset's book value is revised to its recoverable value, though the revised value may never exceed the level which the book value would have been (net of any depreciation) if no impairment loss had been recognized in previous years. When a value is restored it is booked as income in the income statement and the adjusted carrying value of the asset is depreciated on a straight-line basis over the remaining useful life, net of any remaining values.

In no circumstances the value of goodwill can be restored after it has been written down.

Investments

Investments in associated companies are valued using the net equity method.

Investments in companies other than associated and subsidiary companies (in general, those where the Group owns less than 20% of the stock), are classified, at the time of purchase, as either "financial assets available for sale" or "financial assets at fair value through profit and loss" whether non-current or current assets. In accordance with the provisions of IAS 39, such shareholdings are valued at fair value or, in the case of unlisted shareholdings or those for which a fair value cannot be reliably determined, at cost, adjusted to take into account the reduction of value.

Changes in the fair value of investments classified as "assets available for sale" are accounted for in the shareholders' equity and subsequently, when the asset is sold or there is a loss in its value, recognized in the income statement. Changes in the fair value of investments classified as "financial assets at fair value through profit and loss" are directly recognized in the income statement.

Inventories

Inventories are booked at the lower of their purchase or production cost and their net realizable value, this being the amount which the company expects to obtain from their sale in the normal course of business. The cost configuration used is the weighted average cost method, which includes all ancillary charges accruing in relation to the purchase of these stocks during the period. Inventory valuations include both the direct cost of materials and labor and the indirect cost of production.

Inventories also include the production costs relating to returns expected in future years from deliveries already made, estimated on the basis of the sale value minus the average applied margin.

In order to calculate the net value of future realizable, the value of eventual obsolete or slow-moving goods is written down in relation to an estimate of future net use/realizable value, by means of a specific adjustment reserve for the reduction of the value of the inventories.

Trade receivables and other current assets

Trade receivables and other current assets are booked at their fair value, which is the nominal value that is subsequently reduced to take into account any eventual loss in value by means of the creation of a specific provision for doubtful accounts, amending the value of the asset. Trade receivables are booked to the financial statements net of the estimated reserve for products that the Group expects to be returned by clients. The above mentioned reserve is related to the amounts invoiced on dispatch of the goods where it is reasonable, in the light of experience and on the probable percentage relating to sales in future years, to expect that not all significant risks and benefits

connected to ownership of the assets have been definitively transferred at the balance sheet date.
Trade receivables and other current assets which neither bear interests nor are expected to be settled within normal commercial terms are discounted.

Financial instruments
The financial instruments held by the Group may be grouped as follows:
- Non-current assets: include investments not consolidated, non-current loans and receivables and other non-current financial assets available for sale;
- Current assets: include trade receivables, other current financial assets and cash and cash equivalents;
- Current liabilities: include financial liabilities, other financial liabilities, trade payables and other payables.

The described above assets and liabilities are accounted for in accordance with IAS 39.
Initially all financial instruments are recognized at fair value, plus ancillary charges in the case of assets that are not at fair value in the income statement. The Group classifies its financial assets after they have been initially recognized and, when appropriate and permitted, reviews this classification at the end of each financial year.
All purchases and disposals of financial instruments are booked to their transaction date, which is the date on which the Group undertakes to buy the asset.
Subsequent to initial recognition, the financial instruments available for sale and held for trading are measured at fair value. If the market price is not available, the fair value of the financial instruments available for sale is measured using the most appropriate valuation methods such as the discounted cash flow analysis, carried out with the market information available at the date of the financial statement.
Gains and losses on financial assets available for sale are recognized directly in shareholders' equity until the financial asset is sold or impaired; when the asset is sold, the related gains or losses, are recognized in the income statement for the period; when the asset is impaired the accumulated losses are included in the income statement. Gains and losses arising from changes in fair value on financial instruments classified as held for trading are recognized in the income statement for the period.
Loans and receivables not held for trading purposes and which are not listed in an active market are recognized if they have a fixed maturity according to the amortized cost using the effective interest rate method. Otherwise, they are valued at acquisition cost. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or when there is a loss of value, as well as through the amortization process.
With the exception of derivative financial instruments, the financial liabilities are measured at amortized cost using the effective interest method.
The financial assets and liabilities hedged by derivative instruments are measured in accordance with hedge accounting principles applicable to fair value hedges: gains and losses arising from re-measurement at fair value, due to changes of the relative risks, are recognized in the income statement.

Hedge accounting
For the purposes of hedge accounting, hedges are classified as:
(i) fair value hedges, if they hedge the exposure to changes in the fair value of the underlying assets or liabilities; or if they are a firm commitment (in the exceptional case of currency hedges); or (ii) cash flow hedges, if they hedge the exposure to variability of cash flow which is either attributable to a particular risk associated with a recognized asset or liability or a highly probable planned transaction, or if they hedge the currency risk of a firm commitment; (iii) hedging of a net investment in a foreign company (net investment hedges).
When a hedge transaction is launched, the Group formally designates and documents it as such, stating its objectives in terms of the strategy pursued and the exposure hedged. This documentation identifies the hedge instrument, the element or transaction hedged, the nature of the risk and the way the company intends to assess the hedge's effectiveness in covering exposure to changes in the fair value of the element covered or in the cash flow linked to the hedged risk.
Changes in the fair value of the hedge are booked to the income statement. The change in the fair value of the hedged asset attributable to the risk hedged against is recognized as part of the book value of the asset itself, with a counter-entry in the income statement.
As for fair value hedges of assets valued at amortized cost, the adjustment to the book value is amortized in the income statement for all the period remaining up until maturity. Any adjustments to the book value of a hedged financial instrument valued using the effective discount rates are amortized in the income statement.
Any profits and losses resulting from changes in the fair value of derivatives not suitable for hedge accounting are booked directly to the income statement for the period.

De-recognition of financial assets and liabilities
A financial asset (or, where applicable, part of a financial asset or a group of similar financial assets) is derecognized when:
- the rights to receive the financial flows expire;
- the Group keeps the right to receive the asset's financial flows, but has the contractual obligation to transfer them without delay to a third party;
- the Group has transferred the right to receive the asset's financial flows and (i) it has essentially transferred all the risks and benefits

of ownership of the financial asset, or (ii) it has not substantially transferred nor retained all the risks and benefits of the asset, but has transferred control of it.

In case the Group has transferred the right to receive the financial flows from an asset and has not transferred or retained all the risks and benefits of the asset nor lost control of it, the asset is recognized in the Group's financial statements to the extent of the Group's remaining involvement in that asset. A "remaining involvement" which takes the form of a guarantee in respect of the transferred asset is valued at the lesser of the asset's initial book value and the maximum amount which the Group might be required to pay.

A financial liability is derecognized from the financial statements when the underlying obligation is extinguished, annulled or fulfilled.

Where an existing financial liability is replaced by another from the same lender on materially different terms, or the terms of an existing financial liability are materially modified, this difference or modification is treated as a de-recognition of the original liability in the accounts and the recognition of a new one and any difference in the book values is booked to the income statement.

Cash and cash equivalent

Cash and cash equivalent are booked at their par value, depending on their nature.

Financial liabilities

Financial liabilities include financial debt and financial liabilities relating to derivative instruments. Financial liabilities other than derivatives are initially booked at fair value plus transaction costs, while thereafter they are valued at amortized cost, i.e. the initial value less any capital repayments already made, adjusted (up or down) by the amortization (at the effective interest rate) of any differences between the initial value and the value at maturity.

Employee benefits

Guaranteed employee benefits paid on or after termination of employment under defined-benefits schemes (for Italian companies, this is the known as "TFR" or severance indemnities) are recognized in the period in which the rights are accrued.

Those liabilities relating to a defined-benefits scheme, net of any assets held to service the plan, are determined on the basis of actuarial assumptions and recognized on an accrual basis consistent with the employment services necessary for obtaining the benefits; liabilities are valued by an independent actuary.

Profits and losses arising from the actuarial calculations are booked to the separate income statement (personnel cost and financial expenses) and comprehensive (actuarial gains/losses).

Other employee benefits

In accordance with IFRS 2 (Payments based on shares), stock options in favor of employees are valued by an external evaluator at their fair value at the grant date according to an appropriate model.

If the right can be exercisable after a certain period and/or when certain performance conditions take place, i.e. the vesting period, the overall fair value of the options is split equally over time during the said period and booked to a specific item in the net equity while a corresponding amount is booked to the income statement as "personnel costs" (since it is a payment in kind paid to the employee) and as "costs of services" (in relation to the directors and agents who are beneficiaries of the options).

During the vesting period the fair value of the option that has been previously calculated is not reviewed or updated, but the estimated number of options that will mature at the due date is continually updated and, therefore, the number of beneficiaries with the right to exercise the options. The change in estimates is treated as an increase or a reduction in the net equity item referred to while a corresponding amount is booked to the income statement as "personnel costs" and "costs of services".

When the option date expires, the amount booked to the net equity item referred to is reclassified as follows: the amount of the shareholders' equity referring to the exercised options is booked under "Share premium reserve", while the part referring to the options that have not been exercised is reclassified under "Other reserves".

Trade payables and other current liabilities

Trade payables and other current liabilities, whose due date fall under normal trade and contractual terms, are not booked to their net present value but to their par value.

Provision for risks and charges

Provision for risks and charges refer to costs and charges that are of determined nature and are of either certain or probable and for which it was not possible to calculate the amount or contingency date at the end of the financial year. Provisions for risks and charges are booked when the Group must meet an obligation that derives from a past event if resources will probably have to be used to meet the obligation and the amount required can be reliably estimated.

When the Group believes that a provision will be either totally or partly reimbursed (insurance policy cover risks), if the reimbursement is practically certain, it is booked under a specific item under assets, in which case the provision is booked net of the reimbursement in

the income statement.
The amount of provisions is based on the best estimate of the amount that is to be paid in order to meet the obligation or to transfer it to a third party, and is booked at the end of the financial year.

Revenues from sales and services
Revenues and income shown net of discounts, allowances and returns are booked at their fair value as far as it is possible to calculate it and it is likely to enjoy the related financial benefits.
Revenues from the sale of goods are recognized when all the following conditions are met:
- the significant risks and benefits connected to the goods are transferred to the purchaser;
- the usual operations associated with ownership of the goods are no longer carried out and effective control of the goods is no longer exercised;
- the amount of the revenues can be reliably calculated;
- it is likely that any future financial benefits will be enjoyed;
- the costs incurred, or to be incurred can be reliably estimated.

In some cases the Group accepts from customers, for commercial reasons and in line with the usual practices of the sector, returns of goods that have already been delivered, including goods delivered in previous financial years. In such cases, the Group adjusts the amounts that have been invoiced at the time the goods were shipped for those amounts which, in the light of historical experience, it is possible to reasonably estimate that at the date of the financial statements not all the significant risks and benefits associated with ownership of the goods will been transferred to the new owner. Returns that are calculated in this manner are booked to the income statement as a reduction of revenues and in the balance sheet under a specific adjustment reserve for receivables from customers, while the relative estimated production cost is included under inventories.

Barter transactions
Sales of goods in return for the purchases of publicity and advertising services are booked separately in the financial statements under "revenues from sales" and "costs of services". Revenues from the sale of goods is calculated at the fair value of the publicity and advertising services received, adjusted to take into account any cash payments or equivalents, and they are booked at the time the goods are shipped.

Other revenues and incomes
The other revenues include financial benefits during the period from operations connected to the company's ordinary business activities. Key monies received as a result of the disposal of leasing contracts before their due date for the commercial usage of premises are booked under other operational incomes when the amounts are received, which coincides with the date the original leasing contract is cancelled.

Costs
Costs are accounted for on the accrual basis. In particular:
Costs for advertising campaigns and testimonials
Commission due to advertising agencies and the cost of producing advertising campaigns (television commercials and photo shoots), are booked to the income statement at the time they are incurred.
Costs relating to advertising campaigns and promotional activities are recognized in the income statement for each period the services were received (advertising already broadcast, published or transmitted, testimonial appearances already made).
Any advances paid for services still to be received are booked at the period when the services are provided.

Financial incomes and expenses
Financial incomes are recognized after an assessment has been carried out on the interest earned in the relevant period. This assessment is carried out using the effective interest rate method, represented by the rate used to discount the cash flow estimated on the basis of the life expectancy of the financial instrument.
Financial expenses are booked to the income statement in accordance with the accruals system and for the amount of the effective interest.

Dividends
Dividends are booked when the shareholders' right to receive payment comes into force, coinciding with the moment in which dividends are declared.

Income taxes
Current taxes

Current taxes are calculated on the basis of the taxable income for the period. Taxable income differs from the result shown in the income statement because it excludes items (positive or negative) that will be taxable or deductible in other financial years and that will never be taxable or deductible. Current tax payables are calculated on the basis of the tax rates in force at the time the financial statements are prepared.

Deferred and prepaid taxes

Deferred and prepaid taxes are calculated on the temporary differences between the book value of the assets and liabilities in the financial statements and the corresponding fiscal value used in calculating taxable income, accounted for using the balance sheet liability method.
Deferred tax liabilities are recognized in the case of all such taxable temporary differences, with the exception of the following:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction itself, has no effect either on the profit for the period calculated for the purposes of the financial statements, nor on the profit or loss calculated for tax purposes;
- in the case of taxable temporary differences linked to investments in subsidiary and associated companies and joint ventures, where the reversal of these temporary differences can be verified and it is likely that they will not in fact be reversed in the foreseeable future.

Deferred tax assets are recognized to the extent that it is thought likely that there will be sufficient taxable profits in future to enable the temporary differences to be deducted, except:

- where the prepaid tax derives from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, had no effect either on the profit for the period calculated for the purposes of the financial statements nor on the profit or loss calculated for tax purposes.

The value assigned to the deferred tax assets is re-examined at the end of every financial period and reduced in accordance with the likelihood that in the year in which the temporary difference is expected to be reversed there might not be sufficient taxable income to enable its full or partial recovery. Any previously unrecognized taxes paid in advance are re-examined each year at the end of the financial period and are then recognized in relation to the probability of their recovery.
Both prepaid and deferred taxes are calculated on the basis of the tax rates which are expected to be in force during the financial period in which the tax asset is realized or the tax liability is settled, in accordance with the tax law in force at the time covered by the financial statements.
Deferred taxes (liabilities and assets) are booked to the income statement, with the exception of amounts relating to items recognized directly in shareholders' equity for which the relative deferred and advance taxes are directly booked without being entered in the income statement.
Prepaid tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

Foreign currency translation

The Damiani Group's functional and presentation currency is the euro.
Transactions in other currencies are translated and booked at the rate in force at the time of the transaction. Any foreign currency based assets and liabilities are translated into euros using the rate in force at the reporting date of the financial statements. All exchange differences resulting from transactions in foreign currencies with third parties are booked to the income statement. Non-monetary items valued at their historical cost in foreign currencies are converted using the exchange rate in force at the date the transaction is recognized. Non-monetary items booked at their fair value in foreign currencies are converted using the exchange rate in force on the date the fair value is calculated.

Treasury shares

Treasury shares are classified as a direct reduction of shareholders' equity. The original cost of treasury shares and gain from any subsequent sale of it is shown as changes in shareholders' equity.

Earnings (losses) per share

Earnings (losses) per share are calculated by dividing the net result for the period attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares in circulation during the period. It should be noted that when calculating the earnings per share for the financial period ending March 31, 2014 and for the financial period ending March 31, 2013, the average number of shares in circulation in each period was based on the changes in the company capital in each of those financial periods. The Company's diluted earnings (losses) per share are calculated by taking into account the effects produced by the treasury share purchase plan approved by the Shareholders' Meetings of February 22, 2008, July 22, 2009, July 21, 2010, July 27, 2011, July 26, 2012 and July 26, 2013.

Business combination

Business combinations are accounted for by using the purchase cost method, whereby the costs of business combinations are allocated by recognizing the fair value of the assets and liabilities purchased, together with any identifiable potential liabilities and any equity instruments issued on of the date of the transaction, and the costs directly attributable to the purchase.
Any positive difference between the purchase cost and the share of the fair value of the assets, liabilities and identifiable potential liabilities of the purchase is recognized as goodwill in the assets and is subject to an impairment test at least once a year. Any negative difference is

either booked directly to the income statement or booked as a liability in a special risk reserve if it represents future losses.
Purchase transactions between parties controlled by the same entities, which take the form of transactions between companies "under common control", are not currently regulated by IFRS and so, in line with IFRS recommendations, similar accounting procedures and principles are used for these business combinations. On the basis of such criteria, the purchase is booked at its historic values and any difference between the historic value and the price paid recognized in the financial statements of the purchased company is regarded as received or distributed capital to/from the controlling shareholders.

3. SEGMENT INFORMATION

Damiani Group operates in a single operating segment in which there aren't any significant differences that could be considered as a basis for constituting separate business units. Therefore, the geographical dimension is subject of periodic observation and revision by the Directors as well as within the operational responsibilities of Group management.
The reorganization of the Damiani Group implemented during the previous financial year 2012/2013 resulted in the reallocation and the simplification of operational activities within the Italian and foreign companies. Therefore, the division between Italy and Foreign countries is the main dimension on which the Group proceeds to the analysis and evaluation of the business, both in term of revenues and operating profitability. To this end, we proceeded to restate the economic results of the previous financial year 2012/2013 and to maintain comparability between periods in the information by geographic region are also used data taken from internal management systems of the Group, in order to properly allocate revenues and operating costs on the relevant areas.

The following tables provide the operating results for the financial year ended March 31, 2014 and March 31, 2013.

Information by geographical areas (financial year ended March 31 2014)

FINANCIAL YEAR 2013/2014 (in thousands of Euro)	ITALY	FOREIGN COUNTRIES	CONSOLIDATED
Net Sales to third party customers	99,288	44,953	144,241
Other revenues	32	42	74
Total revenues	**99,320**	**44,995**	**144,315**
Operating Costs	**(99,240)**	**(48,923)**	**(148,164)**
Operating profit (loss)	**80**	**(3,928)**	**(3,849)**

SITUATION AT MARCH 31 2014 (in thousands of Euro)	ITALY	FOREIGN COUNTRIES	CONSOLIDATED
Capex	2,073	2,173	4,246

Information by geographical areas (financial year ended March 31 2013)

FINANCIAL YEAR 2012/2013 RESTATED (*) (in thousands of Euro)	ITALY	FOREIGN COUNTRIES	CONSOLIDATED
Net Sales to third party customers	96,179	41,425	137,605
Other revenues	186	32	218
Total revenues	**96,366**	**41,457**	**137,823**
Operating Costs	**(98,359)**	**(45,333)**	**(143,692)**
Operating profit (loss)	**(1,993)**	**(3,876)**	**(5,869)**

SITUATION AT MARCH 31 2013 (in thousands of Euro)	ITALY	FOREIGN COUNTRIES	CONSOLIDATED
Capex	1,844	1,541	3,385

(*) Economic data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to the previous note 2).

The assets and liabilities are all managed at Group level and therefore are not presented separately by geographical segments.

NOTES ON ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

4. GOODWILL

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Goodwill, boutiques	479	726
Goodwill, Alfieri & St.John	4,258	4,258
Total goodwill	**4,737**	**4,984**

This item refers to Euro 4,258 thousands of goodwill from the purchase in 1998 of 100% of the company shares of Alfieri & St. John S.p.A. (merged with Damiani S.p.A. in the financial year 2012/2013) and Euro 479 thousands of goodwill paid by the Parent Company in 1996, 2007 and 2009 for the purchase of three single-brand shops directly run by the Damiani Group. Compared to March 31, 2013 the change is due to the disposal of the shop located in Verona, happened in March 2014, which resulted in the write-off of the related goodwill initially paid in 2002 for Euro 247 thousands.

Impairment test on intangible assets with an indefinite useful life

Since goodwill is an asset with an indefinite useful life and is booked under non-current assets for the financial years ended at March 31, 2014 and at March 31, 2013, it was subject to the impairment test.

Impairment tests are carried out at least once a year on the Cash generating units (CGU) to which the goodwill is charged.

More specifically, the goodwill related to the purchase of Alfieri & St. John S.p.A. was allocated to the Alfieri & St. John CGU, as a result of the merger by incorporation of the company in the parent company Damiani S.p.A. during the financial year 2012/2013 and is represented by the line of business Alfieri & St. John, while the goodwill for the boutiques was allocated to the Damiani CGU, another branch of business included in the legal entity Damiani S.p.A.

The recoverable value was calculated using the value in use. It was calculated by using the following data and assumptions in the impairment test:

- the financial data were taken from the 2014-2017 business plans drawn up by the companies (which include all the Cash generating units – CGU of the Group) and reviewed at Corporate level by Damiani S.p.A. in order to develop Group synergies. The Group's business plan was approved by the Board of Directors of Damiani S.p.A. on May 29, 2014;
- the cash flow was calculated using the EBITDA for each CGU minus the amounts referring to investments and to changes in net working capital;
- the cash flows were discounted at WACC (weighted average cost of capital), including tax expense, calculated according to the following benchmarks:
  - risk free rate: yield on the ten-years emissions in the countries in which the CGUs operate
  - beta: determined as the average debt/equity in a panel of comparable
  - market premium: yield spread between the risk free rate and the equity compensation of the industry in the geographical context in which the CGUs operate
  - rate of average debt: cost related to sources of financing by third parties of the CGU

With specific reference to Alfieri & St. John CGU, cash flows were discounted at WACC of 8.15% net of the related tax effect (it was 8.7% in the previous financial year), determined on the basis of conservative assumptions of the quantitative parameters (in particular with regard to the expected growth rate "g" after the three-year period covered by the business plan to be used to calculate the terminal value, which was assumed to be zero). For the boutiques the WACC is 7.31% net of the related tax effect (it was 8.39% in the previous financial year). For the boutiques the expected growth rate "g" used was equal to 1, in line with the curve of the projections of the business plan and lower than the rate of growth of the retail sector.

The impairment test led to confirm the recoverability of the carrying value of goodwill.

Also the sensitivity analysis, both on the Alfieri & St. John CGU that on boutiques, which are based on a reduction of 0.5% points of the rate of long-term growth (g) or alternatively an increase of the WACC always 0.5% determine recoverable amounts that exceed the respective carrying values.

5. OTHER INTANGIBLE ASSETS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Industrial rights and patents	259	249
Key Money	4,009	4,195
Intangible assets under construction	14	486
Total other intangible assets	**4,282**	**4,930**

The item key money decreased by amortization of the financial year, on the basis of the residual duration of the leasing contract.
The item industrial rights and patents increased for the investment in software of the financial year.
The intangible assets under construction relate to costs incurred for the development of the retail channel in the previous financial year and decreased as reclassified in the final items at the start of the sale.
The following table shows the changes in intangible assets during the period:

(in thousands of Euro)	INDUSTRIAL RIGHTS AND PATENTS	KEY MONEY	INTANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
Net book value at March 31, 2013	249	4,195	486	4,930
Purchases	193	-	13	206
Disposals	-	-	(1)	(1)
Riclassification	(2)	-	(470)	(472)
Incorporation Damiani India	2	-	-	2
Amortization	(175)	(196)	-	(371)
Exchange differences	(8)	10	(14)	(12)
Net book value at March 31, 2014	**259**	**4,009**	**14**	**4,282**

6. PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Land and buildings	8,524	9,439
Plant and machinery	623	790
Industrial and commercial equipment	264	370
Other assets	8,032	6,304
Assets under construction	4	4
Total property, plant and equipment	**17,447**	**16,907**

Property, plant and equipment increased by Euro 540 thousands compared to the previous financial year.
The increases for investments, which totaled Euro 4,040 thousands, mainly represented by investments incurred for the development of the retail channel abroad and for the refurbishment of some stores directly operated in Italy, including the flagship store Damiani in Rome.
Land and buildings item also includes the residual value of properties subject to sale and lease back, which related parties have bought from Group's subsidiaries in prior financial years and then leased for commercial use to the same (for details see note 32. Transactions with related parties).
Sale and lease back assets value is Euro 7,138 thousands at March 31, 2014 and Euro 8,014 thousands at March 31, 2013.
The item Other assets includes furniture, furnishings, office equipment and vehicles, and leasehold improvements (costs incurred to adapt/refurbish the boutiques).
The following table shows the changes in property, plant and equipment during the period.

(in thousands of Euro)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Net book value at March 31, 2013	**9,439**	**790**	**370**	**6,304**	**4**	**16,907**
Purchases	-	108	69	3,863	-	4,040
Disposals	-	(29)	(7)	(126)	-	(162)
Write downs	-	-	-	(29)	-	(29)
Reclassification	-	-	(35)	507	-	472
Incorporation Damiani India	-	-	-	3	-	3
Depreciation	(915)	(245)	(129)	(2,163)	-	(3,452)
Exchange differences	-	(1)	(4)	(327)	-	(332)
Net book value at March 31, 2014	**8,524**	**623**	**264**	**8,032**	**4**	**17,447**

Property, plant and equipment do not include assets subject to revaluations, as per the special laws contained in article 10 of Law 72/1983.

7. INVESTMENTS

At March 31, 2014 this item was referred exclusively to non-controlling interests in Fin.Or.Val S.r.l and Banca d'Alba for a total of Euro 167 thousands. There were no changes compared to March 31, 2013. The amounts recognized in the financial statements are aligned to the fair value based on the latest available financial statements of the two companies.

8. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT ASSETS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Guarantee deposits	3,861	4,085
Other receivables	264	264
Total financial receivables and non current assets	**4,125**	**4,349**

The decrease in guarantee deposits of Euro 224 thousands compared to the previous financial year was mainly due to changes in foreign locations and exchange rate effects.
The other receivables include the overpayment for IRAP deductibility of personnel cost from IRES (income tax) for previous tax periods. The value of Euro 264 thousands is booked under non-current assets because of the difficulty in estimating the timing of reimbursement.

9. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities for the financial year ended March 31, 2014 and financial year ended March 31, 2013 are detailed in the table below. The descriptions indicate the nature of the temporary differences:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Deferred tax assets:		
Net Impact of the returns reserve	1,574	2,068
Write off on intercompany inventory margins	3,279	4,108
Exchange loss differences	403	331
Provision for doubtful accounts not deductible	916	910
Write downs of inventories	2,451	2,233
Loss on Barter Receivables	146	187
Provisions on lawsuits	55	128
Financial interests in excess	1,820	1,689
Fiscal losses	2,046	1,960
Write off of intercompany gains on brand transfer	3,058	3,557
Other timing differences of a taxation nature	702	683
Total deferred tax assets	**16,450**	**17,854**
Deferred tax liabilities:		
Exchange differences	52	19
Other timing differences of a taxation nature	306	479
Deferred taxation on capital gains	49	49
Total deferred tax liabilities	**407**	**547**

The main differences compared to March 31, 2013 are due to: i) release of deferred tax assets to the extent related to the partial release of the returns reserve made on March 31, 2014 that was in excess compared to the estimated future returns, given the contraction of the volume of products returned by customers; ii) reduction in deferred tax assets related to the eliminations of margins on intercompany inventory; iii) partial release of deferred taxes related to intercompany gain generated in the past by the sale of the brands.
Deferred tax assets on tax losses and financial interests in excess booked in the financial statements refer to the Italian companies participating in the Group taxation system and are deemed recoverable taking into account the benefits derived from this consolidation regime and, therefore, the estimate of future taxable income of the subsidiaries. In the financial year 2013/2014, in accordance with the Legislative decree 98/2011 which introduced the new system of carry forward tax losses (article 84 of the Income Tax Code), making them temporally unlimited even if with annual quantitative limitations, and in continuity with the approach used in the previous financial

year, we proceeded to detect deferred tax assets arising from tax losses of the subsidiary Rocca S.p.A., that booked a positive taxable income in the financial year 2011/2012 and for which future plans support the recoverability of the values. On the contrary, and in relation to an accurate interpretation of the wording of IAS 12 it has not proceed to record deferred tax assets related to Damiani S.p.A., that in the financial year 2013/2014 recorded a negative taxable income although improving. The amount of deferred tax assets on fiscal losses not booked is cumulatively equal to 4,332 thousands.

10. INVENTORIES

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Raw materials, semi-finished goods and advance payments	12,590	13,354
Finished products and goods	73,155	70,080
Total inventories	**85,745**	**83,434**

The net value of inventories at March 31, 2014 showed an increase of Euro 2,311 thousands compared to the previous financial year. The growth due to finished products is influenced both by the increase of stock required by enlargement of the number of boutiques directly managed and by the reduction related to the write-down of inventories recognized on the basis of the assessments made by the management with reference to the amounts of each type of goods in order to identify any surplus compared to the current market conditions. The provision for write-down of inventories amounting to Euro 798 thousands was estimated on the value of the potential loss arising from transactions involving the disposal of finished products outside the normal distribution channels.
To effect of such provisions (and of marginal use during the financial year), the total value of the inventory write-down at March 31, 2014 amounted to Euro 10,445 thousands (Euro 9,735 thousands at March 31, 2013).
It should be noted that at March 31, 2014 the item finished products includes Euro 5,988 thousands (Euro 8,055 thousands at March 31, 2013) of finished products delivered to customers but for which at the ending date of the financial year were not satisfied the conditions for the recognition of related revenues.

11. TRADE RECEIVABLES

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Trade receivables, gross	47,469	46,870
Provision for doubtful accounts	(4,587)	(5,091)
Fund for returns on sales from customers	(12,339)	(16,619)
Impact of Net Present Value calculation of receivables	(18)	(34)
Total net trade receivables	**30,525**	**25,126**

The increase of net trade receivables of Euro 5,399 thousands was mainly due to the partial release of the fund for returns on sales made as a result of revised estimates of future returns due to a contraction of the dynamics of customer returns compared to the past. The balance at March 31, 2014 is shown net of provision for doubtful accounts and fund for returns, as well as the effect of discounting receivables represented by reissued bank effects with maturities over the period.
The following table shows the changes in the bad debts reserve and in the fund for returns on sales during the financial year ended March 31, 2014.

(in thousands of Euro)	FUND FOR RETURNS ON SALES FROM CUSTOMERS	PROVISION FOR DOUBTFUL ACCOUNTS
Book value at March 31 2013	**(16,619)**	**(5,091)**
Accrual	(4,091)	(881)
Utilization	8,371	1,385
Book value at March 31 2014	**(12,339)**	**(4,587)**

There are no receivables with contractual terms exceeding five years.

12. TAX RECEIVABLES

The balance at March 31, 2014 amounted to Euro 497 thousands compared to Euro 1,373 thousands at March 31, 2013. The decrease was mainly due to the lower tax credit of the Parent company.

13. OTHER CURRENT ASSETS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
VAT receivables from the Tax Authorities	3,839	7,424
Prepayments on exchanges of goods	28	-
Deposits to suppliers	857	426
Prepayments	2,065	2,247
Receivables from other	533	702
Total other current assets	**7,322**	**10,799**

The decrease in Other current assets of Euro 3,477 thousands was mainly due to the reduction of the VAT credit of the subsidiary Rocca S.p.A. that in the month of December 2013 has given this credit, for a total amount of Euro 2,850 thousands (VAT receivables for the years 2011 and 2012), to the banking system with the formula pro-soluto.
The advanced paid to suppliers of services increased by Euro 431 thousands.

14. CASH AND CASH EQUIVALENTS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Bank and post accounts	10,200	7,501
Cash on hand	264	187
Total cash and cash equivalents	**10,464**	**7,688**

The cash balance represents the bank and post office accounts and the existence of cash on hand at the end of the financial year.

15. SHAREHOLDERS' EQUITY

The share capital, fully paid up at March 31, 2014, gross of treasury stock amounted to Euro 36,344 thousands and is made up of 82,600,000 ordinary shares a par value of Euro 0.44 each.
No dividends were distributed during the financial year 2013/2014. On June 12, 2014 the Board of Directors did not propose to the Shareholders' Meeting any dividend payment for the financial year 2013/2014.
The number of treasury stock held in the portfolio amounted to 5,556,409 equivalent to Euro 8,134 thousands. This amount is booked as a direct reduction in the shareholders' equity.
The number of shares in circulation at March 31, 2014 was 14,094,522, unchanged compared to March 31, 2013.
The changes in shareholders' equity in the financial year ended March 31, 2014 (and illustrated in details in the statement of changes in equity) were as follows:

- loss for the financial year of Euro 8,568 thousands (including non controlling interests);
- negative effects due to converting financial statements prepared in non-euro currencies for Euro 1,764 thousands;
- actuarial loss on defined benefit plans for employees recognized in accordance with IAS 19 (2011) for Euro 555 thousands;
- increase of stock option reserve for Euro 122 thousands, for the annual share related to the fair value valuation of the stock option plan 2010 (implemented in April 2011), according to the IFRS 2.

16. FINANCIAL LIABILITIES: CURRENT AND NON-CURRENT PORTION

The current and non-current portion of financial liabilities was made up as follows at March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013	NOTE
Non current portion			
Loan A	1,500	4,500	a
Loan B	-	-	b
Loan C	1,690	-	c
Loan D	745	-	d
Loan E	5,000	-	e
Loan F	6,012	-	f
Loan G	2,904	-	g
Financial Leasing	7,127	8,263	h
Total non current portion of medium/long term financial liabilities	**24,978**	**12,763**	
Current portion			
Loan A	3,000	3,000	a
Loan B	-	2,500	b
Loan C	-	-	c
Loan D	664	-	d
Loan E	-	-	e
Loan F	-	-	f
Loan G	-	-	g
Financial Leasing	1,038	1,042	h
Total current portion of medium/long term financial liabilities	**4,702**	**6,542**	
Total medium/long term financial liabilities	**29,680**	**19,305**	

The following is a breakdown of key information relating to loans granted by banks and other financial institutions to Group's companies and outstanding at March 31, 2014:

a) Loan A was originally granted to Damiani S.p.A. in June 2009 for a total of Euro 15,000 thousands with a repayment plan based on constant six-monthly installments for the period from December 31, 2010 to June 30, 2015 at an interest rate of 4.40% per year.

b) Loan B was originally granted to Damiani S.p.A. in June 2009 for a total of Euro 10,000 thousands with a repayment plan based on constant three-monthly installments from June 30, 2010 that has been concluded at March 31, 2014.

c) Loan C is the down payment of 56% of the total amount of a subsidized loan signed in February 2013 by Damiani S.p.A. to carry out development programs in China, in the 24 months following the signing of the contract. Based on the progress of the investments the down payment was disbursed in two tranches: the first Euro 904 thousands in June 2013 and the second of Euro 786 thousands in December 2013. The total amount of the loan is Euro 3,011,869, with repayment of seven years, after the first two grace period, in half-yearly installments and at an effective annual rate of 0.5%.

d) Loan D was granted in April 2013 to Rocca S.p.A. to support retail development in the amount of Euro 2,000 thousands with a repayment plan over three years with 36 monthly installments with effect from May 2013. On this loan are paid interests at a three-month Euribor plus a spread 3%.

e) The reserved non-convertible bond signed by the executive directors Guido, Giorgio and Silvia Grassi Damiani, who represent the majority shareholders of Damiani S.p.A., provides for a term from October 1, 2013 to September 30, 2019 and a lump sum repayment at maturity and a fixed annual interest rate of 5.5%, with payment in annual installments in arrears, the first of which December 31, 2014.

f) The medium-term loan F has been signed by Damiani S.p.A. with a pool of banks on November 6, 2013 for an amount up to a maximum of Euro 11,000 thousands, which aims to support the continued operation of the Damiani Group, mainly by financing industrial investments and the provision of the initial inventory required for the development of the retail channel. Disbursements are subject to the effective implementation of the investment plan of the Group and to comply with financial covenants contractually specified and verified quarterly by lenders. Amounts borrowed bear interest expense calculated at the 6 month Euribor rate, plus a spread of 6.05% per annum. The repayment of the credit line runs from the 30th month following the signature of the contract, to be completed after 66 months from the signature according to the established plan. A guarantee of the bank loan, the executive directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani have signed an Equity Commitment agreement, consisting of an eventual financial support up to a maximum of Euro 5,000 thousands (for consideration and on terms equivalent to those of the market), in the event of a breach of the financial covenants contractually agreed. At March 31, 2014, Damiani S.p.A. based on the progress of its investment plan, received by the lending banks a total amount of Euro 6,012 thousands.

   At the closing date of the financial year the financial covenants are not fully respected. The loan agreement provides that the Company must give to the banks after the date of approval of the consolidated financial statements by the Shareholders' Meeting (by end July 2014) the declaration of conformity, with the procedures laid down between the obligations contractually governed. In order to rectify the breach, Damiani S.p.A. is still entitled to use the resources from major shareholders who have subscribed to the aforementioned Equity Commitment, in the period following the delivery of the certificate of conformity and within two months. Because the process of flushing towards the lenders contractually required and the term of the commitment of major shareholders, the classification of debt on the balance sheet was maintained according to the contractual maturity, subject to the terms and the procedure provided for in the loan agreement.

g) Loan G was completed on December 31, 2013 and consists in the financial contribution of HK$ 29,826,000 HK$ (equivalent to Euro 2,904 thousands) by Simest S.p.A. (66.7% of the total) and by the Venture Capital Fund of the Ministry of Economic Development (the remaining 33.3%) in the subsidiary Damiani Hong Kong Ltd to support its development in the Greater China. In legal terms, the transaction is considered as a capital increase for Damiani Hong Kong Ltd. From an accounting standpoint, given the commitments stipulated in the contract signed between Damiani S.p.A. and Simest S.p.A. (and with the Venture Capital Fund), which provides for the repurchase of shares at a predetermined minimum price (at least equal to the initial) at the end of the agreed period (starting from September 30, 2018 and until September 30, 2021), as well as a flat-rate annual fee to be paid to Simest S.p.A. (and to the Venture Capital Fund) benchmarked to the initial payment, translated in Euro, this contribution can be configured as a medium-long term financing and as such accounted in the financial statements of the Damiani Group.

Furthermore, in paragraph h) presents the leasing debts on buildings for a total of Euro 8,165 thousands and are relative to three contracts for the sale of real estates to related parties, which area accounted as sale and leaseback arrangement under IAS 17. Real estate units are Damiani and Rocca store locations.

The table below shows the detail of Net financial position at March 31, 2014 and 2013:

NET FINANCIAL POSITION (*) (in thousands of Euro)	MARCH 31 2014	MARCH 31 2013	CHANGE
Current portion of loans and financing	3,664	5,500	(1,836)
Drawdown of credit lines, short term financing and others	21,554	21,493	61
Current portion of loans and financing with related parties	1,038	1,042	(4)
Current financial indebtedness	**26,256**	**28,035**	**(1,779)**
Non current portion of loans and financing	12,851	4,500	8,351
Non current portion of loans and financing with related parties	12,127	8,263	3,864
Non current financial indebtedness	**24,978**	**12,763**	**12,215**
Total gross financial indebtedness	**51,234**	**40,798**	**10,436**
Financial current assets	-	(147)	147
Cash and cash equivalents	(10,464)	(7,688)	(2,776)
Net Financial Position (*)	**40,770**	**32,963**	**7,807**

(*) The net financial position was calculated on the basis of the indications contained in Consob communication DEM/6064923 of July 28, 2006.

At March 31, 2014 the Group had a net financial debt equal to Euro 40,770 thousands, worsening compared to March 31, 2013 that was equal to Euro 32,963 thousands. The change is due to the negative operating performance and to needs required for the investments to support the retail development, mainly abroad.

17. EMPLOYEES' TERMINATION INDEMNITIES

In the twelve-months period ended March 31, 2014 the following changes took place on Employees' termination indemnities:

(in thousands of Euro)	
Termination Indemnities at March 31 2013	**4,208**
Cost related to current work performed	37
Financial expenses	151
Paid benefits	(157)
Actuarial Loss (Profit)	766
Termination Indemnities at March 31 2014	**5,005**

The changes during the period reflect the provisions and the outlays, including advances, implemented during the financial year.
Employees' termination indemnities are part of a defined benefits plan.
Liabilities were calculated using the Project Unit Cost method based on the following:

- A series of financial assumptions were used (increases in the cost of living, pay increases, etc.) to calculate the potential payments that will have to be made to each employee in the event of retirement, death, invalidity, resignation and so on. This estimate of future payments includes the increases due to further years of services experience and the expected growth rate of pay received at the valuation date.
- It has been calculated the average present value of future benefits on the basis of the annual interest rate used and the probability that each service has to be effectively delivered at the financial statements date.
- It has been defined the liability for the Group identifying the share of the average present value of future benefits that refers to the service already accrued by the employee at the date of valuation.
- It has been established, on the basis of the liability determined in the previous paragraph and the reserve set aside in the financial statements as per the Italian law, the IFRS reserve.

Details of the assumption adopted are as follows:

FINANCIAL HYPOTHESES	
Annual rate for the Net Present Value	2.08%
Annual inflation rate	2.00%

DEMOGRAPHIC HYPOTHESES	
Mortality	RG 48 (RGS table 48)
Inability	INPS tables by age and sex
Pensionable age	Reaching 100% of the mandatory social security requirements

Gains and losses deriving from actuarial calculations are booked to the income statements.

18. PROVISIONS FOR RISKS AND CHARGES

At March 31, 2014 risk reserves amounted to Euro 581 thousands (at March 31, 2013 it was equal to Euro 1,296 thousands), to cover estimated costs of litigation for Euro 274 thousands and for Euro 307 thousands to reorganization measures in progress at Damiani USA Corp. The value of the fund for litigations decreased from Euro 606 thousands at March 31, 2013 to Euro 274 thousands at March 31, 2014, due to: i) provisions for Euro 70 thousands made in the period; ii) use of Euro 402 thousands. The reorganization fund decreased from Euro 690 thousands at March 31, 2013 to Euro 307 thousands at March 31, 2014, after being used/issued for Euro 383 thousands.

19. OTHER NON CURRENT LIABILITIES

The amount of the item decreased by Euro 571 thousands at March 31, 2013 to Euro 468 thousands at March 31, 2014. The amount is mainly made up of the termination indemnities of directors.

20. TRADE PAYABLES

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Trade payables due in less than 12 months	47,492	44,601
Bill payable, other credit securities and advances	1,691	1,003
Total trade payables	**49,183**	**45,604**

The growth of trade payables is due to increased purchases of finished products, related to the increase in turnover, and capital goods for development in the retail sector.

21. SHORT TERM BORROWINGS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Usages of short term credit lines and bank loans	21,554	21,490
Fair value of financial derivatives	-	3
Total short term borrowings	**21,554**	**21,493**

The use of short-term lines of credit are intended to finance working capital.
The financial exposure in the short-term remained substantially unchanged compared to March 31, 2013, as the Group sustained its financial needs with the use of medium/long term loans. The lines of credit available are only partially used.

22. TAX PAYABLES

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
VAT payables	555	-
Taxes withheld from employees (IRPEF)	305	330
Current income tax payables (IRES and IRAP)	1,437	1,615
Other tax payables	43	48
Total tax payables	**2,340**	**1,993**

There were not significant changes from the previous financial year.

23. OTHER CURRENT LIABILITIES

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	MARCH 31, 2014	MARCH 31, 2013
Payables to social security institutions	1,363	1,132
Payables to employees	2,863	2,873
Other liabilities	709	464
Deferred income	1,214	1,113
Total other current liabilities	**6,149**	**5,582**

Payables to social security institutions include the debt for social security and social contributions and insurance.
The item payables to employees include liabilities for vacation and leave not still enjoyed as well as the amount accrued and not yet delivered by 13th and 14th monthly.

24. REVENUES

The table below shows the consolidated revenues for the financial year ended March 31, 2014 and the financial year ended March 31, 2013:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Revenues from sales and services	144,241	137,605
Other revenues	74	218
Total revenues	**144,315**	**137,823**

The breakdown of revenues by sales channel is the following:

REVENUES BY SALES CHANNEL (in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Retail	**57,274**	**50,142**
Percentage on total sales	39.7%	36.4%
Wholesale	**86,967**	**87,462**
Percentage on total sales	60.3%	63.5%
Total revenues from sales and services	**144,241**	**137,605**
Percentage on total sales	99.9%	99.8%
Other revenues	74	218
Percentage on total sales	0.1%	0.2%
Total Revenues	**144,315**	**137,823**

Consolidated revenues for the financial year ended March 31, 2014 amounted to Euro 144,315 thousands, compared to Euro 137,823 thousands in the financial year ended March 31, 2013, an increase equal to Euro 6,492 thousands (+4.7%).
The following is a breakdown of other revenues for the financial year ended March 31, 2014 and that ended March 31, 2013:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Leases and rentals	70	167
Royalties	-	36
Franchising	-	9
Revenue from sale of advertising material	4	6
Total other revenues	**74**	**218**

25. COST OF RAW MATERIALS AND CONSUMABLES

The table below shows the cost of raw materials and consumables (including purchases of finished products) for the financial year ended March 31, 2014 and the financial year ended March 31, 2013:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Purchases	83,291	71,916
Change in inventory of finished products	(4,837)	1,825
Change in inventory of raw materials and consumables	1,223	1,543
Total cost of raw materials and consumables	**79,677**	**75,284**

Cost of raw materials and consumables, including purchases of finished products, in the financial year 2013/2014 amounted for Euro 79,677 thousands, an increase of 5.8% compared to the twelve months period ended March 31, 2013 (Euro 75,284 thousands). The increase was due to higher revenues booked in the financial year 2013/2014, as well as to the combined effects of different mixes in terms of sales by channel and by product category, to which correspond different costs of buying and margins.

26. COST OF SERVICES

The breakdown of the main items for the financial year ended March 31, 2014 and the financial year ended March 31, 2013 is the following:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Operating expenses	7,514	8,314
Advertising expenses	9,842	9,800
Other commercial expenses	3,777	2,397
Production costs	3,230	3,033
Consultancies	3,557	3,466
Travel/transport expenses	3,260	3,412
Directors' Fees	722	919
Use of third party assets	9,928	9,372
Total cost of services	**41,830**	**40,713**

The cost of services in the financial year 2013/2014 amounted to Euro 41,83 financial year (Euro 40,713 thousands). The overall trend in costs is affected by the decline of some components, as a result of saving deriving from the reorganization carried on in the previous year and a more efficient use of resources devoted to advertising and promotion activities that remained substantially stable in a context of increasing revenues especially in markets in which the Group has started the distribution and therefore require in the initial phase a greater support of advertising expenses. The other commercial expenses relate to fees/commissions paid to agents and distributors. The higher operating costs for use of third party assets (rents) are linked to the development of new retail outlets.

27. PERSONNEL COST

The breakdown of the item for the financial year ended March 31, 2014 and the financial year ended March 31, 2013 is the following:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Wages and salaries	19,222	20,203
Social security costs	5,149	5,378
Termination indemnity	938	955
Other personnel costs	193	278
Total personnel cost	**25,502**	**26,814**

(*) The personnel cost restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for

The personnel cost in the financial year 2013/2014 amounted to Euro 25,502 thousands a decrease of 4.9% compared to the previous financial year (Euro 26,814 thousands). Even with an average number of employees increasing compared to the previous year (+16.5 units), as a consequence of the aforementioned retail development, the cost reduced, benefiting fully from the rationalization of the structure and organizational processes. In the financial year ended March 31, 2014 the average number of Group's employees was 583.5 units.
The table below shows the average number of employees of the Group by categories in the financial year ended March 31, 2014 and in the financial year ended March 31, 2013:

LABOUR CATEGORIES	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Executives and Managers	46.5	52.0
Clerks	441.0	413.0
Workers	96.0	102.0
Total	**583.5**	**567.0**

28. OTHER NET OPERATING (CHARGES) INCOMES

The breakdown of the item for the financial year ended March 31, 2014 and the financial year ended March 31, 2013 is the following:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Other operating (charges) incomes	3,753	3,479
Allowance for doubtful accounts	(808)	(785)
Total other net operating (charges) incomes	**2,945**	**2,694**

The net balance is positive in both financial years compared with an increase of Euro 251 thousands. This balance includes, in addition to write-downs and losses on receivables shown in the table, the following main components:
In the financial year 2013/2014:

1) The income received from the sale on the lease on the Damiani boutique in Verona, closed in the financial year as unprofitable and non-strategic for the Group. The amount received is equal to Euro 570 thousands.
2) The net effect of the restatement of the fund that cover possible returns from customers, allocated in previous years and which resulted in excess at the Group level, given the drop in the volume of returns from customers. The net income was Euro 1,860 thousands.

In the financial year 2012/2013:

1) compensation for loss of commercial goodwill that Damiani S.p.A. has received for the issuance of a shop (it was managed by the subsidiary New Mood S.p.A., merged in Damiani S.p.A. in the financial year 2012/2013), owned by a related party. The amount of the compensation was equal to Euro 1,955 thousands.
2) The net effect of the restatement of the fund that cover possible returns from customers, allocated in previous years and which resulted in excess at the Group level, given the drop in the volume of returns from customers. The net income was Euro 995 thousands.
3) Provisions for risks and charges in order to cover expected liabilities for Euro 325 thousands.

29. AMORTIZATION, DEPRECIATION AND WRITE DOWNS

The breakdown of the item for the financial year ended March 31, 2014 and the financial year ended March 31, 2013 is the following:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Amortization of intangible assets	371	394
Depreciation of property, plant and equipment	3,452	2,775
Write downs of property, plant and equipment and intangible assets	276	406
Total Amortization, depreciation and write downs	**4,099**	**3,575**

In the financial year ended March 31, 2014 the amount of amortization, depreciation and write downs was Euro 4,099 thousands, an increase of Euro 524 thousands compared to the previous twelve-months period (Euro 3,575 thousands). This increase is the result of higher depreciation for Euro 654 thousands, generated by capex incurred for the development of the retail channel, and lower write-downs of fixed assets of Euro 130 thousands. In both financial years, we proceeded to the write-down of non-current net assets related to the retail outlets directly operated that have been closed as non-profitable and non-strategic for the Group.

30. FINANCIAL (EXPENSES) AND INCOMES

The breakdown of the item for the financial year ended March 31, 2014 and the financial year ended March 31, 2013 is the following:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Net exchange (charges)/incomes	127	(509)
Other financial expenses	(2,867)	(2,224)
Other financial incomes	169	314
Total financial (expenses) and incomes	**(2,571)**	**(2,419)**

(*) Data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please r

Deterioration in the balance of Euro 152 thousands compared to the previous financial year was mainly due to the following components: i) higher net charges of Euro 788 thousands due to the higher average financial exposure during the year; ii) opposite impact on the exchange rate effect: positive for Euro 127 thousands in the financial year 2013/2014 compared to net losses from the previous financial year to Euro 509 thousands.

31. INCOME TAXES

In the financial year ended March 31, 2014 income taxes had a negative impact on the consolidated result of Euro 2,148 thousands, while in the financial year 2012/2013 the negative impact was of Euro 301 thousands. The higher value of taxes is mainly due to the reduction of deferred tax assets in relation to the reversal of the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases.
Furthermore, in accordance with the past years and with the Legislative decree 98/2011 which amended the rules for tax losses carried forward (article 84 of the Income Tax Code), making them temporally unlimited even if with quantitative limits, it is proceeded to recognized deferred tax assets arising from the loss of the period for the subsidiary Rocca S.p.A., which future plans support the recoverability of the values and that have already reached a positive taxable income in the financial year 2011/2012, for a total of Euro 105 thousands.
Moreover, in compliance with IAS 12 was not undertaken to book the deferred tax assets related to Damiani S.p.A., that since the law 98/2011 was amended, has registered negative taxable incomes.
The current and deferred taxes recognized directly in shareholders' equity are active and equal to Euro 147 thousands.

The reconciliation between taxes from the consolidated financial statements and the theoretical tax calculated on the basis of IRES rate (income tax) applicable to Damiani S.p.A. in the financial year ended March 31, 2014 and in the financial year ended March 31, 2013 is presented below:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Result before taxes	**(6,420)**	**(8,288)**
IRES (Corporate) tax rate for the period	27.5%	27.5%
Theoretical tax burden	1,765	2,279
Not recoverable subsidiary losses	(2,130)	(1,885)
IRAP (Regional tax on productive activities) effect	(510)	(240)
Differences in tax rates	85	(38)
Reclassification intercompany foreign exchange to Equity	(845)	-
Other non deductible costs	(513)	(418)
Total differences	**(3,913)**	**(2.581)**
Total taxes for Income statements	**(2,148)**	**(301)**
Effective tax rate	33.5%	3.6%

(*) Data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please r

32. TRANSACTIONS WITH RELATED PARTIES

This paragraph describes the relationships between the companies of the Damiani Group and the related parties as defined in IAS 24 and by Consob Regulation n. 17221/2010 and subsequent amendments and additions, for the financial years ended March 31, 2014 and March 31, 2013, highlighting the impact on the consolidated economic and financial values.
Dealings with related parties are almost exclusively related to real estates and financials (bond, leases, sale and lease-back transactions, rental of a business unit).
The following table shows the details of the relationships between the Group companies and the related parties in the financial year ended March 31, 2014.

(in thousands of Euro)	Financial Year 2013/2014		Balance at March 31 2014			
	Net operating costs	Financial expenses	Other current assets	Financial debts (including leasing)	Other current liabilities	Trade payables
D. Holding S.A.	(170)	-	-	-	-	(680)
Imm.re Miralto S.r.l.	(343)	(17)	691	(232)	-	(1,582)
Roof Garden S.A.	-	-	-	-	-	(157)
Executives with strategic responsabilities	(132)	-	-	-	-	(97)
Montenapoleone 10 S.r.l.	(410)	(392)	-	(2,131)	-	(970)
Duomo 25 S.r.l.	-	(394)	-	(5,802)	-	(1,089)
Majority Shareholders	-	(138)	-	(5,000)	(138)	-
Total with related parties	**(1,055)**	**(941)**	**691**	**(13,165)**	**(138)**	**(4,575)**
Total from Financial Statements	**(148,164)**	**(2,867)**	**7,322**	**(51,234)**	**(6,149)**	**(49,183)**
% age weight	**1%**	**33%**	**9%**	**26%**	**2%**	**9%**

- The costs of Euro 170 thousands to D.Holding S.A. refer to rental payment made by the subsidiary Damiani International B.V. for the use at special events of the masterpieces that won the Diamonds International Awards, and that are owned by a related party.
- Net operating costs to Immobiliare Miralto S.r.l. are related to the rents paid for the premises in Turin, where is located a Rocca boutique. To this premises refer also the other current assets for the prepaid expense initially paid by Rocca S.p.A. in the financial year 2010/2011 when the lease contract related to the Turin boutique was signed (the value at March 31, 2014 is equal to Euro 691 thousands). In addition, in the period financial expenses also arise for Euro 17 thousands, corresponding to the interest portion of the repayment of the debt to the related party for a sale and lease-back operation to a premises in Padova, where is located a Rocca boutique. The debt outstanding at March 31, 2014 amounted to Euro 232 thousands. Finally, the trade payables relate primarily to costs incurred for the renovation of the premises in Milan where the Sales department has been transferred in the previous financial year: the related party that has taken on the costs initially against external suppliers, has granted to Damiani S.p.A. an extension on the amount recharged.
- Trade payables to Roof Garden S.A. refer to rents, accrued in prior years, for a premise in New York used by the subsidiary Damiani

Usa Corp.. During the financial year 2012/2013 the lease terminated.

- The costs to executives with strategic responsibilities were related to services which fall under the ordinary operations of the Group.
- Net operating costs to Montenapoleone 10 S.r.l. are related to the rents paid for the sublease of offices and show-room in Milan. In addition, in the period financial expenses also arise for Euro 392 thousands, corresponding to the interest portion of the repayment of the debt to the related party for a sale and lease-back operation to a premises in Milan, where is located a Damiani boutique. The debt outstanding at March 31, 2014 amounted to Euro 2,131 thousands.
- The financial expenses to Duomo 25 S.r.l. for Euro 394 thousands correspond to the interest portion of the repayment of the debt to the related party for a sale and lease-back operation to a premises in Milan, where is located a Rocca boutique. The debt outstanding at March 31, 2014 amounted to Euro 5,802 thousands.
- The financial debt for Euro 5,000 thousands to the major shareholders refers to the reserved non-convertible bond issued by Damiani S.p.A. and signed by the Damiani brothers (for detail please refer to note 39. Financial risk management). On this bond accrues interest at a fixed rate of 5.5% per annum.
  A guarantee of the bank loan granted November 6, 2013 by a pool of banks for an amount up to a maximum of Euro 11,000 thousands, the executive directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani have signed an Equity Commitment, consisting of an eventual financial support up to a maximum of Euro 5,000 thousand (for consideration and on terms equivalent to market), in the event of breach of the financial covenants stated in the contract.

The following table shows the details of the relationships between the Group companies and the related parties in the financial year ended March 31, 2013.

(in thousands of Euro)	Financial Year 2012/2013		Balance at March 31 2013		
	Net operating costs	Financial expenses	Other current assets	Financial debts (including leasing)	Trade payables
D. Holding S.A.	(170)	-	-	-	(680)
Imm.re Miralto S.r.l.	1,323	(771)	777	(263)	(1,946)
Montenapo 13 S.r.l.	6	-	7	-	-
Roof Garden S.A.	-	-	-	-	(169)
Executives with strategic responsabilities	(166)	-	-	-	(116)
Montenapoleone 10 S.r.l.	(114)	(104)	1	(2,502)	(258)
Magenta 82 S.r.l.	1	-	1	-	-
Duomo 25 S.r.l.	1	(36)	1	(6,540)	(94)
Total with related parties	**881**	**(911)**	**788**	**(9,305)**	**(3,263)**
Total from Financial Statements	**(143,692)**	**(2,733)**	**10,799**	**(40,798)**	**(45,604)**
% age weight	**-1%**	**33%**	**7%**	**23%**	**7%**

- The costs of Euro 170 thousands to D.Holding S.A. refer to rental payment made by the subsidiary Damiani International B.V. for the use at special events of the masterpieces that won the Diamonds International Awards, and that are owned by a related party.
- The net operating costs to Immobiliare Miralto S.r.l. include the compensation for loss of goodwill pursuant to article 34 of law 392/78 received by the Group for the issuance of a commercial premise in Milan, owned by related party, for an amount of Euro 1,955 thousands (gross of the related tax effects). The amount was booked in other operating income. The costs to Immobiliare Miralto S.r.l., Montenapoleone 10 S.r.l., Magenta 82 S.r.l. and Duomo 25 S.rl. refer to rental payments for the premises in Milan, in Turin and in Valenza (AL). Moreover, in the period there are also financial expenses for Euro 911 thousands, that are interest on the financial debt with related parties for sale and lease-back operations relating to real estates in Milan, Padova and Taormina (up to September 30, 2012) where Damiani and Rocca boutiques are located. The outstanding financial debt on March 31, 2013 amounts to Euro 9,305 thousands. Compared to the previous financial year the total cost incurred to related parties for the use of space decrease due to the reduction of the buildings as a result of the rationalizations. Other current assets include the prepaid expense initially paid by Rocca S.p.A. in the financial year 2010/2011 when the lease contract related to the Turin boutique was signed (at March 31, 2013 the value was Euro 777 thousands).
- Costs to Montenapo 13 S.r.l. refer to rents paid by the subsidiary Rocca S.p.A. for a store in Italy.
- Trade payables to Roof Garden S.A. refer to rents, accrued in prior years, for a premise in New York, used by the subsidiary Damiani Usa Corp.. During the financial year 2012/2013 the lease terminated.
- The costs to executives with strategic responsibilities were related to services which fall under the ordinary operations of the Group.

In both periods are also outstanding loans agreements between the Parent company and certain subsidiaries negotiated at arm's.

33. COMMITMENTS AND CONTINGENT LIABILITIES

There are outstanding commitments and liabilities arising from obligations under way and which is likely the use of resources to fulfill the obligation which are not already reflected in the values of the financial statements at March 31, 2014.
At the date of approval of the Annual Report, in the Damiani Group there were some ongoing tax audits by the regional directorates of the Tax Agency. From the situations described below did not reveal any problems that could generate liabilities classified as "probable" for any company of the Group and hence in the financial year 2013/2014 has been provided the necessary information, not under the conditions provided for by the applicable accounting standards for the recognition of a liability.

On September 26, 2012 the Provincial Directorate of Como of the Tax Agency has notified the Italian Tax Representative of Damiani International B.V. notice of assessment on the control on value added tax for the year 2007. The observations in the assessment mainly relate to the non-deductibility of VAT on a lease, in addition to other minor points, resulting in a higher tax, in addition to administrative penalties, for an amount of Euro 155 thousands. Tax advisors believed unfounded the findings of the Tax Agency and consequently on March 18, 2013 Damiani International B.V. filed an appeal in the Provincial Tax Commission of Como for the cancellation of the assessment. On this basis, the liability has been qualified as "possible" and in the financial year 2012/2013 had not proceeded to make specific provisions. While waiting for the judgment of the Commission, the Provincial Directorate of Como of the Tax Agency has notified namely on May 17 and 22, 2013 notice of assessment on the same subject (non-deductible VAT on lease contracts) with reference to the years 2008, 2009 and 2010.
On September 10, 2013 the first-instance judgment of the Provincial Tax Commission of Como was filed. It has welcomed the approach advocated by the applicant Damiani International B.V. for the year 2007 and has condemned the Tax Agency to pay the costs.
On February 7, 2014 the Office has appealed against the judgment. Damiani International B.V. has resisted the call by presenting a challenge to the Regional Tax Commission of Milan on April 8, 2014. A hearing of the case has been scheduled for September 16, 2014.
On October 21, 2013 Damiani International B.V. has also filed an appeal in the Provincial Tax Commission of Como for the annulment of the assessment for the years 2008, 2009 and 2010. The hearing was held at the Commission on March 25, 2014 and at the moment the judgment has not yet been filed.

On September 5, 2012 the Provincial Directorate II of the Tax Agency in Milan initiated in Rocca S.p.A. a tax audit on IRES and IRAP (income taxes) for the period 2009/2010 and for VAT purposes for the year 2009. On October 22, 2012 the Office has notified Rocca S.p.A. a report of findings by formulating a series of reliefs: i) improper deductions of costs of Euro 126 thousands; ii) incorrect accounting entries for a taxable value of Euro 380 thousands and VAT corresponding to Euro 76 thousands; iii) penalties for Euro 50 thousands for formal errors in the 2010 tax return. Following the issuance of the report of findings:

- On February 21, 2013 Rocca S.p.A. filed a tax settlement to the report;
- On June 5, 2013 the Provincial Directorate served the summons to appear as a result of which has been established the contradictory with the Office;
- During the contradictory, on October 3, 2013 Rocca S.p.A. had also appealed to the Provincial Tax Commission of Milan for the annulment of sanctions (Euro 50 thousands) imposed as a result of the failure indication (in the opinion of the officer of Tax Agency) in the 2010 tax return of "black list" costs;
- The contradictory ended with a negative result on June 3, 2014, with the signing by Rocca S.p.A. and the Tax Agency of the minutes of negative closing of accession.

To date has not yet been notified to Rocca S.p.A. any notice of assessment resulting from the report of findings.

On December 20, 2013 the Provincial Directorate of the Tax Agency in Alessandria notified Damiani S.p.A., the acquiring company, the notice of assessment for IRES (income tax) for the tax year 2008/2009 of New Mood S.p.A. (incorporated in Damiani S.p.A. in the financial year 2012/2013), which states a higher taxable income of Euro 1,106 thousands, which generates a recalculation of loss for that tax period and increased IRES for Euro 304 thousands (New Mood S.p.A., which operates under Group taxation, in that period declared a tax loss of Euro 4,158 thousands). The higher taxable income resulted from the sum of three separate surveys: i) improper deduction of costs for royalties for Euro 97 thousands; ii) higher revenues not declared for Euro 252 thousands on sales abroad, according to an inductive reconstruction of the Tax Agency; iii) extraordinary expenses wrongly deducted as not related for Euro 757 thousands. On February 13, 2014 Damiani S.p.A. filed a tax settlement pursuant article 9-bis of the Legislative Decree 19/6/97 n. 218. As part of the accession process thus established, on May 9, 2014 Damiani S.p.A. transmitted electronically the instance of the calculation decreases of the consolidated losses (IPEC) from the higher taxable income established in the notice of assessment received, by suspending therefore for further sixty days the terms of presentation the appeal.

On March 13, 2014 the Provincial Directorate of the Tax Agency in Alessandria has initiated an audit in Damiani S.p.A. in the field of transfer pricing with reference to the tax period 2011/2012. The Company has provided on April 1, 2014 all the required documentation, and proceeded to a subsequent integration on May 29, 2014 providing additional documentation required by the Tax Agency on May 19, 2014. The audit is then in progress.

34. ATYPICAL AND/OR UNUSUAL AND NON-RECURRING TRANSACTIONS

In the financial year 2013/2014 there were no positions or transactions deriving from atypical and/or unusual operations as defined in the Consob Ruling n. 15519 as of July 27, 2006.
As non-recurring operation it should be noted:

- transfer to third parties of the lease on the Damiani boutique in Verona which was non-profitable and non-strategic for the Group. This sale generated a gross income of Euro 570 thousands, booked among other operating income, and a net positive impact on the income statement (gross of related tax effects) of Euro 323 thousands, considering the related write-down of the goodwill booked initially in 2002 when the commercial space was acquired (Euro 247 thousands).

35. EARNINGS (LOSSES) PER SHARE

The basic earnings (losses) per share was calculated dividing the net result for the financial year attributable to the ordinary shareholders of the Issuer Damiani S.p.A. by the weighted average number of shares in circulation during the period. For the calculation of earnings (losses) per share was determined by the weighted average number of shares in circulation considering also the effects arising from the purchase of treasury shares starting from March 2008, following the resolutions approved by the Shareholders' Meetings on February 22, 2008, July 22, 2009, July 21, 2010, July 27, 2011, July 26, 2012 and July 26, 2013.
The following section provides information on the shares used in calculating basic and diluting earnings/(losses) per shares:

BASIC EARNINGS (LOSSES) PER SHARE	Financial Year 2013/2014	Financial Year 2012/2013
Number of ordinary shares at the beginning of the period	82,600,000	82,600,000
Number of ordinary shares at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of basic earnings per share	77,547,985	77,648,818
Basic Earnings per Share (amount in Euro)	**(0.11)**	**(0.11)**

DILUTED EARNINGS (LOSSES) PER SHARE	Financial Year 2013/2014	Financial Year 2012/2013
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of diluited earnings per share	77,547,985	77,648,818
Weighted average number of ordinary shares for computation of basic earnings per share	77,547,985	77,648,818
Diluted Earnings per Share (amount in Euro)	**(0.11)**	**(0.11)**

36. DIRECTORS' FEES

The fees for the financial year 2013/2014 due to the directors, statutory auditors and executives with strategic responsibilities of Damiani S.p.A., also with reference to what is perceived to similar functions performed within other Group companies are reported in the Annual report on remuneration, prepared pursuant to article 123-ter of Legislative Decree n. 58/1998 and article 84-quater of Consob Regulation n. 11971/1999.
This report sets out the policy of Damiani S.p.A. regarding the remuneration of members of the Board of Directors and the executives with strategic responsibilities with reference to the financial year 2014/2015 and the procedures used for the adoption and implementation of this policy, and contains, among other things, information concerning the plans based on financial instruments pursuant to the current article 114-bis of Legislative Decree n. 58/1998.
The Remuneration report is made available to the public, together with the annual financial statements and the Report on corporate governance and ownership structure, at the registered office of the Issuer Damiani S.p.A. and on the website www.damiani.com.

37. STOCK OPTION PLANS

At the date of approval of the financial statements there are a total of three ongoing compensation plans based on financial instruments pursuant to article 114-bis of the legislative Decree n. 58/1998.

- Stock Option Plan 2009, initially approved by the Shareholders' Meeting of July 22, 2009 and implemented by the Board of Directors of September 24, 2009 and concerning the sale of options to the management of the Group, in one or more tranches within five years from the Shareholders' Meeting, for the purchase of maximum n. 3,500,000 Damiani shares. The implementation cycle was subsequently amended by the Board of Directors of Damiani S.p.A. of July 26, 2012 and it is still valid.
- Stock Grant Plan 2009, approved by the Shareholders' Meeting of July 22, 2009 and concerning the free allocation of a maximum of n. 1,000,000 Damiani shares to employees and certain directors of the Damiani Group, in one or more tranches within five years from the date of approval. This plan has been the focus of two cycles of implementation approved by the Board of Directors on September 10, 2009 and June 10, 2011 (and amended on February 10, 2012).

- Stock Option Plan 2010, approved by the Shareholders' Meeting of July 21, 2010 and concerning the free allocation of options for the purchase of a maximum of n. 3,500,000 Damiani shares to directors, executives, managers, other employees, consultants and contributors, including agents of the Damiani Group in one or more tranches within five years from the date of approval. The Plan was amended by the Shareholders' Meeting of July 27, 2011 and was the subject of one single cycle of implementation approved by the Board of Directors of April 21, 2011 (subsequently amended on February 10, 2012), and still valid.

For more information see the Remuneration report, prepared by the Board of Directors of Damiani S.p.A. under the article 123-ter of the Legislative Decree n. 58/1998 and the article 84-quater of the Consob Regulation n. 11971/1999 and available on the website www.damiani.com.

38. CAPITAL MANAGEMENT

The primary objective of the Damiani Group is to guarantee, even in periods of economic crisis and financial stress, the best possible balance between assets and liabilities (solvency ratio). On this basis, the Group will endeavor to identify the sources necessary to support the growth plans of the Group's business in the best possible economic and financial conditions, both in terms of cost and duration, with the overall objective of maintaining the capital structure to an appropriate level of solidity in the medium term.
The Group manages its capital structure and changes it according to the changes in economic conditions and in the targets of its strategic plans.

39. FINANCIAL RISK MANAGEMENT

At March 31, 2014 the Damiani Group had a negative net financial position of about Euro 40.8 million, increasing by Euro 7.8 million in respect of March 31, 2013. This trend is related to the non-positive earnings performance and to the investments required to sustain the expected growth mainly in the retail channel (investment in fixed and working capital).
During the financial year 2013/2014 the Group has implemented a series of actions which, while causing an increase in the debt is intended to better support the industrial strategy in the medium term as well as to mitigate the financial risks related.
In the following paragraphs are described the main financial risks to which the Damiani Group is exposed, listed them in descending order of importance.

Liquidity risk
As part of the overall financing needs for the ongoing management and support for the development, the Group uses various forms of financing in the medium/long term and short (lines of credit and factoring), with the goal of containing the cost and risk of exposure to fluctuations in interest rates and maintain the structure of the sources balanced with that of the uses of resources acquired.
During the financial year 2013/2014, the Group to fund expansion projects, mainly abroad, and deal with the gradual repayment of medium-long term loans subscribed in the past (June 2009, for a maximum period of 6 years) for a total of Euro 25,000 thousands as well as counteract excessive exposure in the short term that was being created (albeit short lines are only partially used and at costs that are lower than those currently imposed on medium/long term) proceeded to take out new loans.
These medium term loans underwritten, and their terms of duration and rate, are summarized here:
- On April 2013 the subsidiary Rocca S.p.A. has signed with a national bank a loan agreement in three years (to be repaid in 36 monthly installments) for Euro 2,000 thousands, to 3-month Euribor rate plus a spread of 3%, for the coverage of investments in its retail structure.
- On June 2103 was paid the first installment, equal to 30% of the total subsidized financing from Simest S.p.A. of Euro 3,012 thousands which was signed in February 2013, for the implementation of development programs in China (to cover investment and operating costs to be incurred in the 24 months following the date of conclusion of the contract). The contract provides for the repayment in seven years (after the first two pre-amortization), in half-yearly installments and subsidized rates. A further tranche of Euro 786 thousands was paid in the month of December 2013.
- On November 2013 Damiani S.p.A. has underwritten a medium-term loan with a pool of Italian Banks for an amount up to a maximum of Euro 11,000 thousands. The loan is intended to support the continued operation of the Damiani Group, mainly by financing the industrial investments and the initial stock required for the development of the retail channel. Disbursements are subject to the effective implementation of the investment plan of the Group and to comply with financial covenants stated in the contract and verified quarterly by lenders. Interest accrues on the amounts at the 6-month Euribor rate, plus a spread of 6.05% per annum. The repayment of the credit line runs from the 30th month following the signature of the contract, to be completed after 66 months from the signature according to the established plan. At March 31, 2014 the amount disbursed was Euro 6,012 thousands.

Those funding is added the non-convertible bond with a nominal value of Euro 5,000 thousands issued in September 2013 by Damiani S.p.A. and reserved by subscription of executive directors and majors shareholders Guido, Giorgio and Silvia Grassi Damiani. The duration of the bond is defined in six years, with effect from October 1, 2013 repayable in a single installment on the due date, and annual compensation at a fixed rate of 5.5%, with subsequent payment in annual installments, the first which will take place on December 31, 2014.
Finally, on December 31, 2013 Simest S.p.A. (66.7% of the total) and the Venture Capital Fund of the Italian Ministry of Economic

Development (the remaining 33.3%) have provided financial means for Euro 2,904 thousands to the subsidiary Damiani Hong Kong Ltd to support the development of the Group in Greater China. In legal terms, the injection of liquidity into the subsidiary (which also contributed Damiani S.p.A. and in small part Damiani International B.V.) resulted in a capital increase for Damiani Hong Kong Ltd equal to the contribution of all of the entities involved. From an accounting standpoint this contribution, as described above, it is rather much like an interest-bearing loan in the medium-long term (weighted average annual rate of 5.9%) and as such recognized in the consolidated financial statements of the Damiani Group.
To manage the needs generated by the performance of the operating working capital (inventory, trade receivables and payables), the Damiani Group also has unused bank lines of credit at March 31, 2014 to approximately Euro 34 million (out of a total of Euro 54.5 million). In addition there are other Euro 5 million related to the long term syndicate financing, described above, and not yet disbursed.
Furthermore, under the proper balance between resources generated or absorbed by operating activities also includes assessments made by management to bring the inventories to a better dimension related to the current volume of activity. To achieve this balance the Group can carry out different types of interventions that can be: i) fusion of the finished product with recovery of valuable raw materials (in contrast with earlier periods in financial year 2013/2014 have not been implemented operations of this type); ii) the destocking operations on channels other than ordinary. The use of one rather than another type of intervention varies over time in the light of developments in the prices of raw materials and related production requirements, and in terms of convenience as brand equity.

The table below shows the detail of the liquidity risk:

	ANALYSIS OF THE DUE DATE AT MARCH 31 2014			
(in thousands of Euro)	WITHIN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
Trade payables	49,183	-	-	49,183
Long term financial debts	3,664	8,587	4,264	16,515
Long term financial debts towards related parties	-	-	5,000	5,000
Debts for financial leasing	1,038	4,152	2,975	8,165
Short term borrowings	21,554	-	-	21,554
Other current liabilities	8,489	-	-	8,489
Total exposure	**83,928**	**12,739**	**12,239**	**108,906**

	ANALYSIS OF THE DUE DATE AT MARCH 31 2013			
(in thousands of Euro)	WITHIN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
Trade payables	45,604	-	-	45,604
Long term financial debts	5,500	4,500	-	10,000
Debts for financial leasing	1,042	4,168	4,095	9,305
Short term borrowings	21,493	-	-	21,493
Other current liabilities	7,575	-	-	7,575
Total exposure	**81,214**	**8,668**	**4,095**	**93,977**

Interest rate risk
Closely related to liquidity risk is the risk of time-dependent fluctuations in interest rates. The Group is active to minimize its burden diversifying the sources of financing in consideration of the rates applied and their variability over time.
The medium-long term loans are fixed-rate (residual portion of the loan disbursed in 2009, bond signed by the major shareholders, supply of Simest S.p.A. in Damiani Hong Kong Ltd) and facilitated (Simest S.p.A. funding for programs of development in China), and partly variable rate (loan to Rocca S.p.A. and syndicated loan to Damiani S.p.A.). The short lines are floating rate, with values ranging in the different forms of financing, and an average cost of about 3%, which is currently lower than that at market conditions that matured on medium-long term loans of the financial year 2013/2014 (interest rates applied to different funding obtained are shown in the previous section).
Therefore, upward swing of the reference rates of the market could lead to a negative effect on the economic performance of the Group.

Credit risk
The credit risk is defined as the possibility of incurring a financial loss, which could be brought about by the non-fulfillment of a contractual obligation by a counterpart.
With reference to the dealership, the Group deals with a customer base consisting mainly of jewelry shops and distributors and therefore collaterals are not generally required. The Group carries out a preliminary information survey to customers through a specific information company and monitors all customers with the attribution of a specific trust. An automatic control is also operating with the help of an information company for reporting possible negativity (eg. Protests) that trigger the immediate blocking procedures and starting the process of debt collection.

Where there are critical situations with some customers, the credit management department formalizes plans to return while generating a lengthening of the average collection times, minimizes the risk of loss. This constant monitoring to date has determined the containment of losses to an acceptable level, albeit in a context where market conditions were partially damaged (mostly domestically), and the difficulty to access to credit can impact the solvency of some clients. The Group shall conduct timely assessment of risks both in the closing of the financial year as well as when preparing the interim reports.

The table below shows the maximum potential exposure to the credit risk at March 31, 2014 and at March 31, 2013.

(in thousands of Euro)	March 31 2014	March 31 2013
Current financial receivables	-	147
Cash and cash equivalent	10,200	7,501
Trade receivables	30,525	25,126
Other non current assets	4,125	4,349
Other current assets	7,819	12,172
Total maximum exposure to the credit risk	**52,669**	**49,295**

In relation to trade receivables the exposure reported in the table has already been appropriately adjusted to reflect the estimated realizable value at the date of the financial statements based on the assessment and the findings reported in note 11.

Raw materials price fluctuations' risks

Among its raw materials the Damiani Group mainly uses precious stones, gold, pearls and other precious materials, whose market prices and availability can vary significantly due to factors as government regulations, market trends and investors' speculative positions, relationships with suppliers (above all regarding the purchase of diamonds) and consequent conditions of supply.
During the financial year 2013/2014 the average price of gold, subject to much speculation in times of economic and financial crisis, recorded a strong decrease even if with wide fluctuations: in April 2013 the average monthly value was 36.6 euros per gram, in December 2013 the average value was down to 28.7 euros per gram, before recovering to 31.1 euros per gram in March 2014. The annual average was 31.8 euros per gram, compared to an annual average in the previous financial year 2012/2013 which has been equal to 41.3 euros per gram, a decrease by 22.9%. In the following months (April-May 2014) gold prices remained steady slightly above 30 euros per gram, without significant fluctuations. This context is generally positive for the impact of the decline in price determines on the cost of production, although strong fluctuations in the short term make it more complex and less reliable the formulation of expected purchase of raw materials, even if carried out with hedging mechanisms to reduce the risk of price fluctuations, and planning of production processes which in turn are influenced by the seasonal trend of the target market.
The risks related to price of raw materials and to the strong and sudden fluctuations are amplified by movements in the exchange rate, because some materials have official prices in currencies other than Euro and the same purchases are settled in US Dollar (diamonds) and Yen (pearls), while the Group's functional currency is the Euro.
The Damiani Group mitigates this risks as follows: a) proceeds to forward purchases of raw materials (gold only) with fixed prices and quantities in relation to the dynamics of the production process (at March 31, 2014 active contracts relating to purchases of gold were 6 for a total quantity of 68 kilograms and an agreed equivalent of Euro 1,981 thousands); b) purchases finished products from suppliers with a well established relationships and defined agreements for a medium-term time (normally six months) that enable to mitigate the effects associated with rapid and frequent price fluctuations; c) the retail price is increased (usually annually) in relation to the increase in the production costs.
If there were in the medium-long term an uptrend in the price of raw materials used in the production process, or sudden strong swings, it could inevitably cause a reduction of margins for the Group, as it would be impossible to fully pass on the retail price the increase in the cost of acquisition/production.

Exchange rate risk

The Damiani Group's functional currency is the Euro and, therefore, the transactions in other currencies are subject to exchange rate fluctuations, mainly of the US Dollar and Japanese Yen, which are the currencies of financial statements of the foreign subsidiaries located outside the Eurozone. The fluctuations in exchange rates affect the financial result and the financial position of the Group.
Furthermore, some purchases of raw materials and finished products, as described above, are made in US Dollar and Japanese Yen, which exposes them to the consequent exchange rate risk. If this risk is considered to be significant, as in those times of particular pressure on exchange rates, specific currency forward contracts are signed, for the purpose of hedging the exchange rate risk. The notional amount of the currency forward purchases made by the Group during the financial year 2013/2014 amounted to a total of Euro 10,811 thousands.
At March 31, 2014 there were outstanding currency forward contracts entered into by Damiani S.p.A. for a total of Euro 4,689 thousands.
At March 31, 2013 contracts were instead equal to a total of Euro 2,344 thousands.

Financial instruments at fair value and relative valuation hierarchy levels

The table below gives details of assets and liabilities valued at fair value. No significant differences emerge from a comparison of the book value and fair value of the different categories of financial instruments used by the Group and booked to the financial statements.

	BOOK VALUE						FAIR VALUE	
	Total		current		non current			
(in thousands of Euro)	March 31 2014	March 31 2013	March 31 2014	March 31 2013	March 31 2014	March 31 2013	March 31 2014	March 31 2013
Cash and cash equivalent	10,464	7,688	10,464	7,688	-	-	10,464	7,688
Current financial receivables	-	147	-	147	-	-	-	147
Trade receivables	30,525	25,126	30,525	25,126	-	-	30,525	25,126
Other financial assets	11,944	16,521	7,819	12,172	4,125	4,349	11,944	16,521
Total financial assets	**52,933**	**49,482**	**48,808**	**45,133**	**4,125**	**4,349**	**52,933**	**49,482**
Trade liabilities	49,183	45,604	49,183	45,604	-	-	49,183	45,604
Financial debts	51,234	40,798	26,256	28,035	24,978	12,763	51,234	40,798
Other liabilities	8,489	7,575	8,489	7,575	-	-	8,489	7,575
Total financial liabilities	**108,906**	**93,977**	**83,928**	**81,214**	**24,978**	**12,763**	**108,906**	**93,977**

With regard to the financial instruments booked at fair value, IFRS 7 requires these values to be classified on the basis of hierarchy levels that reflect the significance of the method used to calculate the fair value. These levels are as follows:

- level 1: financial instrument listed on an active market;
- level 2: fair value is measured on the basis of valuation techniques that are based on observable market data, different from the listing;
- level 3: fair value is calculated on the basis of valuation techniques that are not based on observable market data.

All assets and liabilities valued at fair value at March 31, 2014 are classified at level 2 and during the financial year 2013/2014 there were no transfer from level 1 or 3 to level 2.

40. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

On May 26, 2014 Rocca S.p.A. transferred to a third party the business unit (and its lease) related to the multi-brand store in Rome. The consideration agreed between the parties was Euro 1,980 thousands, of which Euro 300 thousands was collected at the time of drafting of the preliminary (March 2014) as deposit, Euro 1,580 thousands at the date of the notarial deed and Euro 100 thousands as balance by the end of September 2014. Because of the simultaneous write-off of the net book values of the assets transferred, the net income for the Group amounted to approximately Euro 1,250 thousands. The multi-brand store Rocca in Rome was not profitable for the Group.

41. AUDIT COSTS

The following table, prepared in accordance with article 149-duodecies of Consob Issuers' Regulation, shows the contractual fees accrued in the financial year ended March 31, 2014 for services provided by the independent audit company and by the entities belonging to the same network.

The independent auditors provided only the following audit services:

1. Audit of financial statements of the parent company Damiani S.p.A. and its subsidiaries;
2. Audit of consolidated financial statements;
3. Limited review of the interim condensed consolidated financial report as of and for the six months ended September 31, 2013.

The costs of these services are summarized in the table below:

(in thousands of Euro)				
TYPE OF SERVICES	SERVICE PROVIDER	SERVICE PROVIDE TO	SERVICES	FEES
Audit	Reconta Ernst & Young S.p.A.	Parent company	Professional fees	220
		Parent company	Other expenses	20
Audit	Reconta Ernst & Young S.p.A.	Subsidiaries	Professional fees	125
		Subsidiaries	Other expenses	15
		Total		**380**

42. EXCHANGE RATES

The exchange rates at March 31, 2014 and March 31, 2013 used for the translation of financial statements in foreign currencies were the following.

CURRENCY	AVERAGE 2013/2014	SPOT MARCH 31, 2014	AVERAGE 2012/2013	SPOT MARCH 31, 2013
U.S. Dollar	1.340	1.379	1.287	1.281
Japanese Yen	134.308	142.420	106.360	120.870
Swiss franc	1.230	1.219	1.210	1.220
G.B.Pound	0.844	0.828	0.815	0.846
Hong Kong Dollar	10.396	10.697	9.981	9.942
Pataca Macau	10.708	11.017	10.280	10.240
Mexican Peso	17.244	18.014	16.824	15.815
Indian Rupee	81.114	82.578	N/A	N/A
Renminbi Cinese	8.199	8.575	8.157	7.960
Won Republic of Korea	1,461.763	1,465.900	1,430.309	1,425.030

For the Board of Directors
Chairman & CEO
Mr. Guido Grassi Damiani

Attestation regarding the Consolidated Financial Statements, pursuant to article 154 bis of the Legislative Decree 58/98

1. The undersigned Mr. Guido Grassi Damiani, Chairman and CEO, and Mr. Gilberto Frola, Executive in charge of drawing up the accounting documents of Damiani S.p.A., also considering the provisions of article 154-bis, paragraphs 3 and 4, of the Legislative Decree n. 58 of February 24, 1998, certify:

- The adequacy in relation to the characteristics of the company and
- The effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements as of March 31, 2014.

2. Furthermore it is certified that the consolidated financial statements:

a) Are prepared in conformity with the International Accounting standards as endorsed by the European Union pursuant to the EC Regulation n. 1606/2002 of the European Parliament and Council dated July 19, 2002
b) Agree with the contents of the accounting books and entries
c) Provide a true and fair representation of the economic and financial position of the Issuer and the companies included in the consolidation area
d) The report on operations contains a reliable analysis of the results of operations, and the situation of the Group, with a description of the main risks and uncertainties to which it is exposed.

Milan, June 12 2014

Guido Grassi Damiani
Chairman & CEO

Gilberto Frola
Executive in charge of drawing up the accounting documents

Building a better working world

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Independent auditors' report

pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Damiani S.p.A.

1. We have audited the consolidated financial statements of Damiani S.p.A. and its subsidiaries, (the "Damiani Group") as of 31 March 2014 and for the year then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Damiani S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior year are presented for comparative purposes. As described in the explanatory notes n. 2 "Accounting Policies", following the application of the amendment to IAS 19, Directors have restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated 28 June 2013. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the consolidated financial statements as of 31 March 2014 and for the year then ended.

3. In our opinion, the consolidated financial statements of the Damiani Group at 31 March 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Damiani Group for the year then ended.

4. The Directors of Damiani S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "investor relations" of Damiani S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the consolidated financial statements of the Damiani Group at 31 March 2014.

Milan, 27 June 2014

Reconta Ernst & Young S.p.A.
Signed by: Fabio Mischi, partner

This report has been translated into the English language solely for the convenience of international readers.

FINANCIAL STATEMENTS OF DAMIANI S.P.A. AS OF AND FOR THE YEAR ENDED MARCH 31 2014

Prepared in accordance with
IAS / IFRS Accounting **standards**

Damiani S.p.A.

Report on operations
as of March 31 2014

Damiani S.p.A. business activities

The reorganization measures implemented in the previous financial year 2012/2013, with the aim of increasing the efficiency of business processes, have gradually modified the activity of Damiani S.p.A., parent company of the Damiani Group.

In fact, as regards the distribution of jewelry on the national territory, Damiani S.p.A. has added to the traditional marketing of Damiani and Salvini brands also the brands Alfieri & St. John and Bliss as a result of the merger of the subsidiaries Alfieri & St. John S.p.A. and New Mood S.p.A. [2], which previously operated as independent entities in Italy. In addition, since June 2012, Damiani S.p.A. has also started direct marketing of the Group's brands to foreign markets previously manned by the Dutch subsidiary Damiani International B.V., which acted through its branch in Switzerland. The Dutch subsidiary has retained ownership of the trademarks for the international markets but no longer performs the tasks related to their distribution, which were centralized in Italy. On direct sales to foreign counterparts (third and Group), Damiani S.p.A. recognizes royalties to Damiani International B.V., provided for by specific agreements concluded between the two parties and diversified by brand.

Finally, and in line with the previous financial year the Company shall meet the requirements of products from the Italian subsidiary Rocca S.p.A. which oversees the domestic market through its network of multi-brand boutiques located in major Italian cities.

Therefore, the financial year 2013/2014 is the first in which Damiani S.p.A. carried out for the entire period of twelve months the new activities assigned to it, creating the desired synergies and efficiencies that were the basis of the reorganization.

Damiani S.p.A. markets the Group's brands through two distribution channels:

- wholesale channel made up of multi-brand independent jewelry shops, franchisees, distributors and stockists;
- retail channel made up of mono-brand stores managed directly by the Company. At March 31, 2014 Damiani DOS were 8 (Milan, Rome, Bologna, Florence, Naples, Portofino, Porto Cervo and Rome Fiumicino international airport). In addition, there also was the multi-brand shop in Turin with Rocca Tr3nd sign (starting from May 2013; before it was a mono-brand Bliss).

The jewelry products are manufactured by the in-house production unit, supplied by the subsidiary Laboratorio Damiani S.r.l., as well as from third-party producers located mainly in the district of Valenza (AL), international center of excellence in the manufacture of high value and quality jewelry craftsmanship.

Corporate Governance

The system of governance of Damiani S.p.A. is the so-called "latin" or "traditional" form: the corporate bodies are the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Board of Directors of Damiani S.p.A. currently in charge was appointed by the Shareholders' Meeting on July 26, 2012 for the three years period 2012-2015 until the approval of the Financial statements as of March 31, 2015. The composition of the Board of Directors complies with the applicable regulations (as per articles 147-ter and 148, paragraph 3, of the Legislative Decree n. 58/1998) and the principles of corporate governance contained in the Self-Regulation Code for listed companies.

On July 26, 2012 the new Board of Directors of Damiani S.p.A. appointed Guido Grassi Damiani as Chairman and CEO, Giorgio and Silvia Grassi Damiani as Vice-Presidents, Stefano Graidi as Director responsible for the internal control system and risk management and Fabrizio Redaelli as Lead Independent Director.

After verification of the requirements of non-executive and independent directors, pursuant article 148 of the Legislative Decree n. 58/1998 and article 3 of the Self-Regulation Code for listed companies, the Directors Fabrizio Redaelli, Roberta Benaglia and Giancarlo Malerba were called to form the Remuneration Committee and the Audit and Risk Committee.

On June 14, 2013 the Director Francesco Minoli (non-executive and independent Director) has resigned for personal reasons, with effect from the date of the Shareholders' Meeting that on July 26, 2013 approved the Financial statements of Damiani S.p.A. and the Consolidated financial statements as of March 31, 2013. Therefore, the Board of Directors of Damiani S.p.A. is currently formed by seven members.

On November 29, 2013 the Board of Directors of Damiani S.p.A. appointed Giorgio Grassi Damiani as Director responsible for the internal control system and risk management, in lieu of Stefano Graidi that, due to unexpected commitments, gave up this position.

Damiani S.p.A. adopted a Code of Ethics and the Organizational Model prescribed by the Legislative Decree n. 231/2001. The Code of Ethics refers to the values the Damiani Group adheres to when carrying out its activities and contains the ethical principles and rules that

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[1] Damiani S.p.A. ends its financial year at March 31, therefore the Financial statements at March 31, 2014 cover the period April 1, 2013 – March 31, 2014 (hereafter Financial year ended March 31, 2014 or Financial year 2013/2014). For comparative purposes are exposed the data relating to the period April 1, 2012 – March 31, 2013 (hereafter Financial year ended March 31, 2013 or Financial year 2012/2013).

[2] The merger of the two Italian subsidiaries in the parent company has been formalized in a notarial deed dated December 20, 2012, with effect toward third parties from January 1, 2013. The accounting and tax effects were instead backdated to April 1, 2012.

must guide the conduct of the individuals for whom it is meant. The Code of Ethics is applicable to all directors, employees, suppliers, consultants, agents and business partners and in general all those individuals who operate on behalf of the Company.
The Organizational Model adopted in its current version by the Board of Directors of Damiani S.p.A. on May 29, 2014 is a set of specific regulations dealing with conduct and operational procedures and it is designed to prevent unlawful conduct within those areas of business activities where there is a potential risk.
The Supervisory Body under Legislative Decree n. 231/2001 supervises to ensure the correct application of the Organizational Model and Code of Ethics. The Supervisory Body (hereinafter S.B.) of the Parent company in office during the financial year ended March 31, 2014 was collegial and consisting of the Internal Auditor and two external consultants, paid for the job done.
The S.B. has been assigned all the powers and resources (with a budget periodically revised) necessary for ensuring the Organizational Model adopted by the Company is effectively implemented and observed and that is efficient and effective in preventing the offences currently specified in Legislative Decree n. 231/2001. The S.B. has the possibility to make recommendations to the Board of Directors about updating or adjustments of the Organizational Model.
The Supervisory Body of Damiani S.p.A. met 8 times during the financial year 2013/2014.
At March 31, 2014 the mandate of the Supervisory Body expired. Therefore, the Board of Directors of Damiani S.p.A. of May 29, 2014 appointed the new S.B., by modifying the Organizational Model in the part relating to the composition of the Supervisory Body. On the proposal of the Director responsible for the internal control system and risk management, with the approval of the Board of Statutory Auditors, the Board of Directors has appointed until the approval of the financial statements of Damiani S.p.A. as of March 31, 2017 a S.B. sitting alone in the person of the Internal Auditor, Francesco Delucchi. To the new S.B. was allocated an annual budget of expenses for the activities and functions conferred to it.
For further details about the corporate governance system of the Company, together with information on the company structure per article 123–bis of Legislative Decree n. 58/1998, see the Annual report on corporate governance published at the same time as the financial statements and also available for consultation in the investor relation section of the website www.damiani.com.
About the obligation under Title VI of the Regulation of Legislative Decree n. 58 of February 24, 1998, concerning market discipline (Market Regulations), states that Damiani S.p.A. controls directly or indirectly five 5 companies which are not part of the European Union and which are relevant as per article 151 of the Market Regulations. According to article 36 of Market Regulations, states that:
- the companies have, in the opinion of the Issuer Damiani S.p.A., an administrative and reporting system suitable for regular reporting to the Corporate of Damiani S.p.A. of economic and financial figures necessary to prepare the consolidated financial statements and to carry out the statutory audit;
- the Issuer has the Statute and knows the composition of the Corporate bodies, and their powers, of the above mentioned companies, and it is advised of any modifications in a timely fashion;
- the reporting package of the companies, prepared for the purposes of consolidated financial statements of the Damiani Group, are provided in the manner and terms established by law.

Share buy-back program
The Shareholders' Meeting of July 26, 2013 resolved to authorize - subject to revocation, for the part non executed of the resolution adopted by the Shareholders' Meeting of July 26, 2012 – the purchase and disposal of treasury shares under co-joined articles 2357 and 2357 ter of the Civil Code and article 132 of the Legislative Decree n. 58/1998.
The authorization to purchase treasury shares is structured as follows:
- Damiani S.p.A. may purchase a maximum of ordinary shares whose nominal value does not exceed the limit of the law, up to a maximum of n. 16,520,000 ordinary shares, at a nominal value of 0.44 euro each.
- The authorization was granted for a period of 18 months starting from the Shareholders' Meeting date and lasting until the date of January 26, 2015.
- The purchase price of each share, including additional expenses of purchase, must be as a minimum not less than 20% and a maximum not more than 20% of the official price registered by the share in the trading session before each exchange transaction.
- The purchase transactions will be conducted on regulated markets in accordance with local regulations (article 132 of the Legislative Decree n. 58/1998 and article 144bis of Consob Regulations n. 11971/1999) and respecting the principle of equal treatment of Shareholders and any other regulations, including Community rules.

As of March 31, 2014 Damiani S.p.A. owns n. 5,556,409 treasury shares (equal to 6.73% of the share capital), and no additional treasury shares have been purchased or sold between April 2013 and March 2014.

Directors' fees

The fees for the financial year 2013/2014 due to the directors, statutory auditors and executives with strategic responsibilities of Damiani S.p.A., also with reference to what is perceived to similar functions performed within other Group companies are reported in the Annual report on remuneration, prepared pursuant to article 123-ter of the Legislative Decree n. 58/1998 and article 84-quater of Consob Regulation n. 11971/1999.

This report sets out the policy of Damiani S.p.A. regarding the remuneration of members of the Board of Directors and the executives with strategic responsibilities with reference to the financial year 2014/2015, and the procedures used for the adoption and implementation of this policy, and contains, among other things, information concerning the plans based on financial instruments pursuant to the current article 114-bis of the Legislative Decree n. 58/1998.

In this regard it should be noted that the Board of Directors of Damiani S.p.A. of June 14, 2013 confirmed the waiver of fees for the financial year 2013/2014 of Directors Guido Grassi Damiani (President and CEO), Giorgio Grassi Damiani (Vice President) and Silvia Grassi Damiani (Vice President) for a total of Euro 1.3 million. This waiver has already occurred in the previous two financial years.

The Remuneration report is made available to the public, together with the annual statements and the Report on corporate governance and ownership structure, at the registered office of the Issuer Damiani S.p.A. and on the website www.damiani.com

Research and development

The products offered, together with the reputation and image of the brands sold, has always represented the key to the Company's success, which over the years has been able to provide innovations in style and design in the collections offered to customers. The internal staff specifically dedicated to develop the product operates with this goal. During the financial year 2013/2014 the total cost in Damiani S.p.A. for product development was equal to Euro 341 thousands.

Main risks and uncertainties for Damiani S.p.A.

To the market risks that affect the Company which operates internationally and which are strongly related to the current economic environment, yet characterized by uncertainties due in some areas to the financial crisis and in credit and in other areas to political turmoils and government measures, which generate recession on the industrial system and the dynamics of consumption, please refer to what has already been described in the report on operations of the consolidated financial statements.

The financial risk management is part of the wider policies for managing the Group financial structure. For specific details see note 35. Financial risk management.

For commitments and contingencies which affect Damiani S.p.A. see note 32. Commitments and contingent liabilities.

Human resources and environment

For details see the report on operations of the Consolidated financial statements.

Key data

SHARE CAPITAL	MARCH 31, 2014	MARCH 31, 2013
Number of shares issued	82,600,000	82,600,000
Par value per share	0.44	0.44
Share capital (in euro)	36,344,000	36,344,000
OWNERSHIP'	% on shares issued	% on shares issued
Leading Jewels S.A. (1)	58.81%	58.49%
Sparkling Investment S.A. (1)	-	0.32%
Guido Grassi Damiani	5.99%	5.99%
Giorgio Grassi Damiani	6.11%	6.11%
Silvia Grassi Damiani	5.30%	5.30%
Damiani S.p.A. (treasury shares) (2)	6.73%	6.73%
Market	17.06%	17.06%
SHARES HELD BY THE SUBJECTS INDICATED BY ART. 79 LEGISLATIVE DECREE N. 58/98		
INDIVIDUAL	OFFICE HELD	NUMBER OF SHARES
Guido Grassi Damiani (total n. 59,078,736) (3)	Director	4,943,850
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,379,371
Strategic executives		12,000

(1) Companies traceable to Damiani family.

(2) The Shareholders' Meeting of July 26, 2013 approved the authorization, for the part not executed of the resolution of the Shareholders' Meeting of July 26, 2012, for the purchase of treasury shares up to a maximum of n. 16,520,000 ordinary shares of Damiani S.p.A., within a priod of 18 mounths from the date of the Shareholders' resolution. As of March 31, 2014 the treasury shares in portfolio were n. 5,556,409, equal to 6.73% of the share capital.

(3) As controlling shareholder to Mr. Guido Grassi Damiani are traceable the shares owned by Leading Jewels S.A. and the treasury shares of Damiani S.p.A..

Economic/financial data

MAIN ECONOMIC DATA (in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*	CHANGE	CHANGE %
Revenues from sales and services	**95,655**	**78,500**	**17,155**	**21.9%**
Total revenues	95,655	78,500	17,155	21.9%
Cost of production	(92,592)	(79,809)	(12,783)	16.0%
EBITDA (**)	**3,063**	**(1,309)**	**4,372**	**n.m.**
EBITDA %	**3.2%**	**-1.7%**		
Depreciation and amortization	(1,426)	(853)	(573)	67.2%
Operating income	**1,637**	**(2,162)**	**3,799**	**n.m.**
Operating income %	**1.7%**	**-2.8%**		
Net financial incomes (expenses)	(2,887)	(1,370)	(1,517)	-110.7%
Result before taxes	(1,250)	(3,532)	**2,282**	**64.6%**
Net result	(2,033)	(3,074)	**1,041**	**33.9%**
Average number of employees (***)	264	272	**(8)**	**-2.9%**

(*) Economic data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2 of this document).

(**) EBITDA represents the operating result gross of depreciation, amortization and write downs. EBITDA thus defined is used by the Group's management to monitor and evaluate the Group's operational performance and is not an IFRS accounting measure, therefore it must not be considered as an alternative measure for evaluating Group's results. Since EBITDA is not regulated by the accounting standards adopted, the criteria used by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

(***) Average number of employees in the two financial years compared.

BALANCE SHEET DATA (in thousands of Euro)	SITUATION AT MARCH 31 2014	SITUATION AT MARCH 31 2013	CHANGE
Fixed assets	91,857	81,261	10,596
Net working capital	43,372	49,479	(6,107)
Non current liabilities	(3,989)	(3,706)	(283)
Net capital invested	**131,240**	**127,034**	**4,206**
Shareholders' Equity	97,670	100,009	(2,339)
Net financial position (*)	33,570	27,025	6,545
Sources of financing	**131,240**	**127,034**	**4,206**

(*) Net financial position is determined according to the indication of Consob communication n. DEM/6064293 of July 28, 2006.

Comments on the main economic and financial data of Damiani S.p.A.

The trend of the main economic and financial items in the financial year ended March 31, 2014 is commented below.
In detail, revenues from sales by channel were as follows:

REVENUES BY SALES CHANNEL (in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013	CHANGE	CHANGE %
Third parties Wholesale	**58,249**	**51,972**	**6,277**	**12.1%**
Percentage on total revenues	60.9%	66.2%		
Third parties Retail	**11,460**	**8,953**	**2,507**	**28.0%**
Percentage on total revenues	12.0%	11.4%		
Total wholesale and retail revenues	**69,709**	**60,926**	**8,783**	**14.4%**
Percentage on total revenues	72.9%	77.6%		
Intercompany sales	25,946	17,574	8,371	47.6%
Percentage on total revenues	27.1%	22.4%		
Total Revenues	**95,655**	**78,500**	**17,155**	**21.9%**

The **Revenues from sales and services** in the financial year 2013/2014 were Euro 95,655 thousands with an increase by Euro 17,155 thousands (+21.9%) compared to the previous financial year. This performance was due to higher sales to third parties in the wholesale channel (+12.1%), which mainly benefits of the increasing weight of the foreign markets wholly managed for the period of twelve months (+38.5% in revenues compared to the financial year 2012/2013) but also for a positive trend in the domestic market (+4.1%), and for the continued and consolidated strong performance of the retail (+28%).
Also the weight of intercompany sales grew strongly (up 47.6% compared to the previous financial year). The performance is a direct result of higher sales by foreign subsidiaries in their markets, which generated more orders for the supply of jewelry toward Damiani S.p.A. (it should be noted that in the first two months of the financial year 2012/2013 the orders from foreign subsidiaries still flocked to the Swiss branch of Damiani International B.V.).
EBITDA for the financial year ended March 31, 2014 is back to being positive for Euro 3,063 thousands, an increase of Euro 4,372 thousands compared to the financial year ended March 31, 2013 (the operating loss was Euro 1,309 thousands). The improvement in performance is a direct result of the growth of the turnover of the Company.
The **Net result** for the period was a loss of Euro 2,033 thousands, but an improvement of Euro 1,041 thousands compared to the previous financial year. The recovery was lower than the improvement in EBITDA. This is the result of the following factors: i) higher depreciation and write-downs for Euro 573 thousands, for a more consistent depreciable basis, as a direct result of the investments in the retail sector, and the devaluation of goodwill related to a shop closed during the financial year as non-profitable and non-strategic for the Company; ii) worst net financial performance (for Euro 1,517 thousands) due to higher foreign exchange losses (increase of Euro 593 thousands) and the loss booked on the sale of the stake in Laboratorio Damiani s.r.l. to Damiani Manufacturing s.r.l. as part of the reorganization of the Group's production, which was completed on March 26, 2014 with the merger of the two companies (the loss booked on the sale of direct share held, representing 9.35% of the share capital of Laboratorio Damiani s.r.l. before merger amounted to Euro 930 thousands); iii) greater fiscal impact (for Euro 1,241 thousands) mainly resulting from the effects of the release of deferred tax assets booked in prior financial years relating of temporary differences between the book value and tax value, generated by the review of the assets that have been assessed and reduced in the financial year 2013/2014.

Balance sheet

At March 31, 2014 the **Net capital invested** of Damiani S.p.A. amounted to Euro 131,240 thousands, an increase of Euro 4,206 thousands compared to March 31, 2013. The change was due to the increase of the fixed assets for Euro 10,596 thousands, as a result of the capital contributions in foreign subsidiaries (Damiani Hong Kong Ltd and Damiani Shanghai Trading Co. Ltd for a total of Euro 8,925 thousands) and of the higher loans to subsidiaries (an increase of Euro 3,090 thousands). The increase in non-current assets is offset by the decrease in net working capital for Euro 6,107 thousands: the expansion of the activities of Damiani S.p.A. resulted in an increase in both trade payables and receivables while the activation of the system of VAT Group resulted in the transfer of the VAT receivables that the subsidiaries, in particular Rocca S.p.A, have toward the tax authorities. This item is booked under current liabilities.

At March 31, 2014 the **Net financial debt** of Damiani S.p.A. amounted to Euro 33,570 thousands, in worsening of Euro 6,545 thousands compared to the previous financial year. The change from the previous year is due to the negative performance of the Company registered in the financial year ended March 31, 2014 and the financial resources necessary to support the development of the Group. Among the components of debt is also included the debt to Simest S.p.A. and to the Venture Capital Fund of the Italian Ministry for Economic development, equivalent to the contribution of liquidity for Euro 2,904 thousands granted by the two entities during the financial year 2013/2014 to the subsidiary Damiani Hong Kong Ltd in order to support its development in Greater China, given the commitment of Damiani S.p.A. to reimbursement by September 30, 2021, as contractually regulated (for further details please refer to note 35. Financial risk management).

Transactions with related parties

Damiani S.p.A. has with related parties mainly commercial transactions (sales of jewelry products of the Group's brands), related to its core business, real estate transactions (leases of office buildings and shops) and starting from the year 2013/2014 also financial (the executive Directors and major shareholders, the Damiani brothers, have signed a bond).

For the specific figures and descriptions of the nature of dealings with related parties, please see note 31. Transactions with related parties.

Significant events during the financial year

In May 2013 Damiani won the international Andrea Palladio Jewellery Award for best communication campaign 2012/2013, sponsored by the Vicenza Fair and dedicated to excellence in design, production and communication in jewelry.

On November 20, 2013 Damiani organized the event for the reopening of its boutique in Rome, in via Condotti, completely renovated in 400 square meters on three floors, with the new concept presented in via Montenapoleone in Milan last year. Sophia Loren was the guest of honor, which has been a great success among the press and selected guess attending. The Rome event also marks the beginning of the celebrations for the 90th anniversary of the company, celebrated in 2014.

In January 2014 Damiani S.p.A. has opened a new flagship store Damiani at the T3 terminal of the international airport Leonardo da Vinci-Fiumicino in Rome.

On March 26, 2014, the merger between Damiani Manufacturing S.r.l. and Laboratorio Damiani S.r.l. was completed, as approved by the respective Shareholders' Meeting on December 16, 2013. The transaction qualified as a merger technically "reverse", took place with the incorporation of Damiani Manufacturing S.r.l. in Laboratorio Damiani S.r.l. and related accounting and tax effects were backdated to April 1, 2013.

In March 2014 Damiani became part of the Leonardo Committee, an initiative of the Confindustria and the ICE to promote the image of Italy as a country's system. Are members of this association some of the most famous Italian brands which enjoy high prestige and an international reputation.

Significant events after the end of the financial year

Damiani has participated as a sponsor in the celebrations of the centenary of the Olympic Committee in Rome. At the italian official ceremony June 9, 2014 at the Foro Italico in the prestigious setting of the Stadio dei Marmi, in the presence of the President of the Republic Giorgio Napolitano, Damiani exposed the limited edition collection created to celebrate the 90th Anniversary of the maison. It is numbered exclusive jewelry that are inspired by each decade of history of Damiani from 1924 to today.

Business outlook

The financial year 2013/2014 was for Damiani S.p.A., as well as for the entire Group, a period of change. After a few years, the operational management of the Company has returned positive for both revenue growth and for a more efficient cost structure, which has fully and successfully absorbed the reorganization carried out during the previous financial year.

The commitment to continue in the coming months in the actions of streamlining business processes to recover margins of efficiency in the activities which requires in particular the full and active cooperation of all staff areas, together with the expected trends of exogenous factors (revenue growth in the foreign countries with the highest potential, low dynamics of prices of raw materials), will determine the recovery of positive profitability even at net level, together with the cash flow generation, in order to strengthen the financial structure that, in the light of the operations carried out recently, it is now more weighted.

Proposed resolution on Damiani S.p.A.'s results for the financial year ended March 31, 2014

Shareholders,
to conclude our report, and trusting in your approval of the form and criteria used in preparing the financial statements at March 31, 2014, we propose:

1. To approve the financial statements of Damiani S.p.A. as of March 31, 2014;
2. To balance this financial year's loss for Euro 2,033,273 using the Share premium reserve.

Milan, June 12 2014

For the Board of Directors
Chairman & CEO
Mr. Guido Grassi Damiani

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STATEMENT OF FINANCIAL POSITION

(in Euro)	Note	March 31 2014	March 31 2013 (restated)*
NON-CURRENT ASSETS			
Goodwill	4	479,576	726,704
Other intangible assets	5	813,627	802,667
Property, plant and equipment	6	5,839,768	5,320,544
Investments	7	35,020,961	27,345,905
Other investments	7	166,930	166,930
Financial receivables and other non current assets	8	41,796,190	38,701,537
of which towards related parties		41,419,996	38,329,562
Deferred tax assets	9	7,739,998	8,197,012
TOTAL NON CURRENT ASSETS		**91,857,050**	**81,261,299**
CURRENT ASSETS			
Inventories	10	46,057,813	46,048,893
Trade receivables	11	54,556,192	42,459,216
of which towards related parties		27,074,017	20,603,279
Tax receivables	12	291,634	1,056,022
Other current assets	13	2,208,279	2,427,213
of which towards related parties		882,663	658,923
Cash and cash equivalents	14	3,121,235	254,089
TOTAL CURRENT ASSETS		**106,235,153**	**92,245,433**
TOTAL ASSETS		**198,092,203**	**173,506,732**
SHAREHOLDERS' EQUITY			
Share capital		36,344,000	36,344,000
Reserves		63,359,643	66,739,222
Net result for the period		(2,033,273)	(3,074,254)
TOTAL SHAREHOLDERS' EQUITY	15	**97,670,370**	**100,008,968**
NON CURRENT LIABILITIES			
Long term financial liabilities	16	18,945,595	6,694,000
of which towards related parties		6,840,000	2,194,000
Employees' Termination Indemnities	17	3,762,024	3,190,517
Deferred tax liabilities	9	80,444	242,599
Provision for risks and charges	18	146,268	272,597
TOTAL NON CURRENT LIABILITIES		**22,934,331**	**10,399,713**
CURRENT LIABILITIES			
Current portion of long term financial liabilities	16	3,291,165	5,808,000
of which towards related parties		291,165	308,000
Trade payables	19	51,585,976	38,413,697
of which towards related parties		18,625,997	12,545,678
Short term borrowings	20	14,454,207	14,777,315
Tax payables	21	893,019	488,896
Other current liabilities	22	7,263,135	3,610,143
of which towards related parties		4,412,256	810,155
TOTAL CURRENT LIABILITIES		**77,487,502**	**63,098,051**
TOTAL LIABILITIES		**100,421,833**	**73,497,764**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**198,092,203**	**173,506,732**

(*) Financial data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

INCOME STATEMENT

(in Euro)	Note	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Revenues from sales and services		95,655,077	78,499,816
of which towards related parties		25,945,620	17,574,300
Other revenues		-	-
TOTAL REVENUES	23	**95,655,077**	**78,499,816**
Cost of raw materials and consumables	24	(56,124,738)	(45,603,747)
of which towards related parties		(12,444,473)	(10,583,038)
Cost of services	25	(25,977,997)	(23,363,065)
of which towards related parties		(5,965,798)	(4,592,068)
Personnel cost	26	(12,604,823)	(13,221,285)
Other net operating (charges) incomes	27	2,115,494	2,378,995
of which towards related parties		905,052	2,895,140
of which operating incomes not recurring		570,000	-
Amortization and depreciation	28	(1,426,298)	(853,121)
of which depreciation not recurring		(247,129)	-
TOTAL OPERATING EXPENSES		**(94,018,362)**	**(80,662,223)**
OPERATING INCOME (LOSS)		**1,636,715**	**(2,162,408)**
Financial expenses	29	(4,284,652)	(2,462,031)
of which towards related parties		(1,461,906)	(431,000)
Financial incomes	29	1,397,389	1,091,700
of which towards related parties		1,258,469	893,573
INCOME (LOSS) BEFORE INCOME TAXES		**(1,250,548)**	**(3,532,739)**
Income taxes	30	(782,725)	458,485
NET INCOME (LOSS) FOR THE PERIOD		**(2,033,273)**	**(3,074,254)**

(*) Economic data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

STATEMENT OF COMPREHENSIVE INCOME

(in Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Net income (loss) for the period	**(2,033,273)**	**(3,074,254)**
Other gains (losses) that will not be reclassified to net income for the period:		
Gain (Losses) on the remeasurement of defined benefit plans	(589,787)	(230,000)
Tax effect	162,191	63,000
Total comprehensive income (loss) for the period	**(2,460,869)**	**(3,241,254)**

(*) Economic data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro)	Share capital	Share Premium Reserve	Legal Reserve	Stock option reserve	Treasury shares	Other reserves	IAS 19 reserve *	Net income (loss) for the period	Total shareholders' equity
Balances at March 31, 2012	**36,344,000**	**69,857,285**	**2,433,705**	**251,376**	**(8,149,510)**	**13,503,139**	**319,000**	**(5,959,066)**	**108,599,929**
Allocation of the result for the period						(5,959,066)		5,959,066	
Comprehensive income (loss)							(167,000)	(3,074,254)	(3,241,254)
Stock option				191,492					191,492
Net deficit of merger		(2,248,316)				(3,307,670)			(5,555,986)
Other movements					14,786				14,786
Balances at March 31, 2013	**36,344,000**	**67,608,969**	**2,433,705**	**442,868**	**(8,134,724)**	**4,236,403**	**152,000**	**(3,074,254)**	**100,008,968**
(in Euro)	Share capital	Share Premium Reserve	Legal Reserve	Stock option reserve	Treasury shares	Other reserves	IAS 19 reserve *	Net income (loss) for the period	Total shareholders' equity
Balances at March 31, 2013	**36,344,000**	**67,608,969**	**2,433,705**	**442,868**	**(8,134,724)**	**4,236,403**	**152,000**	**(3,074,254)**	**100,008,968**
Allocation of the result for the period		(2,069,465)				(1,004,789)		3,074,254	
Comprehensive income (loss)							(427,596)	(2,033,273)	(2,460,869)
Stock option				122,271					122,271
Balances at March 31, 2014	**36,344,000**	**65,539,504**	**2,433,705**	**565,139**	**(8,134,724)**	**3,231,614**	**(275,596)**	**(2,033,273)**	**97,670,370**

(*) Equity data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

STATEMENT OF CASH FLOW

(in Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income /(Loss) for the period	(2,033,273)	(3,074,254)
Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:		
Amortization and depreciation	1,426,298	853,121
Costs/(Revenues) for stock option	122,271	206,278
(Gains)/Losses from disposals	(164)	(10)
Changes in the fair value of financial instruments	56,107	(70,793)
Accruals (release) of allowance for doubtful accounts	34,741	15,694
Accruals to employees for termination indemnities	246,407	211,277
Employees termination indemnities payments	(102,496)	(144,306)
Accruals (release) of provision for risks and charges	(126,329)	287,984
Changes in deferred tax assets and liabilities	294,859	(669,207)
	(81,579)	(2,384,216)
Changes on operating assets and liabilities		
Trade receivables	(12,131,717)	18,635,493
Inventories	(8,920)	2,367,705
Trade payables	13,172,279	(10,797,478)
Tax receivables	764,388	602,198
Tax payables	404,123	168,916
Other current assets and current and non current liabilities	3,815,819	1,816,925
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	**5,934,393**	**10,409,542**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposals of intangible assets and Property, plant and equipment	164	10
Purchase of property, plant and equipment	(1,544,384)	(1,408,231)
Purchase of Intangible assets	(164,970)	(8,750)
Disposal of property	-	33,548
(Purchase)/Sale of investments	(7,675,057)	(3,433,360)
Net changes in other non current assets	(3,094,653)	(14,584,360)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES (B)	**(12,478,900)**	**(19,401,143)**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Turning loans from third parties	15,605,595	-
Repayment of long-term debt	(5,870,835)	(5,808,000)
Net change in short term financial liabilities	(323,108)	13,294,742
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES (C)	**9,411,652**	**7,486,742**
TOTAL CASH FLOW (D=A+B+C)	**2,867,146**	**(1,504,859)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)	**254,089**	**703,153**
Cash acquired as a result of the merger (F)	-	1,055,795
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**3,121,235**	**254,089**

(*) Cash flow data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

EXPLANATORY NOTES

1. COMPANY INFORMATION AND BASIS OF PRESENTATION

Company information

The Company Damiani S.p.A. works with experience in the production and in the distribution of jewelry products through both wholesale and retail channels with reference to its brands Damiani, Salvini, Alfieri & St. John and Bliss.
The registered office of the Company is located in Piazza Damiano Grassi Damiani 1, Valenza (AL), Italy.

Declaration of conformity to the International Accounting Standards (IFRS)

Damiani S.p.A. prepared its separate financial statements as of and for the year ended March 31, 2014 in accordance with IAS/IFRS international accounting standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) issued by the International Accounting Standards Board (IASB) and adopted by the European Community, and with the measures implementing article 9 of the Legislative Decree 38/2005.

Basis of presentation

The financial statements of Damiani S.p.A. as of and for the year ended March 31, 2014 which cover the period April 1, 2013 – March 31, 2014, consisting of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flow and the explanatory notes (hereafter the "Financial statements") was approved by the Board of Directors of Damiani S.p.A. on June 12, 2014.
The statements comply with the provisions of IAS 1- (Revised) Presentation of financial statements.
The structure of the statement of financial position follows the classification by "current assets" and "non-current assets", while the income statement classified by nature.
In accordance with Consob (Italian SEC) resolution n. 15519 dated July 27, 2006, the effects of transactions with related parties are presented in the statement of financial position as well as in the income statement. Transactions with related parties are identified in accordance with the extended definition laid down by IAS 24, i.e. including relations with the administrative and control bodies as well as those executives who have strategic responsibilities. See also note 31. Transactions with related parties.
The statement of cash flow was prepared using the indirect method.
The financial statements were prepared in Euros. All amounts included in the tables presented below are shown in thousands of Euro, unless otherwise indicated.

2. ACCOUNTING POLICIES

Criteria used

The financial statements of Damiani S.p.A. for the period April 1, 2013 – March 31, 2014 have been prepared in accordance with IFRS adopted by the European Union.
The financial statements have been prepared on a going concern basis. Despite the difficulties reflected in the economic trend still negative, but improving on the previous financial year, the Directors consider that there is no uncertainty about the ability of Damiani S.p.A. to continue the activity for the foreseeable future, also because of the action taken the benefits of which are already evident in the recovery of operating profitability that has become positive during the financial year 2013/2014.
The income statement, the changes in shareholders' equity and the cash flows for the financial year ended March 31, 2014 (or Financial year 2013/2014) are compared to those relating to the period April 1, 2012 – March 31, 2013 (or Financial year 2012/2013). The statement of financial position at March 31, 2014 is compared to those at March 31, 2013.

Accounting standards

The financial statements as of March 31, 2014 was prepared in accordance with International accounting standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Community and regulations implementing article 9 of the Legislative Decree n. 38/2005. IFRS are all the revised international accounting standards ("IAS"), all the interpretations issued by the International Financial Reporting Interpretations Commitee ("IFRIC") previously known as Standing Interpretations Commitee ("SIC").

Accounting standards, amendments and interpretations effective from April 1, 2013

Below are the description and the impact of any new standard/modification:

- <u>IAS 1 Presentation of financial statements</u> – Disclosure of the items of the other components of comprehensive income, which requires all entities to group items presented in other comprehensive income/(loss) depending on whether they can or cannot be reclassified subsequently to the income statement. The Company adopted this amendment from April 1, 2013 and the adoption was limited to the presentation mode and did not have any impact on the Company's financial position or results.

- IFRS 13 fair value measurement, which under IFRS introduces a unique guideline for all fair value measurement. IFRS 13 does not change when an entity is required to use fair value, but rather provides a guide on how to measure fair value under IFRS, when the application of fair value is required or permitted by international accounting standards themselves. The application of IFRS 13 has not had a material impact on the fair value measurements carried out by the Company.
- IFRS 7 Disclosures and compensation of financial assets and liabilities. The amendment requires information on the rights of offsetting financial assets and financial liabilities on the balance sheet. The Company has adopted this new standard and its adoption had no accounting impact.
- IAS 19 (2011) Employee benefits (IAS 19R). IAS 19R includes a number of changes in accounting for defined benefit plans, including actuarial gains and losses that are now booked as other components of comprehensive income and permanently excluded from the separate income statement. It requires recognition in the income statement net interest on liabilities (assets) of the plan. That interest should be calculating using the same rate of interest used to discount the obligation. The costs relating to past service are now booked in the income statement at the date that occurs first between i) the subsequent reduction or modification of the plan, or ii) the recognition of the related restructuring costs or termination of the employment relationship. Other changes include new disclosures, such as a qualitative sensitivity. The Company has applied IAS 19R with retrospective effect from April 1, 2013. The transition to IAS 19R has had an impact on the accounting treatment of actuarial gains and losses that are now booked as other components of comprehensive income and permanently excluded from income statement. Moreover, starting from April 1, 2013 the portion relating to the financial components is classified as a financial expense. The application retrospectively resulted in the restatement of the financial position at March 31, 2013 and the income statement of the financial year 2012/2013, as if the standard has already been applied. The following table shows the changes made to the figures at March 31, 2013, relating to IAS 19 (2011).

INCOME STATEMENT (in Euro)	FINANCIAL YEAR 2012/2013 (restated)	FINANCIAL YEAR 2012/2013	CHANGE
Operating income (loss)	**(2,162,408)**	**(2,541,408)**	**379,000**
Net financial income (expenses)	(1,370,331)	(1,221,331)	(149,000)
Result before taxes	**(3,532,739)**	**(3,762,739)**	**230,000**
Taxes	458,485	521,485	(63,000)
Net result	**(3,074,254)**	**(3,241,254)**	**167,000**
Gains (losses) from actuarial termination indemnities	(230,000)	0	(230,000)
Tax impact	63,000	0	63,000
Other gains/(losses) from comprehensive income	0	0	0
Total comprehensive result	**(3,241,254)**	**(3,241,254)**	**(0)**

SHAREHOLDERS' EQUITY (in Euro)	MARCH 31, 2013 (restated)	MARCH 31, 2013	CHANGE
Share capital	36,344,000	36,344,000	0
Reserves	66,739,222	66,906,222	(167,000)
Net income (loss) for the period	(3,074,254)	(3,241,254)	167,000
Group shareholders' equity	**100,008,968**	**100,008,968**	**0**

Accounting standards, amendments and interpretations not yet effective and not early adopted by the Company
In addition, the IASB issued the following new accounting standards, interpretations and amendments applicable to the company financial statements for periods beginning after April 1, 2013 and not applicable nor adopted early by the Company:

- IAS 32 – Tax effects on distribution to shareholders (Amendment): the amendment clarifies that taxes related to distributions to shareholders must be accounted for in accordance with IAS 12 – Income taxes. The amendment removes from the IAS 32 the requirements relating to taxes and would like to apply IAS 12 to any taxes related to the distribution to shareholders. The change has no impact on the financial statements of the Company, in the absence of monetary and non-monetary distribution.
- IAS 34 – Interim financial reporting and segment information for total assets and liabilities (Amendment): the amendment clarifies the disclosure for segment information to improve the consistency with IFRS 8 – Operating Segments. It's necessary to give information on the total assets and liabilities for reportable segment only when the amounts are regularly provided to the top operating decision maker and there has been a material change in the total amount presented in the previous annual financial statements for the same sector. The amendment is not applicable to the financial statements of the Company.
- IAS 1 Presentation of financial statements – Clarification on the comparative information required: this amendment to IAS 1 clarifies that additional comparative information with respect to the minimum required by IFRS, must be presented in the notes to the financial statements. The presentation of this voluntary comparative disclosure does not require a complete set of tables in the financial

statements. When the retrospective application of an accounting standard involves a material effect on the financial position at the beginning of the previous period, a statement of financial opening (the Third balance sheet) must be submitted, without notes. The clarification has no impact on the financial statements of the Company as there are no retrospective application of accounting standards with material effects.

- IFRS 10 Consolidated financial statements, IAS 27 (2011) Separate financial statements. IFRS 10 introduces a single control model that applies to all companies, including the company's purpose and replaces the part of IAS 27 which governs the accounting of the consolidated financial statements and SIC-12. IFRS 10 changes the definition of control, establishing that an investor controls an entity subject to investment when it is exposed, or has rights, to variable returns from its relationship with itself and at the same time has the ability to affect those returns by exercising its power over the entity. The application of this standard is provided for annual periods beginning after January 1, 2014. In any case are not expected impacts on the consolidation of Group's subsidiaries.
- IFRS 11 Joint arrangements and IAS 28 (2011) Investments in associated companies and joint ventures. IFRS 11 replaces IAS 31 and SIC-13 and removes the option to account jointly controlled entities using the proportional method. Jointly controlled entities that meet the definition of joint ventures are required to be accounted for using the equity method. The application of this standard is provided for annual periods beginning after January 1, 2014. In any case are not expected impacts on the Company.
- IFRS 12 Disclosure of interests in other entities: this standard includes the disclosure requirements for interests held by a company in subsidiaries, joint venture, associated companies and structured entities. The application of this standard is provided for annual periods beginning after January 1, 2014. In any case are not expected impacts on the Company.
- IAS 32 – Financial instruments: presentation (Amendment). The amendment clarifies the application of certain criteria for offsetting financial assets and liabilities present in IAS 32. The application of this standard is provided for annual periods beginning after January 1, 2014.

Use of estimates

The preparation of the financial statements and the explanatory notes under the IFRSs requires Damiani S.p.A. to make estimates and assumptions which affect the values of the assets and liabilities stated in the financial statements and the reporting of potential assets and liabilities. Final results could differ from these estimates which are used to measure provisions for credit risk, returns, inventory obsolescence, determining the useful life of property, plant and equipment and intangible assets in the calculation of depreciation, asset impairments, employee benefits, provisions for risks and charges. These estimates and assumptions are reviewed periodically, and the effects of any change are booked directly to the income statement.

The main valuation processes for which the Company has used estimates regard the analysis of recoverability of goodwill and value of investments in the financial statements (impairment test), valuation of expected future returns, determination of trade receivable and inventory write-downs, and determination of risk reserves for which at the reporting date there are obligations for which are likely to use resources to satisfy them.

The current economic and financial environment has a great volatility and uncertainty. Therefore, assumptions regarding future trends are characterized by high randomness and results of upcoming financial periods may be significantly different from those estimated, calling for adjustment of their respective valuations, which cannot be estimated or foreseen at this time. The financial statements items that may be affected are the funds for return on sales, the allowance for doubtful accounts and the inventory obsolescence reserve.

Additional details on the estimates are found in the specific notes to the financial statements.

Summary of the main accounting policies

Goodwill

Goodwill acquired in a business combination is defined as the amount by which the cost of the combination is exceeded by the combined Group's share of its total shareholders' equity at current values as calculated from the values of the identifiable assets, liabilities and potential liabilities that have been acquired. Following the initial entry, goodwill is valued at cost less any accrued impairment. Goodwill is subjected to an impairment test, either annually or more often if events or changes occur that might give rise to any impairment.

For the purposes of these impairment tests, the goodwill acquired with business combinations is allocated, from the acquisition date onwards, to each of the cash-generating units (or groups of units) which are believed to profit from the synergistic effects of the acquisition, regardless of the allocation of any other assets or liabilities acquired. Each unit or group of units to which goodwill is allocated:

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes;
- is no greater than an operating segment of the Company as defined in the operating segments chart under IFRS 8.

Impairment is determined by defining the recoverable value of the cash generating unit (or group of units) to which the goodwill is allocated. If this recoverable value of the CGU (or group of CGUs) is lower than the book value, an impairment loss is booked. Where goodwill has been attributed to a CGU (or group of CGUs) whose assets are partially disposed of, the goodwill associated with the asset disposed of is taken into account for the purposes of calculating any capital gain (or loss) arising from the transaction. In these circumstances the goodwill transferred is measured on the basis of the amount of the sold asset in proportion to the asset still held by the same unit.

Intangible assets

Intangible assets acquired separately are booked at cost, while those acquired through business combinations are booked at fair value at the acquisition date. After initial recognition, intangible assets are booked at cost, net of accumulated amortization and any accumulated impairments. Intangible assets generated internally are not capitalized, but are booked in the income statement for the period in which the cost of generating them was incurred.

The useful life expectancy of intangible assets is assessed as finite or indefinite. Intangible assets with a finite useful life are amortized over their estimated useful life and subjected to impairment tests whenever there are reasons to suspect a possible impairment. The amortization period and method applied to them is reviewed at the end of each financial period, or more often if necessary.

Changes in the expected useful life or in the way the future financial rewards connected with the intangible asset are reaped by the Group are booked by modifying the amortization period or method, and treated as changes in the accounting estimates. The amortization rates for intangible assets with a finite life are booked in the income statement in the cost category consistent with the intangible asset's function.

Intangible assets with an indefinite useful life are subjected annually to an impairment test at the individual level or at the cash-generating unit level. These assets are not amortized at all. The useful life of an intangible asset with an indefinite useful life is reviewed each year to check that the conditions for this classification are still met. If not, the change from indefinite to finite useful life is done prospectively.

Gains or losses arising on disposal of an intangible asset are measured as the difference between the net revenue from the sale and the net book value of the asset, and are booked in the income statement at the time of the sale.

In the case of intangible assets with a finite life expectancy, the annual amortization rates applied are as follows:

CATEGORY	Rate
Software licences	20%
Key Money (Indemnities paid for renewal of shop rental contracts)	Duration of contract

Research and development costs

Research costs are directly booked in the income statement in the financial year when they are incurred.

Development expenditures on a particular project are capitalized only when Damiani S.p.A. can demonstrate the technical possibility of completing the intangible asset so as to make it available for use or sale, the intention of completing it for in-house use or for sale to third parties, the generation of probable financial benefits in future, the availability of technical, financial and other resources needed to complete development, the ability to reliably evaluate the cost of the asset during its development and the existence of a market for the products and/or services that will arise from the asset and/or its usefulness for internal purposes can be demonstrated.

Following initial recognition, development costs are booked net of accumulated amortization and of any impairment losses booked as previously described for intangible fixed assets with a finite useful life.

As of March 31, 2014 there are no capitalized development costs in the financial statements.

Property, plant and equipment

Buildings, plant and machinery acquired separately – based on purchase or lease agreements – are booked at purchase cost, while those acquired through business combination transactions are booked on the basis of the fair value determined at the acquisition date.

Buildings, plant and machinery are booked at cost, including the ancillary costs directly attributable and necessary for the asset's deployment in the function for which it was purchased, plus (if relevant and where obligations are incurred immediately), the present value of the estimated expense of dismantling and removing the asset. If significant portions of these tangible assets have different useful lives, these items are accounted for separately. Land, whether undeveloped or built up, are not depreciated since their useful life is unlimited.

The carrying amount of property, plant and equipment is reviewed whenever events or changes take place which give reason to believe that the carrying amount, as established under the amortization plan, might not be recoverable. If such reason exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units to which the assets have been allocated are written down to their recoverable value.

The carrying value of the assets, their useful lives and the methods applied are reviewed annually and, if necessary, they are adjusted at the end of each period.

The depreciation rates applied are as follows:

CATEGORY	Rate
Buildings	3%
Plant and machinery	12,5%
Industrial and commercial equipment	From 12% to 35%
Other assets	From 12% to 25%
Leasehold improvements	Duration of contract

Leased assets

The finance leases, which essentially transfer all the risks and rewards arising from ownership of the leased asset to Damiani S.p.A., are booked, as of the lease commencement date, at the leased asset's fair value or, if lower, at the current lease value. The rental amounts are divided into a capital portion and an interest portion in such a way as to give a constant rate of interest on the remaining balance of the liability. Borrowing costs are charged directly to the income statement.

The capitalized leased assets are depreciated over the shorter of the asset's useful life expectancy or the lease period, unless it is reasonably certain that Damiani S.p.A. will become the owner of the asset at the end of the contract.

Rental amounts on operating leases are booked to the income statement for the duration of the lease.

Investments

Investments in subsidiaries and other companies are booked at cost adjusted for impairment losses, determined on the basis of a separate impairment test.

Impairment test

At the closing date of each period Damiani S.p.A. assesses whether there has been a decrease in the value of its intangible assets with a finite useful life, its property, plant and equipment and its leased assets. If such a decrease has occurred, an impairment test is carried out. Goodwill and other intangible assets with indefinite useful lives are subjected to impairment test every year, whether or not there is any reason to suspect a loss in value.

Recoverable value is determined as the greater of the fair value of an asset or cash-generating unit (net of selling costs) and its value in use, and it is calculated asset by asset, except where the asset generates income which is not fully independent of that generated by other assets or asset groups, in which case the Company estimates the recoverable value of the cash-generating unit to which the asset belongs. In particular, since goodwill does not generate any income independently of other assets or asset groups, the impairment test is conducted on the unit or group of units to which the goodwill has been allocated.

In determining value in use, the Company discounts at the current value the estimated future cash flow, using a pre-tax discount rate which reflects the market's evaluation of the temporal value of the money and any specific risks pertaining to the asset.

In order to estimate the value in use, future cash flows are derived from the business plans drawn up by the Corporate of the parent company and approved by its Board of Directors, since these represent the Company's best forecast of the economic conditions over the period of the plan.

Such forecasts are reflected over three years period; long-term growth rate used to estimate the terminal value of the asset or unit is normally lower than the average long-term growth rate of the relevant industry, country or market. Future cash flows are estimated on the basis of current conditions, therefore estimates do not take into account any benefits arising from future restructuring to which the company is not yet committed, nor any future capital expenditures that aim to enhance or optimize the asset or unit or significantly modify it.

If the carrying amount of an asset or cash-generating unit exceeds its recoverable value, that asset has lost value and is consequently written down to its recoverable amount.

All impairment loss of operating assets are booked in the income statement under the cost items relating to the asset that had lost value. Moreover, at the closing date of each period the Company assesses whether there is any reason to suspect that losses previously booked may now be excessive and if this is the case, a new estimate of the fair value is made. The value of a previously written-down asset (except for goodwill) may only be restored if there have been changes in the estimates used to determine the asset's fair value after the most recent recognition of an impairment loss. In that case the asset's book value is revised to its recoverable value, though the revised value may never exceed the level which the book value would have been (net of any depreciation) if no impairment loss had been booked in previous years. When a value is restored it is booked as income in the income statement and the adjusted carrying value of the asset is depreciated on a straight-line basis over the remaining useful life, net of any remaining values.

In no circumstances the value of goodwill can be restored after it has been written down.

Inventories

Inventories are booked at the lower of their purchase or production cost and their net realizable value, this being the amount which the company expects to obtain from their sale in the normal course of business. The cost configuration used is the weighted average cost method, which includes all ancillary charges accruing in relation to the purchase of these stocks during the period. Inventory valuations include both the direct cost of materials and labor and the indirect cost of production.

Inventories also include the production costs relating to returns expected in future years from deliveries already made, estimated on the basis of the sale value minus the average applied margin.

In order to calculate the net value of future realizable, the value of eventual obsolete or slow-moving goods is written down in relation to an estimate of future net use/realizable value, by means of a specific adjustment reserve for the reduction of the value of the inventories.

Trade receivables and other current assets

Trade receivables and other current assets are booked at their fair value, which is the nominal value that is subsequently reduced to take into account any eventual loss in value by means of the creation of a specific provision for doubtful accounts, amending the value of the asset. Trade receivables are booked to the financial statements net of the estimated reserve for products that the Company expects to be returned by clients. The above mentioned reserve is related to the amounts invoiced on dispatch of the goods where it is reasonable, in the light of experience and on the probable percentage relating to sales in future years, to expect that not all significant risks and benefits connected to ownership of the assets have been definitively transferred at the statement of financial position date.

Trade receivables and other current assets which neither bear interests nor are expected to be settled within normal commercial terms are discounted.

Financial instruments

The financial instruments held by the Company may be grouped as follows:

- Non-current assets: include investments not consolidated, non-current loans and receivables and other non-current financial assets available for sale;
- Current assets: include trade receivables, other current financial assets and cash and cash equivalents;
- Current liabilities: include financial liabilities, other financial liabilities, trade payables and other payables.

The described above assets and liabilities are accounted for in accordance with IAS 39.

Initially all financial instruments are booked at fair value, plus ancillary charges in the case of assets that are not at fair value in the income statement. Damiani S.p.A. classifies its financial assets after they have been initially booked and, when appropriate and permitted, reviews this classification at the end of each financial year.

All purchases and disposals of financial instruments are booked to their transaction date, which is the date on which the Company undertakes to buy the asset.

Subsequent to initial recognition, the financial instruments available for sale and held for trading are measured at fair value. If the market price is not available, the fair value of the financial instruments available for sale is measured using the most appropriate valuation methods such as the discounted cash flow analysis, carried out with the market information available at the date of the financial statement.

Gains and losses on financial assets available for sale are booked directly in shareholders' equity until the financial asset is sold or impaired; when the asset is sold, the related gains or losses, are booked in the income statement for the period; when the asset is impaired the accumulated losses are included in the income statement. Gains and losses arising from changes in fair value on financial instruments classified as held for trading are booked in the income statement for the period.

Loans and receivables not held for trading purposes and which are not listed in an active market are booked if they have a fixed maturity according to the amortized cost using the effective interest rate method. Otherwise, they are valued at acquisition cost. Gains and losses are booked in the income statement when the loans and receivables are derecognized or when there is a loss of value, as well as through the amortization process.

With the exception of derivative financial instruments, the financial liabilities are measured at amortized cost using the effective interest method.

The financial assets and liabilities hedged by derivative instruments are measured in accordance with hedge accounting principles applicable to fair value hedges: gains and losses arising from re-measurement at fair value, due to changes of the relative risks, are booked in the income statement.

De-recognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or a group of similar financial assets) is derecognized when:

- the rights to receive the financial flows expire;
- Damiani S.p.A. keeps the right to receive the asset's financial flows, but has the contractual obligation to transfer them without delay to a third party;
- Damiani S.p.A. has transferred the right to receive the asset's financial flows and (i) it has essentially transferred all the risks and benefits of ownership of the financial asset, or (ii) it has not substantially transferred nor retained all the risks and benefits of the asset, but has transferred control of it.

In case Damiani S.p.A. has transferred the right to receive the financial flows from an asset and has not transferred or retained all the risks and benefits of the asset nor lost control of it, the asset is booked in the Company's financial statements to the extent of the Company's remaining involvement in that asset. A "remaining involvement" which takes the form of a guarantee in respect of the transferred asset is valued at the lesser of the asset's initial book value and the maximum amount which Damiani S.p.A. might be required to pay.

A financial liability is derecognized from the financial statements when the underlying obligation is extinguished, annulled or fulfilled.

Where an existing financial liability is replaced by another from the same lender on materially different terms, or the terms of an existing financial liability are materially modified, this difference or modification is treated as a de-recognition of the original liability in the accounts and the recognition of a new one and any difference in the book values is booked to the income statement.

Cash and cash equivalent

Cash and cash equivalent are booked at their par value, depending on their nature.

Financial liabilities

Financial liabilities include financial debt and financial liabilities relating to derivative instruments. Financial liabilities other than derivatives are initially booked at fair value plus transaction costs, while thereafter they are valued at amortized cost, i.e. the initial value less any capital repayments already made, adjusted (up or down) by the amortization (at the effective interest rate) of any differences between the initial value and the value at maturity.

Employee benefits

Guaranteed employee benefits paid on or after termination of employment under defined-benefits schemes (for Italian companies, this is the known as "TFR" or severance indemnities) are booked in the period in which the rights are accrued.
Those liabilities relating to a defined-benefits scheme, net of any assets held to service the plan, are determined on the basis of actuarial assumptions and booked on an accrual basis consistent with the employment services necessary for obtaining the benefits; liabilities are valued by an independent actuary.
Profits and losses arising from the actuarial calculations are booked to the separate income statement (personnel cost and financial expenses) and comprehensive (actuarial gains/losses).

Other employee benefits

In accordance with IFRS 2 (Payments based on shares), stock options in favor of employees are valued by an external evaluator at their fair value at the grant date according to an appropriate model.
If the right can be exercisable after a certain period and/or when certain performance conditions take place, i.e. the vesting period, the overall fair value of the options is split equally over time during the said period and booked to a specific item in the net equity while a corresponding amount is booked to the income statement as "personnel costs" (since it is a payment in kind paid to the employee) and as "costs of services" (in relation to the directors and agents who are beneficiaries of the options).
During the vesting period the fair value of the option that has been previously calculated is not reviewed or updated, but the estimated number of options that will mature at the due date is continually updated and, therefore, the number of beneficiaries with the right to exercise the options. The change in estimates is treated as an increase or a reduction in the net equity item referred to while a corresponding amount is booked to the income statement as "personnel costs" and "costs of services".
When the option date expires, the amount booked to the net equity item referred to is reclassified as follows: the amount of the shareholders' equity referring to the exercised options is booked under "Share premium reserve", while the part referring to the options that have not been exercised is reclassified under "Other reserves".

Trade payables and other current liabilities

Trade payables and other current liabilities, whose due date fall under normal trade and contractual terms, are not booked to their net present value but to their par value.

Provision for risks and charges

Provision for risks and charges refer to costs and charges that are of determined nature and are of either certain or probable and for which it was not possible to calculate the amount or contingency date at the end of the financial year. Provisions for risks and charges are booked when the Company must meet an obligation that derives from a past event if resources will probably have to be used to meet the obligation and the amount required can be reliably estimated.
When the Company believes that a provision will be either totally or partly reimbursed (insurance policy cover risks), if the reimbursement is practically certain, it is booked under a specific item under assets, in which case the provision is booked net of the reimbursement in the income statement.
The amount of provisions is based on the best estimate of the amount that is to be paid in order to meet the obligation or to transfer it to a third party, and is booked at the end of the financial year.

Revenues from sales and services

Revenues and income shown net of discounts, allowances and returns are booked at their fair value as far as it is possible to calculate it and it is likely to enjoy the related financial benefits.
Revenues from the sale of goods are booked when all the following conditions are met:

- the significant risks and benefits connected to the goods are transferred to the purchaser;
- the usual operations associated with ownership of the goods are no longer carried out and effective control of the goods is no longer exercised;
- the amount of the revenues can be reliably calculated;
- it is likely that any future financial benefits will be enjoyed;

- the costs incurred, or to be incurred can be reliably estimated.

In some cases Damiani S.p.A. accepts from customers, for commercial reasons and in line with the usual practices of the sector, returns of goods that have already been delivered, including goods delivered in previous financial years. In such cases, the Company adjusts the amounts that have been invoiced at the time the goods were shipped for those amounts which, in the light of historical experience, it is possible to reasonably estimate that at the date of the financial statements not all the significant risks and benefits associated with ownership of the goods will been transferred to the new owner. Returns that are calculated in this manner are booked to the income statement as a reduction of revenues and in the balance sheet under a specific adjustment reserve for receivables from customers, while the relative estimated production cost is included under inventories.

Barter transactions

Sales of goods in return for the purchases of publicity and advertising services are booked separately in the financial statements under "revenues from sales" and "costs of services". Revenues from the sale of goods is calculated at the fair value of the publicity and advertising services received, adjusted to take into account any cash payments or equivalents, and they are booked at the time the goods are shipped.

Other revenues and incomes

The other revenues include financial benefits during the period from operations connected to the company's ordinary business activities.

Costs

Costs are accounted for on the accrual basis. In particular:

Costs for advertising campaigns and testimonials

Commission due to advertising agencies and the cost of producing advertising campaigns (television commercials and photo shoots), are booked to the income statement at the time they are incurred.

Costs relating to advertising campaigns and promotional activities are booked in the income statement for each period the services were received (advertising already broadcast, published or transmitted, testimonial appearances already made).

Any advances paid for services still to be received are booked at the period when the services are provided.

Financial incomes and expenses

Financial incomes are booked after an assessment has been carried out on the interest earned in the relevant period. This assessment is carried out using the effective interest rate method, represented by the rate used to discount the cash flow estimated on the basis of the life expectancy of the financial instrument.

Financial expenses are booked to the income statement in accordance with the accruals system and for the amount of the effective interest.

Dividends

Dividends are booked when the shareholders' right to receive payment comes into force, coinciding with the moment in which dividends are declared.

Income taxes

Current taxes

Current taxes are calculated on the basis of the taxable income for the period. Taxable income differs from the result shown in the income statement because it excludes items (positive or negative) that will be taxable or deductible in other financial years and that will never be taxable or deductible. Current tax payables are calculated on the basis of the tax rates in force at the time the financial statements are prepared.

Deferred and prepaid taxes

Deferred and prepaid taxes are calculated on the temporary differences between the book value of the assets and liabilities in the financial statements and the corresponding fiscal value used in calculating taxable income, accounted for using the balance sheet liability method.

Deferred tax liabilities are booked in the case of all such taxable temporary differences, with the exception of the following:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction itself, has no effect either on the profit for the period calculated for the purposes of the financial statements, nor on the profit or loss calculated for tax purposes;
- in the case of taxable temporary differences linked to investments in subsidiary and associated companies and joint ventures, where the reversal of these temporary differences can be verified and it is likely that they will not in fact be reversed in the foreseeable future.

Deferred tax assets are booked to the extent that it is thought likely that there will be sufficient taxable profits in future to enable the temporary differences to be deducted, except:

- where the prepaid tax derives from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, had no effect either on the profit for the period calculated for the purposes of the financial statements nor on the profit or loss calculated for tax purposes.

The value assigned to the deferred tax assets is re-examined at the end of every financial period and reduced in accordance with the likelihood that in the year in which the temporary difference is expected to be reversed there might not be sufficient taxable income to enable its full or partial recovery. Any previously unrecognized taxes paid in advance are re-examined each year at the end of the financial period and are then booked in relation to the probability of their recovery.
Both prepaid and deferred taxes are calculated on the basis of the tax rates which are expected to be in force during the financial period in which the tax asset is realized or the tax liability is settled, in accordance with the tax law in force at the time covered by the financial statements.
Deferred taxes (liabilities and assets) are booked to the income statement, with the exception of amounts relating to items booked directly in shareholders' equity for which the relative deferred and advance taxes are directly booked without being entered in the income statement.
Prepaid tax assets and deferred tax liabilities are classified as non-current assets and liabilities.
With reference to the provisions of Legislative Decree n. 344 of December 12, 2003 which introduced the tax regime of the Group called "fiscal consolidation", Damiani S.p.A. formalized on September 14, 2012 to the electronic service of the Tax Agency the renewal of the national consolidated taxation for the period 2013-2015 which includes its subsidiaries Rocca S.p.A. and Laboratorio Damiani S.r.l. (initially also the subsidiaries Alfieri & St. John S.p.A., New Mood S.p.A. that have been merged in the parent company Damiani S.p.A. in the financial year 2012/2013 and Damiani Manufacturing S.r.l. that has been merged in Laboratorio Damiani S.r.l. in the financial year 2013/2014). From January 1, 2013 has been activated also the regime of Group VAT (Damiani S.p.A., Rocca S.p.A. and Laboratorio Damiani S.r.l.), pursuant to Presidential Decree 633/72 article 73, paragraph 3, DM 13/12/1979.

Foreign currency translation

The Company's functional and presentation currency is the euro.
Transactions in other currencies are translated and booked at the rate in force at the time of the transaction. Any foreign currency based assets and liabilities are translated into euros using the rate in force at the reporting date of the financial statements. All exchange differences resulting from transactions in foreign currencies with third parties are booked to the income statement. Non-monetary items valued at their historical cost in foreign currencies are converted using the exchange rate in force at the date the transaction is booked. Non-monetary items booked at their fair value in foreign currencies are converted using the exchange rate in force on the date the fair value is calculated.

Treasury shares

Treasury shares are classified as a direct reduction of shareholders' equity. The original cost of treasury shares and gain from any subsequent sale of it is shown as changes in shareholders' equity.

3. NOTES ON ITEMS OF THE FINANCIAL STATEMENTS

Individual items of statement of financial position and income statement are explained below.

4. GOODWILL

Goodwill at March 31, 2014 amounted to Euro 480 thousands, a decrease compared to March 31, 2013 of Euro 247 thousands as a result of the sale of the Verona DOS, non-profitable and non-strategic for the Company, which resulted in the write-off of the corresponding value of goodwill paid on the acquisition of the availability of this commercial space, which occurred in 2002.
The residual value refers to the goodwill paid by Damiani S.p.A. in relation to three flagship stores directly managed.

Impairment test on intangible assets with an indefinite useful life

Since goodwill is an asset with an indefinite useful life and is booked under non-current assets for the financial year closed at March 31, 2014 and at March 31, 2013, it was subject to an impairment test.
Impairments tests are carried out at least once a year on the cash generating units (CGUs) to which the goodwill is charged.
The method utilized is described in note 7, with reference to the impairment test carried out to verify the recoverability of the investments' book value.

5. OTHER INTANGIBLE ASSETS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Industrial rights and patents	**123**	**12**
Key money	691	791
Total other intangible assets	**814**	**803**

The item "key money" refers to the amounts paid for the purchase of the leasing contracts in Naples and Turin for a mono-brand Damiani boutique and a multi-brand store with the Rocca Tr3nd sign (up to May 2013 it was a mono-brand Bliss). Such amounts are amortized on the basis of the residual duration of the leasing contract.
The "Industrial rights and patents" refer to software licenses.
In the financial year 2013/2014 the changes in intangible assets were the following:

(in thousands of Euro)	INDUSTRIAL RIGHTS AND PATENTS	KEY MONEY	TOTAL
Net book value at March 31, 2013	12	791	803
Purchases	166	-	166
Amortization	(55)	(100)	(155)
Net book value at March 31, 2014	**123**	**691**	**814**

6. PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Land and buildings	2,912	3,255
Plant and machinery	253	302
Industrial and commercial equipments	36	39
Leasehold improvements	864	403
Other assets	1,775	1,322
Total property, plant and equipment	**5,840**	**5,321**

The "Land and buildings" item also includes the residual value of a property subject to sale and lease back, that a related party has bought from Damiani S.p.A. in a prior financial year and then leased for commercial use to the Company. This asset amounted to Euro 1,554 thousands at March 31, 2014 and to Euro 1,865 thousands at March 31, 2013.
The "Other assets" item mainly includes furniture, furnishings, office equipment and vehicles.
The following table shows the changes in Property, plant and equipment in the financial year ended March 31, 2014.

(in thousands of Euro)	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENTS	LEASEHOLD IMPROVEMENTS	OTHER ASSETS	TOTAL
Historical cost	7,830	2,040	478	430	14,257	25,035
Depreciation reserve at March 31 2013	(4,575)	(1,738)	(439)	(27)	(12,935)	(19,714)
Net book value at March 31 2013	**3,255**	**302**	**39**	**403**	**1,322**	**5,321**
Purchases	-	27	14	577	927	1,545
Depreciation	(343)	(76)	(17)	(116)	(474)	(1,026)
Net book value at March 31 2014	**2,912**	**253**	**36**	**864**	**1,775**	**5,840**

The increases for the purchase in the financial year mainly relate to the restructuring of the Damiani store in Rome and to the construction of the Damiani store at the airport of Rome Fiumicino and other corners.
Property, plant and equipment do not include assets subject to revaluations, as per the special laws contained in article 10 of Law 72/83.

7. INVESTMENTS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Investments in subsidiaries	35,021	27,346
Investments in other companies	167	167
Total investments	**35,188**	**27,513**

The changes of the period are related to:

i) Capital increase in the subsidiary Damiani Hong Kong Ltd: the operation was carried out through a direct contribution for Euro 3,873 thousands, mainly through conversion of trade receivables, and for Euro 2,904 thousands with the accounting in the non-current assets between the investments of the value equal to financial debt toward two funding bodies (Simest S.p.A. and the Venture Capital Fund of the Italian Ministry of Economic development) who have made this contribution in the Asian subsidiary, given the commitment of Damiani S.p.A. to repurchase, at contractually defined conditions, within September 30, 2021.

ii) Capital increase in Damiani Shanghai Trading Co. Ltd (for Euro 2,148 thousands); both operations i) and ii) are intended to support business development in Greater China.

iii) Sale of its directly stake in the share capital (9.35%) of the subsidiary Laboratorio Damiani S.r.l. to Damiani Manufacturing S.r.l. The share book value of Euro 1,250 thousands was sold at a value of Euro 320 thousands (equal to a pro-rata interest in the net equity of the subsidiary Laboratorio Damiani S.r.l.) on March 19, 2014. This sale was a preparation for the subsequent merger of Damiani Manufacturing S.r.l. in the fully owned Laboratorio Damiani S.r.l. (technically it was a "reverse" merger). The merger was completed on March 26, 2014 and the related accounting and tax effects were backdated to April 1, 2013. Therefore, to March 31, 2014 Damiani S.p.A. owns 51% of the share capital of Laboratorio Damiani S.r.l.

The table below provides details of investments in subsidiaries at March 31, 2014.

(in thousands of Euro) COMPANY NAME	REGISTERED OFFICE	SHARE CAPITAL	NET EQUITY	PROFIT/ (LOSS)	% OWNED	NET EQUITY OWNED	BOOK VALUE	NOTE
Casa Damiani Espana S.L.	Valencia (Spain)	721	833	(1)	99%	825	330	1)
Damiani International B.V.	Amsterdam (Netherlands)	194	18,755	(27,483)	100%	18,755	9,894	1)
Damiani Hong Kong Ltd	Hong Kong	6,777	2,502	(1,087)	96%	2,402	6,777	1)
Laboratorio Damiani S.r.l.	Valenza (Italy)	850	3,493	272	51%	1,781	467	1)
Rocca S.p.A.	Valenza (Italy)	4,680	5.200	(1,053)	100%	5,200	11,943	1)
Damiani Mexico S.A.	Mexico D.F. (Mexico)	167	98	(110)	10%	10	29	1)
Damiani Shanghai Trading Ltd	Shanghai (China)	4,956	2,366	(2,331)	100%	2,366	5,228	1)
Damiani Korea Co. Ltd	Seoul (South Korea)	341	159	(182)	100%	159	354	1)
Total							**35,021**	

1) Financial statements prepared in accordance with local accounting standards

Impairment tests carried out on the impairment loss of investments

Investments, constituting Cash Generating Units (CGUs), are subject to impairment tests when the book value is higher than the share of shareholders' equity.

The recoverable value was calculated using the value in use, which in turn was calculated by using the Discounted cash flow method that involves estimating the future cash flow and discounting this by using a rate coinciding with the weighted average cost of the capital (WACC). To the value in use thus obtained is subtracted the value of the financial debt of the company and the resulting value (equity value) is compared with the book value of the investment. The verification of the value of investments, which in turn owns other investments was made on the basis of the sum of the parts that reflects the "equity value" of the respective subsidiaries.

In order to execute such impairments have been used the following data and assumptions:

- the financial data were taken from the 2014-2017 business plans drawn up by the companies (which are the Cash generating units – CGUs). The Group's business plan was approved by the Board of Directors of Damiani S.p.A. on May 29, 2014;
- the cash flow was calculated using the EBITDA for each CGU minus the amounts referring to investments and to changes in net working capital;
- the cash flows were discounted at WACC (weighted average cost of capital), including tax expense, calculated according to the following benchmarks:
  - risk free rate: yield on the ten-years emissions in the countries in which the CGUs operate
  - beta: determined as the average of debt/equity ratio in a panel of comparable
  - market premium: yield spread between the risk free rate and the equity compensation of the industry in the geographical context in which the CGUs operate

- rate of average debt: cost related to sources of financing by third parties of the CGU

Cash flows were discounted at a specific WACC for each direct and indirect participation (from 6.06% to 8.39%), net of the related tax effect, consistent with the parameters listed above and related to each CGU. In the previous financial year the WACC values ranged from 6.64% to 8.30%. In particular with regard to the expected growth rate "g" after the three-year period covered by the business plan to be used to calculate the terminal value, was assumed to be zero. For the boutiques (Rocca S.p.A. and Damiani stores in Italy) the expected growth rate "g" used was instead equal to 1%, in line with the curve of the projections of the business plan and lower than the rate of growth of the retail sector.

In the previous financial year the rate "g" used for Rocca S.p.A. was already 1%.

The impairment test confirmed the recoverability of the carrying value of the investments booked in the financial statements of Damiani S.p.A. According to sensitivity analysis, the recoverable amount of Rocca S.p.A.is substantially in line with its carrying value and, consequently, a reduction of 0.5% in the long-term growth rate (g) or, alternatively, an increase of WACC of 0.5%, the recoverable amount would be approximately Euro 1.6 million less compared to the carrying value.

For the subsidiaries Damiani Hong Kong Ltd and Damiani Shanghai Trading Co. Ltd, whose carrying values are higher than their net equity, the sensitivity analysis developed has confirmed that their recoverable amounts are higher than the book value, despite a reduction in the rate "g" and an increase in WACC.

The following table details the investments in other companies.

(in thousands of Euro)	March 31 2014
Fin-Or-Val S.r.l.	126
Banca d'Alba	41
Total investments in other companies	**167**

No changes compared to March 31, 2013.

The amounts booked in the financial statements are aligned to the fair value based on the latest available financial statements of the two companies.

8. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT ASSETS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Receivables towards subsidiaries	41,420	38,330
Receivables towards others	376	372
Total financial receivables	**41,796**	**38,702**

Financial receivables from subsidiaries increased during the financial year to Euro 3,090 thousands as a result of loans granted to the three Asian subsidiaries Damiani Hong Kong Ltd, Damiani Macau Ltd and Damiani Shanghai Trading Co. Ltd, that are in a phase of start-up and needed of financial contributions to continue their development (the total loans granted amounted to Euro 2,075 thousands), and to Euro 1,000 thousands to the subsidiary Rocca S.p.A..

At March 31, 2014 these financial receivables from subsidiaries were as follows:

(in thousands of Euro)	March 31 2014	March 31 2013
Damiani International B.V.	23,932	24,037
Damiani Hong Kong Ltd	635	-
Laboratorio Damiani S.r.l.	3,413	3,293
Rocca S.p.A.	12,000	11,000
Damiani Macau Ltd	350	-
Damiani Shanghai Trading Ltd	1,090	-
Total	**41,420**	**38,330**

The loans to subsidiaries provide for interest rate on the basis of Euribor (three or six months) plus a spread.

Other receivables include receivables from tax authorities for Euro 213 thousands relating to the recoverability IRES (income tax) of the IRAP (regional tax) relating to non-deductible expenses of employees with respect to prior years. These receivables have been accounted as non-current given the uncertainty on the timing of recovery.

9. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Deferred tax assets		
Net impact of the returns reserve	1,574	2,068
Financial interests in excess	910	927
Fiscal losses	1,275	1,275
Provision for doubtful accounts not deductible	916	910
Provisions on lawsuits	41	74
Write downs of inventories	2,151	2,072
Foreign exchange rate loss	403	331
Loss on barter receivables	146	187
Other timing differences of a taxation nature	324	353
Total deferred tax assets	**7,740**	**8,197**

(in thousands of Euro)	March 31 2014	March 31 2013
Deferred tax liabilities		
Exchange differences	52	19
Other timing differences of a taxation nature	28	224
Total deferred tax liabilities	**80**	**243**

The change in deferred tax assets compared to March 31, 2013 was primarily due to the tax effects related to the revision of the estimates of the returns reserve.
Deferred tax assets on tax losses and financial charges exceeding booked in the financial statements in prior years are considered recoverable based on future plans, taking into account both the benefits arising from the fiscal consolidation and for the amendments introduced by the law 98/2011 which introduced the new system of tax losses carry forward, making them temporally unlimited albeit with quantitative limitation on an annual basis. In the current financial year, and in line with the previous, given the continued existence of a pre-tax loss were not accounted further deferred tax assets calculated on the loss of the year. The amount of deferred tax assets on tax losses not booked in the financial statements amounted to Euro 4,332 thousands at March 31, 2014.

10. INVENTORIES

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Raw materials, semi-finished goods and advance payments	10,244	11,506
Finished products and goods	35,814	34,543
Total inventories	**46,058**	**46,049**

Finished goods at March 31, 2014, essentially unchanged from the previous financial year, include:

- Euro 5,140 thousands (Euro 6,760 thousands at March 31, 2013) of finished products delivered to customers but for which the conditions for the recognition of the related revenues were not met; the decrease is related to the partial release of the fund for returns on sales that on the basis of estimates made at March 31, 2014 resulted redundant given the dynamics of returns booked during the financial year.
- Euro 7,822 thousands (Euro 7,535 thousands at March 31, 2013) for inventory write-down to cover the risk of commercial obsolescence, determined according to estimates by the management of the Company. The fund was the subject of the new estimate at year end with reference to the composition and seniority of inventories of finished goods and was therefore booked an additional provision for Euro 375 thousands compared to the fund at March 31, 2013.

11. TRADE RECEIVABLES

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Trade receivables towards clients	41,637	39,438
Trade receivables towards subsidiaries	27,074	20,581
Trade receivables, gross	**68,711**	**60,019**
Provision for doubtful accounts	(3,540)	(3,574)
Fund for returns on sales	(10,597)	(13,952)
Net present value calculation of receivables	(18)	(34)
Total trade receivables	**54,556**	**42,459**

Trade receivables are net of allowance for doubtful accounts and fund for returns on sales, as well as net of the effects of discounting the receivables represented by bank receipts that have been reissued and have due dates that go beyond the accounting period.
The following table shows the details of trade receivables from Group companies in the two period compared.

(in thousands of Euro)	March 31 2014	March 31 2013
Damiani International B.V.	752	4,747
Damiani Japan K.K.	9,654	8,525
Damiani Usa Corp.	3,973	2,316
Damiani Hong Kong Ltd	622	1,330
Laboratorio Damiani S.r.l.	815	822
Damiani France S.A.	826	295
Rocca S.p.A.	7,076	1,320
Rocca International S.A.	488	155
Damiani Macau Ltd	350	455
Damiani Mexico S.A. de C.V.	388	108
Damiani India Co. Ltd.	200	-
Damiani Shanghai Trading Co. Ltd.	1,562	508
Damiani korea Co. Ltd	368	-
Total	**27,074**	**20,581**

The increase in trade receivables from subsidiaries compared to March 31, 2013 was primarily due to increased exposure to Rocca S.p.A. as a direct result of incremental sales made during the financial year to meet the increased demands for the products of the Group's brands in multi-brand stores, and for the extensions granted to the new subsidiaries abroad in the start-up (particularly in Asia).
The table below shows the changes in the allowance for doubtful debts and the provisions for returns on sales during the financial year ended March 31, 2014.

(in thousands of Euro)	Fund for returns on sales	Provision for doubtful accounts
Book value at March 31 2013	**13,952**	**3,574**
Accrual	3,218	875
Utilization	(6,573)	(909)
Book value at March 31 2014	**10,597**	**3,540**

There are no receivables with contractual terms exceeding five years. At March 31, 2014 the composition of gross trade receivables from customers by maturity is as follows:

(in thousands of Euro)	Not overdue	Overdue 0-90 days	Overdue 91-180 days	Overdue 181-365 days	Overdue over 365 days	Total
Gross value of trade receivables	23,612	6,027	1,027	2,330	8,641	41,637

12. TAX RECEIVABLES

The tax receivables, relating to advances for direct taxes, amounted to Euro 1,056 thousands at March 31, 2013 and to Euro 292 thousands at March 31, 2014 for lower payments in advance for direct taxes and partial compensation of existing tax receivables.

13. OTHER CURRENT ASSETS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
VAT receivables from the Tax Authorities	-	478
Prepayments	672	714
Accrued income towards subsidiaries	846	546
Prepayments towards susidiaries	28	-
Advances to suppliers	515	250
Receivables from others	147	438
Total other current assets	**2,208**	**2,427**

Prepaid expenses include barter contracts to acquire advertising services that will be used in future financial years.
Accrued income from subsidiaries includes Euro 767 thousands from Damiani International B.V. of interest income accrued on loans receivables.

14. CASH AND CASH EQUIVALENTS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Bank and post accounts	3,099	231
Cash on hand	22	23
Total cash and cash equivalents	**3,121**	**254**

The balance represents the existing cash on banks accounts and post office, and the existence of cash and cash equivalents at the end of the period.

15. SHAREHOLDERS' EQUITY

The share capital, fully paid up at March 31, 2014, amounted to Euro 36,344 thousands, gross of treasury shares, and was made up of n. 82,600,000 shares with a par value of Euro 0.44 each.
It should be noted that non dividends were paid during the financial year. The Board of Directors on June 12, 2014 did not propose to the Shareholders' Meeting any dividend payment for the financial year 2013/2014.
The number of treasury shares held in the portfolio amounted to n. 5,556,409 (6.73% of the share capital) for a total value of Euro 8,134 thousands. Such amount was booked as a direct reduction in equity.
The number of shares in circulation, equal to 14,094,522, remained unchanged during the financial year.
The changes in equity in the financial year ended March 31, 2014 were as follows:

- Negative net result for Euro 2,033 thousands.
- Net change in the stock option reserve for Euro 122 thousands, on the amount accrued in the period of the stock option and stock grant plans approved by the Shareholders' Meeting on July 22, 2009 and by the Shareholders' Meeting on July 21, 2010 (and implemented by the Board of Directors on April 21, 2011).
- Actuarial loss on defined benefit plans for employees booked in accordance with IAS 19 (2011) for Euro 428 thousands.

Details of the utilization and availability of the reserves are given below:

DESCRIPTION	AMOUNT	USAGE	SHARE AVAILABLE	USAGE IN THE THREE PREVIOUS FINANCIAL YEARS	
				to cover losses	for other uses
Share capital	36,344				
Share premium reserve	65,540	1) 2) 3)	65,540 (*)	2,069	2,248
Legal reserve	2,434	2)			
Other reserves:					
shareholders payment reserve	3,383	1) 2) 3)	3,383		
extraordinary reserve	(427)	1) 2) 3)	(427)	12,433	3,308
stock option and stock grant reserve	565	1) 2)			
treasury shares	(8,135)				
Total	**99,704**		**68,496**	**14,502**	**5,556**

1) for share capital increase

2) to cover losses

3) to be distributed to shareholders

(*) For position 3) distribution to shareholders, the share premium reserve is used for 60,705 thousands euro

16. FINANCIAL LIABILITIES: CURRENT AND NON-CURRENT PORTION

The current and non-current portion of financial debts at March 31, 2014 and at March 31, 2013 were made up as follows:

(in thousands of Euro)	March 31 2014	March 31 2013	nota
Non current portion			
Loan A	1,500	4,500	a
Loan B	-	-	b
Loan C	1,690	-	c
Loan D	5,000	-	d
Loan E	6,012	-	e
Loan F	2,904	-	f
Financial leasing	1,840	2,194	g
Total non current portion of medium/long term financial liabilities	**18,946**	**6,694**	
Current portion			
Loan A	3,000	3,000	a
Loan B	-	2,500	b
Financial leasing	291	308	g
Total current portion of medium/long term financial liabilities	**3,291**	**5,808**	
Total medium/long term financial liabilities	**22,237**	**12,502**	

Details of the loans granted to Damiani S.p.A. by banks and other financial institutions are given below:

a) Loan A was originally granted to Damiani S.p.A. in June 2009 for a total of Euro 15,000 thousands with a repayment plan based on constant six-monthly installments for the period from December 31, 2010 to June 30, 2015 at an interest rate of 4.40% per year.

b) Loan B was originally granted to Damiani S.p.A. in June 2009 for a total of Euro 10,000 thousands with a repayment plan based on constant three-monthly installments from June 30, 2010 that has been concluded at March 31, 2014.

c) Loan C is the down payment of 56% of the total amount of a subsidized loan signed in February 2013 by Damiani S.p.A. to carry out development programs in China, in the 24 months following the signing of the contract. Based on the progress of the investments the down payment was disbursed in two tranches: the first Euro 904 thousands in June 2013 and the second of Euro 786 thousands in December 2013.The total amount of the loan is Euro 3,011,869, with repayment of seven years, after the first two grace period, in half-yearly installments and at an effective annual rate of 0.5%.

d) The reserved non-convertible bond signed by the executive directors Guido, Giorgio and Silvia Grassi Damiani, who represent the majority shareholders of Damiani S.p.A., provides for a term from October 1, 2013 to September 30, 2019 and a lump sum repayment at maturity and a fixed annual interest rate of 5.5%, with payment in annual installments in arrears, the first of which December 31, 2014.

e) The medium-term loan E has been signed by Damiani S.p.A. with a pool of banks on November 6, 2013 for an amount up to a maximum of Euro 11,000 thousands, which aims to support the continued operation of the Damiani Group, mainly by financing industrial investments and the provision of the initial inventory required for the development of the retail channel. Disbursements are subject to the effective implementation of the investment plan of the Group and to comply with financial covenants contractually specified and verified quarterly by lenders. Amounts borrowed bear interest expense calculated at the 6 month Euribor rate, plus a spread of 6.05% per annum. The repayment of the credit line runs from the 30th month following the signature of the contract, to be completed after 66 months from the signature according to the established plan. A guarantee of the bank loan, the executive directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani have signed an Equity Commitment agreement, consisting of an eventual financial support up to a maximum of Euro 5,000 thousands (for consideration and on terms equivalent to those of the market), in the event of a breach of the financial covenants contractually agreed. At March 31, 2014, Damiani S.p.A. based on the progress of its investment plan, received by the lending banks a total amount of Euro 6,012 thousands.
At the closing date of the financial year are not fully respected the financial covenants. The loan agreement provides that the Company must give to the banks after the date of approval of the consolidated financial statements by the Shareholders' Meeting (by end July 2014) the declaration of conformity, with the procedures laid down between the obligations contractually governed. To rectify the breach Damiani S.p.A. is still entitled to use the resources from major shareholders who have subscribed to the aforementioned Equity Commitment, in the period following the delivery of the certificate of conformity and within two months. Because the process of flushing towards the lenders contractually required and the term of the commitment of major shareholders, the classification of debt on the balance sheet was maintained according to the contractual maturity, subject to the terms and the procedure provided for in the loan agreement.

f) Loan F was completed on December 31, 2013 and consists in the financial contribution of HK$ 29,826,000 (equivalent to Euro 2,904 thousands) by Simest S.p.A. (66.7% of the total) and by the Venture Capital Fund of the Ministry of Economic Development (the remaining 33.3%) in the subsidiary Damiani Hong Kong Ltd to support its development in the Greater China. In legal terms, the transaction is considered as a capital increase for Damiani Hong Kong Ltd. From an accounting standpoint, given the commitments stipulated in the contract signed between Damiani S.p.A. and Simest S.p.A. (and with the Venture Capital Fund), which provides for the repurchase of shares at a predetermined minimum price at the end of the agreed period (within September 30, 2021), this contribution can be configured as a medium-long term financing and as such accounted in the financial statements of Damiani S.p.A.

Moreover, in the note g) is highlighted the debt to finance lease on a property regarding a Damiani shop in Milan, classified as sale and lease back with related party, pursuant to IAS 17.

The following table shows the details of the net financial position at March 31, 2014 and at March 31, 2013:

NET FINANCIAL POSITION (*) (in thousands of Euro)	March 31 2014	March 31 2013
Current portion of loans and financing	3,000	5,500
Current portion of loans and financing with related parties	291	308
Short term borrowings	14,454	14,777
Current financial indebtedness	**17,745**	**20,585**
Non current portion of loans and financing	17,106	4,500
Non current portion of loans and financing with related parties	1,840	2,194
Non Current financial indebtedness	**18,946**	**6,694**
Total gross financial indebtedness	**36,691**	**27,279**
Bank and post accounts	(3,099)	(231)
Cash on hand	(22)	(23)
Net financial position (*)	**33,570**	**27,025**

(*) The net financial position is determined according to the indication of Consob communication n. DEM/6064293 of July 28,2006

The net financial position of Damiani S.p.A. at March 31, 2014 had a negative balance for Euro 33,570 thousands, in worsening of Euro 6,545 thousands compared to the value at the end of the previous financial year when the balance was Euro 27,025 thousands.
The negative change was due to the negative result of the period and the collection made during the year to support the Group's development, even abroad.

17. EMPLOYEES' TERMINATION INDEMNITIES

In the financial year ended March 31, 2014 the following changes took place on Employees' Termination Indemnities (Italian TFR):

(in thousands of Euro)	March 31 2014	March 31 2013
Termination indemnities at the beginning of the period	**3,191**	**2,344**
Values resulting from the merger	-	613
Financial expenses	114	149
Paid benefits	(102)	(145)
Actuarial Loss (Profit)	559	230
Termination indemnities at the end of the period	**3,762**	**3,191**

The changes during the period reflect the provisions and the outlays, including advances, implemented during the financial year.
Employees' termination indemnities are part of a defined benefits plan.

Liabilities were calculated using the Project Unit Cost method based on the following:
- A series of financial assumptions were used (increases in the cost of living, pay increases, etc.) to calculate the potential payments that will have to be made to each employee in the event of retirement, death, invalidity, resignation and so on. This estimate of future payments includes the increases due to further years of services experience and the expected growth rate of pay received at the valuation date.
- It has been calculated the average present value of future benefits on the basis of the annual interest rate used and the probability that each service has to be effectively delivered at the financial statements date.
- It has been defined the liability for the Group identifying the share of the average present value of future benefits that refers to the service already accrued by the employee at the date of valuation.
- It has been established, on the basis of the liability determined in the previous paragraph and the reserve set aside in the financial statements as per the Italian law, the IFRS reserve.

The assumptions adopted are as follows:

FINANCIAL HYPOTHESES	March 31 2014	March 31 2013
Annual rate for the Net present value	2.08%	4.40%
Annual inflation rate	2.00%	2.00%

DEMOGRAPHIC HYPOTHESES	
Mortality	RG48 (RGS table 48)
Inability	INPS tables by age and sex
Pensionable Age	Reaching 100% of the mandatory social security requirements

Gains and losses from actuarial calculations are booked on the income statement in each period as personnel cost or financial (expenses)/incomes.

18. PROVISIONS FOR RISKS AND CHARGES

Risk reserve is booked to face the litigation. The value of the reserve is changed from Euro 273 thousands in the financial year ended March 31, 2013 to Euro 146 thousands in the financial year ended March 31, 2014 effect of: i) utilizations for Euro 153 thousands for the closure of legal disputes; ii) provisions for Euro 26 thousands, to face a litigation in progress for which at March 31, 2014 the Company had already incurred probable obligations.

19. TRADE PAYABLES

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Trade payables due in less than 12 months	34,103	26,884
Trade payables towards subsidiaries within 12 months	17,280	11,250
Bill payable, other credit securities and advances	203	280
Total trade payables	**51,586**	**38,414**

The increase in trade payables to third parties for Euro 7,218 thousands was directly related to the increase of the Company's activities over the previous financial year.
Trade payables to subsidiaries increased primarily to Damiani International B.V. due to the growth of royalties on sales that Damiani S.p.A. has made abroad and which are accounted for at year end, and for the debt toward the American subsidiary Damiani Usa Corp. for intra-group returns authorized and registered in the last quarter of the financial year 2013/2014.
Details of trade payables to subsidiaries were as follows:

(in thousands of Euro)	March 31 2014	March 31 2013
Damiani International B.V.	3,585	1,819
Damiani Japan K.K.	45	21
Damiani Usa Corp.	3,908	56
Casa Damiani Espana S.L.	721	721
Damiani Hong Kong Ltd	472	-
Laboratorio Damiani S.r.l.	7,754	8,086
Damiani France S.A.	432	425
Rocca S.p.A.	354	122
Damiani Macau Ltd	5	-
Damiani Mexico S.A. de C.V.	4	-
Total	**17,280**	**11,250**

20. SHORT TERM BORROWINGS

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Current debts towards banks	14,018	14,679
Accrued expenses related to interest on loans	436	98
Total short term borrowings	14,454	14,777

The use of short-term lines of credit are intended to finance working capital.
There were no significant changes compared to March 31, 2013.

21. TAX PAYABLES

At March 31, 2014 the item amounted to Euro 893 thousands compared to Euro 489 thousands at March 31, 2013, mainly due to the payable to tax authorities for VAT of Euro 371 thousands that in the previous year had instead booked a receivables for Euro 478 thousands, booked in other current assets.

22. OTHER CURRENT LIABILITIES

The following table provides a breakdown as of March 31, 2014 and 2013:

(in thousands of Euro)	March 31 2014	March 31 2013
Payables to social security institutions	928	807
Payables to employees	1,862	1,798
Other liabilities towards subsidiaries	4,274	810
Other liabilities	199	195
Total other current liabilities	**7,263**	**3,610**

The item payables to employees include liabilities for vacation and leave not still enjoyed as well as the amount accrued and not yet delivered by 13th and 14th monthly.
The amount of liabilities towards subsidiaries was as follows:

(in thousands of Euro)	March 31 2014	March 31 2013
Damiani International B.V.	252	63
Laboratorio Damiani S.r.l.	418	9
Rocca S.p.A.	3,604	738
Total	4,274	810

The increase toward Rocca S.p.A. debt refers to the transfer of its VAT credit from the tax authority as part of the activation of the regime of Group VAT from January 2013, pursuant to Law 633/72 article 73, paragraph 3, DM 13/12/1979.

23. REVENUES

In the financial year 2013/2014 the total revenues amounted to Euro 95,655 thousands and booked an increase by Euro 17,155 thousands (+21.9%) compared to the previous financial year (Euro 78,500 thousands). The performance is attributable both to higher sales to third parties in the wholesale channel (+12.1%), which benefited mainly the growth of the abroad, managed for the entire period of twelve months (+38.5% of revenues compared to the financial year 2012/2013) but also for a positive trend in the domestic market (+4.1%), as well as the ongoing consolidated excellent retail performance (+28%).
The weight of intercompany sales grew strongly (+47.6% compared to the previous financial year). The performance is a direct result of higher sales by foreign subsidiaries in their markets, which generated more orders for the supply of jewelry to Damiani S.p.A.
The breakdown of revenues by sales channel is the following:

REVENUES BY SALES CHANNEL (in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Third parties Wholesale	**58,249**	**51,972**
Percentage on total revenues	60.9%	66.2%
Third parties Retail	**11,460**	**8,953**
Percentage on total revenues	12.0%	11.4%
Total wholesale and retail revenues	**69,709**	**60,926**
Percentage on total revenues	72.9%	77.6%
Intercompany sales	25,946	17,574
Percentage on total revenues	27.1%	22.4%
Total Revenues	**95,655**	**78,500**

24. COST OF RAW MATERIALS AND CONSUMABLES

In the financial year 2013/2014 the costs of raw materials and consumables (including purchases of finished goods) were Euro 56,125 thousands, an increase by Euro 10,521 thousands compared to the financial year ended March 31, 2013 (Euro 45,604 thousands).
The growth was directly related to the increase in sales.

25. COST OF SERVICES

The breakdown of the main items for the financial year ended March 31, 2014 and the financial year ended March 31, 2013 is the following:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Operating expenses	6,836	5,650
Advertising expenses	6,591	6,560
Other commercial expenses	3,159	2,305
Production costs	3,157	3,341
Consultancies	1,679	1,748
Travel/transport expenses	1,607	1,623
Directors' fees	134	199
Use of third parties assets	2,815	1,937
Total cost of services	**25,978**	**23,363**

The costs of services showed an increase by Euro 2,615 thousands compared to the prior financial year. This growth was mainly due to the following effects: i) increase in royalties paid to the subsidiary Damiani International B.V. in relation to higher sales abroad (accounted in operating expenses); ii) higher commissions paid to the sales force/distributors on sales booked in the wholesale channel (accounted in other commercial expenses); iii) higher rents related to retail development (accounted in use of third parties assets).

26. PERSONNEL COST

The breakdown of the item for the financial year ended March 31, 2014 and the financial year ended March 31, 2013 is the following:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Wages and salaries	8,952	9,477
Social security costs	2,863	2,946
Termination indemnity	627	559
Other personnel costs	163	239
Total personnel cost	**12,605**	**13,221**

(*) The personnel cost restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

The personnel cost decreased by Euro 616 thousands due to the reduction in staff employed on average during the financial year, a direct result of the reorganization designed to recover a greater efficiency in business processes that have led to a streamlining of some functions. The following table shows the average number of employees of the Company in the financial year ended March 31, 2014 and in the prior financial year, with the evidence of the decrease of n. 8 units on average used in the two periods (-3%):

LABOUR CATEGORY	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Executives and managers	29	32
Clerks	217	221
Workers	18	19
Total	**264**	**272**

27. OTHER NET OPERATING (CHARGES) INCOMES

The breakdown of the item for the financial year ended March 31, 2014 and the financial year ended March 31, 2013 is the following:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013
Other operating (charges) incomes	3,016	2,692
Allowance for doubtful accounts	(875)	(191)
Provision for lawsuits	(26)	(122)
Total other net operating (charges)incomes	**2,115**	**2,379**

The balance was positive in both financial years but reduced for Euro 264 thousands. In the financial year 2013/2014 higher provisions for doubtful receivables for Euro 684 thousands have been done to cover the risk of default of some positions expired for which according to the trend of the measures of recovery in place the risk has been estimated higher than the previous year.
The other operating incomes of the financial year 2013/2014 include: i) the income received from the sale on the lease on the Damiani boutique in Verona, closed at the end of March 2014 as unprofitable and non-strategic for the Group. The amount received is equal to Euro 570 thousands; ii) the net effect of the restatement of the fund that cover possible returns from customers, allocated in previous years and which resulted in excess at March 31, 2014, given the drop in the volume of returns from customers. The net income was Euro 1,573 thousands.
In the financial year 2012/2013 the other operating incomes included: i) compensation for loss of commercial goodwill that Damiani S.p.A. has received for the issuance of a shop in Milan (it was managed by the subsidiary New Mood S.p.A.), owned by a related party. The amount of the compensation was equal to Euro 1,955 thousands (gross of related tax effects); ii) the net effect of the restatement of the fund that cover possible returns from customers, allocated in previous years and which resulted in excess at March 31, 2013, given the drop in the volume of returns from customers. The net income was Euro 995 thousands.

28. AMORTIZATION, DEPRECIATION AND WRITE DOWNS

The amortization, depreciation and write downs of tangible and intangible assets in the financial year ended March 31, 2014 amounted to Euro 1,426 thousands, in increase by Euro 573 thousands compared to the previous financial year (Euro 853 thousands). The change is due both to the higher value of the depreciable assets as a result of investments made in the retail segment (increase by Euro 326 thousands), and to the write-off of goodwill related to the closed shop of Verona (see also note 27) that had been paid at the time of the acquisition in 2002 of the availability of this space, for a value of Euro 247 thousands.

29. FINANCIAL (EXPENSES) AND INCOMES

The breakdown of the item for the financial year ended March 31, 2014 and the financial year ended March 31, 2013 is the following.

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Exchange differences	(1,671)	(1,078)
Loss on disposal of investment in subsiadiary	(930)	-
(Financial charges)	(1,683)	(1,384)
Financial incomes	1,397	1,092
Total financial (expenses) and incomes	**(2,887)**	**(1,370)**

(*) Data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

The deterioration of the balance of financial management compared to the previous financial year was due to two main factors: i) an increase in foreign exchange losses for Euro 593 thousands; ii) loss of Euro 930 thousands from the sale to Damiani Manufacturing S.r.l. of the direct participation held in the subsidiary Laboratorio Damiani S.r.l. (equal to 9.35% of share capital).
The sale was in accordance with the pro-rata value of the net equity of the subsidiary at the time of the transaction (Euro 320 thousands), which has thus generated the loss compared with the cost of the investment booked in the balance sheet (Euro 1,250 thousands). The sale took place on March 19, 2014 and was preparatory to the subsequent merger between Damiani Manufacturing S.r.l. and Laboratorio Damiani S.r.l.: the operation, technically qualifies as a "reverse" merger, was completed on March 26, 2014.
The financial incomes generated by intercompany loans in the financial year 2013/2014 amounted to Euro 1,210 thousands (were Euro 894 thousands in the prior financial year).

30. INCOME TAXES

The breakdown of the item for the financial year ended March 31, 2014 and the financial year ended March 31, 2013 is the following:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Current taxes	326	148
Deferred tax (assets)/liabilities	457	(606)
Total income taxes	**783**	**(458)**

(*) Data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

The current taxes include taxes on income IRAP (regional tax) for the period.

The reconciliation between fiscal charges in the financial statements and theoretical fiscal charges calculated on the basis of the IRES (income tax) tax rate applicable to Damiani S.p.A. for the financial year ended March 31, 2014 and for the prior financial year was as follows:

(in thousands of Euro)	FINANCIAL YEAR 2013/2014	FINANCIAL YEAR 2012/2013 (restated)*
Result before taxes	(1,251)	(3,533)
IRES (Corporate) tax rate for the period	27.5%	27.5%
Theoretical tax burden	**344**	**972**
IRAP (Regional tax on productive activities) effect	(326)	(148)
Other non deductible costs	(801)	(366)
Total differences	**(1,127)**	**(514)**
Total taxes for income statements	**(783)**	**458**
Effective tax rate	-62.6%	13.0%

(*) Data restated for the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 2).

31. TRANSACTIONS WITH RELATED PARTIES

This paragraph describes the relationships between Damiani S.p.A., subsidiaries and related parties during the financial year ended March 31, 2014 and the prior financial year, highlighting the impact on economic and financial values of the Company.
Such relationships with related parties are of real estate nature (rents, sale and lease back transactions, rental of business units), mainly with the Montenapoleone 10 S.r.l. and of commercial nature (sale of jewelry products, cooperation agreement), with the various subsidiaries of the Group which distribute the products in their field of competence.
The following table shows the details of these relationships in the financial year ended March 31, 2014.

	Financial Year 2013/2014						Balance at March 31 2014					
(in Euro)	Revenues	Other operating incomes (charges)	Financial incomes	Costs of raw materials	Costs of services	Financial expenses	Financial receivables	Trade receivables	Other current assets	Financial debt (including leasing)	Trade payables	Other current liabilities
Damiani International B.V.	201,323	67	797,614	(1,000)	(3,230,933)	-	23,931,945	752,178	819,335	-	(3,584,899)	(251,948)
Damiani Japan K.K.	7,188,171	(871)	-	-	-	-	-	9,654,401	-	-	(45,345)	-
Damiani Usa Corp.	(2,066,928)	14,586	224	-	-	(2,406)	-	3,972,503	-	-	(3,908,280)	-
Casa Damiani Espana S.L.	-	-	-	-	-	-	-	-	-	-	(721,480)	-
Damiani Honk Kong Ltd	2,950,953	-	2,411	(460,965)	-	-	635,326	621,703	2,411	-	(471,995)	-
Laboratorio Damiani S.r.l.	7,001,563	227,234	121,481	(11,872,236)	(2,234,145)	(930,000)	3,412,683	815,137	-	-	(7,753,928)	(418,552)
Damiani France S.A.	524,480	-	-	-	-	-	-	826,227	-	-	(432,202)	-
Rocca S.p.A.	7,007,486	664,037	309,951	(110,272)	(50,039)	-	12,000,000	7,076,372	34,129	-	(353,622)	(3,604,256)
Rocca International S.A.	495,208	-	-	-	-	-	-	488,187	-	-	-	-
Damiani Macau Ltd	439,340	-	10,293	-	-	-	350,000	350,125	10,293	-	(4,957)	-
Damiani Mexico S.A. de C.V.	308,292	-	-	-	-	-	-	387,551	-	-	(3,575)	-
Damiani India Co. Ltd	5,640	-	-	-	-	-	-	199,702	-	-	-	-
Damiani Shanghai Trading Co. Ltd	1,522,488	-	16,495	-	-	-	1,090,042	1,562,328	16,495	-	-	-
Damiani Korea Co. Ltd	367,604	-	-	-	-	-	-	367,604	-	-	-	-
Imm.re Miralto S.r.l.	-	-	-	-	-	-	-	-	-	-	(350,935)	-
Montenapoleone 10 S.r.l	-	-	-	-	(410,461)	(392,000)	-	-	-	(2,131,165)	(969,697)	-
Majority Shareholders	-	-	-	-	-	(137,500)	-	-	-	(5,000,000)	-	(137,500)
Executives with strategic responsabilities	-	-	-	-	(40,219)	-	-	-	-	-	(25,082)	-
Total with related parties	**25,945,620**	**905,052**	**1,258,469**	**(12,444,473)**	**(5,965,798)**	**(1,461,906)**	**41,419,996**	**27,074,017**	**882,663**	**(7,131,165)**	**(18,625,997)**	**(4,412,256)**
Total from financial statements	**95,655,077**	**2,115,494**	**1,397,389**	**(56,124,738)**	**(25,977,997)**	**(4,284,652)**	**41,796,190**	**54,556,192**	**2,208,279**	**(36,690,967)**	**(51,585,976)**	**(7,263,135)**
% age weight	**27%**	**43%**	**90%**	**22%**	**23%**	**34%**	**99%**	**50%**	**40%**	**19%**	**36%**	**61%**

- The net revenues from subsidiaries include sale of jewelry products of Group brands and of raw materials (to which correspond the trade receivables). Compared to the previous financial year the higher value comes from the increased demand for goods from certain subsidiaries, which in turn have increased the turnover and from higher sales of raw materials and semi-finished to Laboratorio Damiani S.r.l. to power the production process within the Group.
- Other operating incomes from subsidiaries Damiani International B.V., Damiani Usa Corp., Rocca S.p.A. and Laboratorio Damiani S.r.l. include the re-charge, according to the agreements between the parties, of services and management fees drawn up centrally and enjoyed by subsidiaries and the re-charge of seconded staff.
- Financial incomes from subsidiaries Damiani International B.V., Laboratorio Damiani S.r.l., Rocca S.p.A., Damiani Hong Kong Ltd, Damiani Macau Ltd and Damiani Shanghai Trading Co. are related to the interest rates paid on the financings to those companies.
- Costs from subsidiaries Damiani Hong Kong Ltd, Rocca S.p.A. and Laboratorio Damiani S.r.l. are related to the purchases of goods and services (repairs, production costs) to which correspond the trade payables; between the costs for services towards Damiani International B.V. are also included the royalties and the commissions earned on foreign sales done during the financial year 2013/2014.
- Costs towards Montenapoleone 10 S.r.l. are related to rental fees paid for the premises in Milan. Moreover, there are financial charges of Euro 392 thousands, corresponding to the portion of interest for the repayment of debt for a sale and lease back transaction for a building in Milan where is located a Damiani boutique. The outstanding debt at March 31, 2014 amounts to Euro 2,131 thousands.
- The financial expenses also include the loss of Euro 930 thousands made from the sale to Damiani Manufacturing S.r.l. of the direct participation of 9.35% of the share capital of Laboratorio Damiani S.r.l. The sale price was determined based on the pro-rata value of the net equity of the subsidiary at the time of the transaction (Euro 320 thousands) which has generated the loss compared to the carrying value of the investment (Euro 1,250 thousands). For more details, see note 29. Financial (expenses) and incomes.
- The financial debt for Euro 5,000 thousands to the major shareholders refers to the reserved non-convertible bond issued by Damiani S.p.A. at the end of September 2013 (with effect from October 1, 2013) and signed by the executive Directors and major shareholders Guido, Giorgio and Silvia Damiani (for detail please refer to note 35. Financial risk management). On this bond accrues interest at a fixed rate of 5.5% per annum.

  A guarantee of the bank loan granted November 6, 2013 by a pool of banks for an amount up to a maximum of Euro 11,000 thousands, the executive Directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani have signed an Equity Commitment, consisting of an eventual financial support up to a maximum of Euro 5,000 thousands (for consideration and on terms equivalent to market), in the event of breach of the financial covenants stated in the contract.
- Costs from strategic executives refer to services received which are among the Company's ordinary operations.

The following table shows the details of these relationships in the financial year ended March 31, 2013.

	Financial Year 2012/2013						Balance at March 31 2013					
(in Euro)	Revenues	Other operating incomes (charges)	Financial incomes	Costs of raw materials	Costs of services	Financial expenses	Financial receivables	Trade receivables	Other current assets	Financial debt (including leasing)	Trade payables	Other current liabilities
Damiani International B.V.	569,801	3,196	572,964	(2,505,517)	(1,788,715)	-	24,036,879	4,747,210	549,084	-	(1,818,971)	(63,138)
Damiani Manufactoring S.r.l.	-	-	-	-	-	-	-	-	-	-	-	(10)
Damiani Japan K.K.	8,316,201	-	-	-	(3,092)	-	-	8,525,930	-	-	(20,877)	-
Damiani Usa Corp.	1,946,863	73,528	-	-	-	-	-	2,316,131	-	-	(55,772)	-
Casa Damiani Espana S.L.	-	-	-	-	-	-	-	-	-	-	(721,480)	-
Rocca S.p.A.	2,409,682	694,910	249,644	(467,709)	(83,641)	-	11,000,000	1,319,522	35,157	-	(122,309)	(737,854)
Laboratorio Damiani S.r.l.	1,946,458	150,506	70,965	(7,609,812)	(2,278,299)	-	3,292,683	821,823	74,682	-	(8,085,094)	(9,153)
Damiani France S.A.	(130,455)	-	-	-	-	-	-	294,683	-	-	(425,137)	-
Rocca International S.A.	155,476	-	-	-	-	-	-	155,476	-	-	-	-
Damiani Honk Kong Ltd	1,316,552	-	-	-	-	-	-	1,329,716	-	-	-	-
Damiani Macau Ltd	448,524	-	-	-	-	-	-	454,987	-	-	-	-
Damiani Mexico S.A. de C.V.	104,422	-	-	-	-	-	-	108,285	-	-	-	-
Damiani Shanghai Trading Co. Ltd	490,776	-	-	-	-	-	-	507,736	-	-	-	-
Immobiliare Miralto S.r.l.	-	1,964,000	-	-	(285,254)	(327,000)	-	10,890	-	-	(1,026,330)	-
Montenapo 13 S.r.l.	-	6,000	-	-	-	-	-	7,260	-	-	-	-
Montenapoleone 10 S.r.l.	-	1,000	-	-	(114,837)	(104,000)	-	1,210	-	(2,502,000)	(258,265)	-
Magenta 82 S.r.l.	-	1,000	-	-	-	-	-	1,210	-	-	-	-
Duono 25 S.r.l.	-	1,000	-	-	-	-	-	1,210	-	-	-	-
Executives with strategic responsabilities	-	-	-	-	(38,230)	-	-	-	-	-	(11,443)	-
Total with related parties	**17,574,300**	**2,895,140**	**893,573**	**(10,583,038)**	**(4,592,068)**	**(431,000)**	**38,329,562**	**20,603,279**	**658,923**	**(2,502,000)**	**(12,545,678)**	**(810,155)**
Total from financial statements	**78,499,816**	**2,378,995**	**1,091,700**	**(45,603,747)**	**(23,363,065)**	**(2,462,031)**	**38,701,537**	**42,459,216**	**2,427,213**	**(27,279,315)**	**(38,413,697)**	**(3,610,143)**
% age weight	**22%**	**n.m.**	**82%**	**23%**	**20%**	**18%**	**99%**	**49%**	**27%**	**9%**	**33%**	**22%**

- The net revenues from subsidiaries include sale of jewelry products of Group brands and of raw materials (to which correspond the trade receivables); compared to the previous financial year the widest variety of counterparties is derived from the difference in the scope of activity of the Company that directly meet the demands of products from all the Group companies that oversee the various markets.
- Other operating incomes from subsidiaries Damiani International B.V., Damiani Usa Corp., Rocca S.p.A. and Laboratorio Damiani S.r.l. include the re-charge, according to the agreements between the parties, of services and management fees drawn up centrally and enjoyed by subsidiaries and the re-charge of seconded staff; income from Immobiliare Miralto S.r.l. includes the compensation for loss of goodwill pursuant to article 34 of law 392/78 received for the issuance of commercial premises in Milan (in the past managed by New Mood S.p.A.), owned by related party, for an amount of Euro 1,955 thousands (gross of the related tax effects).
- Financial incomes from subsidiaries Damiani International B.V., Laboratorio Damiani S.r.l. and Rocca S.p.A. are related to the interest rates paid on the financings to those companies.
- Costs from subsidiaries Damiani International B.V., Rocca S.p.A. and Laboratorio Damiani S.r.l. are related to the purchases of goods and services (repairs, production costs) to which correspond the trade payables; between the costs for services towards Damiani International B.V. are also included the royalties and the commissions earned on foreign sales done during the financial year 2012/2013.
- Costs towards Immobiliare Miralto S.r.l. and Montenapoleone 10 S.r.l. are related to rental fees paid for the premises in Milan and Valenza (AL). Moreover, there are financial charges of Euro 431 thousands, corresponding to the portion of interest for the repayment of debt for a sale and lease back transaction for a building in Milan where is located a Damiani boutique (until December 31, 2012 the counterparty is Immobiliare Miralto S.r.l.; from January 1, 2013 is Montenapoleone 10 S.r.l., took over the lease). The outstanding debt at March 31, 2013 amounts to Euro 2,502 thousands.
- Costs from strategic executives refer to services received which are among the Company's ordinary operations.

In both periods there are also loans contracts between Damiani S.p.A. and a number of subsidiaries, negotiated at market conditions and described in the previous notes.

32. COMMITMENTS AND CONTINGENT LIABILITIES

At the date of approval of the Annual Report, in Damiani S.p.A. there were some ongoing tax audits by the regional directorates of the Tax Agency. From the situations described below did not reveal any problems that could generate liabilities classified as "probable" for any company of the Group and hence in the financial year 2013/2014 has been provided the necessary information, not under the conditions provided for by the applicable accounting standards for the recognition of a liability.

It provides the following update of tax audits in progress.

On December 20, 2013 the Provincial Directorate of the Tax Agency in Alessandria notified Damiani S.p.A., the acquiring company, the notice of assessment for IRES (income tax) for the tax year 2008/2009 of New Mood S.p.A. (incorporated in Damiani S.p.A. in the financial year 2012/2013), which states a higher taxable income of Euro 1,106 thousands, which generates a recalculation of loss for that tax period and increased IRES for Euro 304 thousands (New Mood S.p.A., which operates under Group taxation, in that period declared a tax loss of Euro 4,158 thousands). The higher taxable income resulted from the sum of three separate surveys: i) improper deduction of costs for royalties for Euro 97 thousands; ii) higher revenues not declared for Euro 252 thousands on sales abroad, according to an inductive reconstruction of the Tax Agency; iii) extraordinary expenses wrongly deducted as not related for Euro 757 thousands. On February 13, 2014 Damiani S.p.A. filed a tax settlement pursuant article 9-bis of the Legislative Decree 19/6/97 n. 218. As part of the accession process thus established, on May 9, 2014 Damiani S.p.A. transmitted electronically the instance of the calculation decreases of the consolidated losses (IPEC) from the higher taxable income established in the notice of assessment received, by suspending therefore for further sixty days the terms of presentation the appeal.

On March 13, 2014 the Provincial Directorate of the Tax Agency in Alessandria has initiated an audit in Damiani S.p.A. in the field of transfer pricing with reference to the tax period 2011/2012. The Company has provided on April 1, 2014 all the required documentation, and proceeded to a subsequent integration on May 29, 2014 providing additional documentation required by the Tax Agency on May 19, 2014. The audit is then in progress.

33. ATYPICAL AND/OR UNUSUAL AND NON-RECURRING TRANSACTIONS

In the financial year 2013/2014 there were no positions or transactions deriving from atypical and/or unusual operations as defined in the Consob Ruling n. 15519 as of July 27, 2006.
As non-recurring operation it should be noted:

- transfer to third parties of the lease on the Damiani boutique in Verona which was non-profitable and non-strategic for the Group. This sale generated a gross income of Euro 570 thousands, booked among other operating income, and a net positive impact on the income statement (gross of related tax effects) of Euro 323 thousands, considering the related write-down of the goodwill booked initially in 2002 when the commercial space was acquired (Euro 247 thousands).

34. CAPITAL MANAGEMENT

The primary goal of Damiani S.p.A., parent company of the Damiani Group, is to guarantee the best possible balance between the structure of assets and that of liabilities (solvency ratio), both for the Company and for the Group. Based on this goal the Company shall endeavor, even in a context of complex financial market and limited availability of credit, to identify the sources needed to support the growth plans of the Group in the medium term. These sources must be found to the best market conditions, in terms of cost and duration, with the goal of maintaining its capital structure to an adequate level of solidity.
Damiani S.p.A. manages its capital structure and changes it according to the alterations in economic conditions and in the targets of its strategic plans.

35. FINANCIAL RISK MANAGEMENT

At March 31, 2014 Damiani S.p.A. had a negative net financial position of about Euro 33.6 million, increasing by Euro 6.6 million in respect of March 31, 2013. This trend is related to the non-positive earnings performance and to the investments required to sustain the expected growth of the entire Group as well as the financing operations carried out during the financial year.
In the following paragraphs are described the main financial risks to which the Company is exposed and which is part of a wider Group's management (described in the report on operations and explanatory notes of the consolidated financial statements) to monitor them and identify appropriate actions to minimize, listed them in descending order of importance.

Credit risk

The credit risk is defined as the possibility of incurring a financial loss, which could be brought about by the non-fulfillment of a contractual obligation by a counterpart.
With reference to the dealership, the Company deals with a customer base consisting mainly of jewelry shops and distributors and therefore collaterals are not generally required. The Company carries out a preliminary information survey to customers through a specific information company and monitors all customers with the attribution of a specific trust. An automatic control is also operating with the help of an information company for reporting possible negativity (eg. Protests) that trigger the immediate blocking procedures and starting the process of debt collection. Where there are critical situations with some customers, the credit management department formalizes plans to return while generating a lengthening of the average collection times, minimizes the risk of loss. This constant monitoring to date has determined the containment of losses to an acceptable level, albeit in a context where market conditions were partially damaged (mostly domestically), and the difficulty to access to credit can impact the solvency of some clients. The Company shall conduct timely assessment of risks in the closing of the financial year.

With regard to trade and financial receivables from subsidiaries, the Company has in place a monitoring on the results of the subsidiaries and believes that these receivables are recoverable in relation to the forecasts of the subsidiaries included in their business plans.
The table below shows the maximum potential exposure to the credit risk at March 31, 2014 and at March 31, 2013.

(in thousands of Euro)	March 31 2014	March 31 2013
Deposits	3,099	231
Trade receivables	54,556	42,459
Financial receivables towards subsidiaries	41,420	38,330
Other non current assets	376	372
Other current assets	2,500	3,483
Total maximum exposure to the credit risk	**101,951**	**84,875**

Liquidity risk

As part of the overall financing needs for the ongoing management and support for the development, the Company uses various forms of financing in the medium/long term and short (lines of credit and factoring), with the goal of containing the cost and risk of exposure to fluctuations in interest rates and maintain the structure of the sources balanced with that of the uses of resources acquired.

During the financial year 2013/2014, the Company to deal with the gradual repayment of medium-long term loans subscribed in the past (June 2009, for a maximum period of 6 years) for a total of Euro 25,000 thousands as well as counteract excessive exposure in the short term that was being created (albeit short lines are only partially used and at costs that are lower than those currently imposed on medium/long term) proceeded to take out new loans.
These medium term loans underwritten, and their terms of duration and rate, are summarized here:

- On June 2103 was paid the first installment, equal to 30% of the total subsidized financing from Simest S.p.A. of Euro 3,012 thousands which was signed in February 2013, for the implementation of development programs in China (to cover investment and operating costs to be incurred in the 24 months following the date of conclusion of the contract). The contract provides for the repayment in seven years (after the first two pre-amortization), in half-yearly installments and subsidized rates. A further tranche of Euro 786 thousands was paid in the month of December 2013.
- On November 2013 Damiani S.p.A. has underwritten a medium-term loan with a pool of Italian Banks for an amount up to a maximum of Euro 11,000 thousand. The loan is intended to support the continued operation of the Damiani Group, mainly by financing the industrial investments and the initial stock required for the development of the retail channel. Disbursements are subject to the effective implementation of the investment plan of the Group and to comply with financial covenants stated in the contract and verified quarterly by lenders. Interest accrues on the amounts at the 6-month Euribor rate, plus a spread of 6.05% per annum. The repayment of the credit line runs from the 30th month following the signature of the contract, to be completed after 66 months from the signature according to the established plan. At March 31, 2014 the amount disbursed was Euro 6,012 thousands.

Those funding is added the non-convertible bond with a nominal value of Euro 5,000 thousands issued in September 2013 by Damiani S.p.A. and reserved by subscription of executive directors and majors shareholders Guido, Giorgio and Silvia Grassi Damiani. The duration of the bond is defined in six years, with effect from October 1, 2013 repayable in a single installment on the due date, and annual compensation at a fixed rate of 5.5%, with subsequent payment in annual installments, the first which will take place on December 31, 2014.
Finally, on December 31, 2013 Simest S.p.A. (66.7% of the total) and the Venture Capital Fund of the Italian Ministry of Economic Development (the remaining 33.3%) have provided financial means for Euro 2,904 thousands to the subsidiary Damiani Hong Kong Ltd to support the development of the Group in Greater China. In legal terms, the injection of liquidity into the subsidiary (which also contributed Damiani S.p.A. and in small part Damiani International B.V.) resulted in a capital increase for Damiani Hong Kong Ltd equal to the contribution of all of the entities involved. From an accounting standpoint this contribution, as described above, it is rather much like an interest-bearing loan in the medium-long term (weighted average annual rate of 5.9%) and as such booked in the financial statements of Damiani S.p.A.

The exposure of Damiani S.p.A. is represented mainly of trade payables related to supply transactions and borrowings from banks and other lenders, among whom are also considered related parties (bond and finance leases). The total exposure is increased by Euro 26,627 thousands in the financial year 2013/2014 with particular reference to debts maturing in the medium/long term due to the loans signed during the period with the aim of acquiring the resources necessary to support the business plan of the Group. The table below shows the detail of the liquidity risk:

	Analysis of the due date at March 31 2014			
(in thousands of Euro)	within 1 year	1 to 5 years	over 5 years	Total
Trade payables	51,586	-	-	51,586
Long term financial debts to banks and other lenders	3,000	7,842	4,264	15,106
Long term financial debts towards related parties	-	-	5,000	5,000
Long term financial debt to leasing	291	1,165	675	2,131
Short term borrowings	14,454	-	-	14,454
Other current liabilities	8,156	-	-	8,156
Total exposure	**77,488**	**9,007**	**9,939**	**96,433**

	Analysis of the due date at March 31 2013			
(in thousands of Euro)	within 1 year	1 to 5 years	over 5 years	Total
Trade payables	38,414	-	-	38,414
Long term financial debts to banks	5,500	4,500	-	10,000
Long term financial debt to leasing	308	1,749	445	2,502
Short term borrowings	14,777	-	-	14,777
Other current liabilities	4,099	-	-	4,099
Total exposure	**63,098**	**6,249**	**445**	**69,792**

Interest rate risk

Closely related to liquidity risk is the risk of time-dependent fluctuations in interest rates. The Company is active to minimize its burden diversifying the sources of financing in consideration of the rates applied and their variability over time.

The medium-long term loans are fixed-rate (residual portion of the loan disbursed in 2009, bond signed by the major shareholders, supply of Simest S.p.A. in Damiani Hong Kong Ltd) and facilitated (Simest S.p.A. funding for programs of development in China), and partly variable rate (loan to Rocca S.p.A. and syndicated loan to Damiani S.p.A.). The short lines are floating rate, with values ranging in the different forms of financing, and an average cost of about 3%, which is currently lower than that at market conditions that matured on medium-long term loans of the financial year 2013/2014 (interest rates applied to different funding obtained are shown in the previous section).

Therefore, upward swing of the reference rates of the market could lead to a negative effect on the economic performance of the Group.

Raw materials price fluctuations' risks

Among its raw materials Damiani S.p.A. mainly uses precious stones, gold, pearls and other precious materials, whose market prices and availability can vary significantly due to factors as government regulations, market trends and investors' speculative positions, relationships with suppliers (above all regarding the purchase of diamonds) and consequent conditions of supply.

During the financial year 2013/2014 the average price of gold, subject to much speculation in times of economic and financial crisis, recorded a strong decrease even if with wide fluctuations: in April 2013 the average monthly value was 36.6 euros per gram, in December 2013 the average value was down to 28.7 euros per gram, before recovering to 31.1 euros per gram in March 2014. The annual average was 31.8 euros per gram, compared to an annual average in the previous financial year 2012/2013 which has been equal to 41.3 euros per gram, a decrease by 22.9%. In the following months (April-May 2014) gold prices remained steady slightly above 30 euros per gram, without significant fluctuations. This context is generally positive for the impact of the decline in price determines on the cost of production, although strong fluctuations in the short term make it more complex and less reliable the formulation of expected purchase of raw materials, even if carried out with hedging mechanisms to reduce the risk of price fluctuations, and planning of production processes which in turn are influenced by the seasonal trend of the target market.

The risks related to price of raw materials and to the strong and sudden fluctuations are amplified by movements in the exchange rate, because some materials have official prices in currencies other than Euro and the same purchases are settled in US Dollar (diamonds) and Yen (pearls), while the Group's functional currency is the Euro.

Damiani S.p.A. mitigates this risks as follows: a) proceeds to forward purchases of raw materials (gold only) with fixed prices and quantities in relation to the dynamics of the production process (at March 31, 2014 active contracts relating to purchases of gold were 6 for a total quantity of 68 kilograms and an agreed equivalent of Euro 1,981 thousands); b) purchases finished products from suppliers with a well established relationships and defined agreements for a medium-term time (normally six months) that enable to mitigate the effects associated with rapid and frequent price fluctuations; c) the retail price is increased (usually annually) in relation to the increase in the production costs.

If there were in the medium-long term an uptrend in the price of raw materials used in the production process, or sudden strong swings, it could inevitably cause a reduction of margins for the Group, as it would be impossible to fully pass on the retail price the increase in the cost of acquisition/production.

Exchange rate risk

Some purchases of raw materials and finished products, as described above, are made in US Dollar and Japanese Yen, which exposes them to the consequent exchange rate risk. If this risk is considered to be significant, as in those times of particular pressure on exchange rates, specific currency forward contracts are signed, for the purpose of hedging the exchange rate risk.

At March 31, 2014 there were outstanding currency forward contracts entered into by Damiani S.p.A. for a total of Euro 4,689 thousands. At March 31, 2013 contracts were instead equal to a total of Euro 2,344 thousands.

Financial instruments at fair value and relative valuation hierarchy levels

The table below gives details of assets and liabilities valued at fair value. No significant differences emerge from a comparison of the book value and fair value of the different categories of financial instruments used by the Company and booked to the financial statements.

	BOOK VALUE						FAIR VALUE	
	Total		current		non current			
(in thousand of Euro)	March 31 2014	March 31 2013	March 31 2014	March 31 2013	March 31 2014	March 31 2013	March 31 2014	March 31 2013
Cash and cash equivalent	3,121	254	3,121	254	-	-	3,121	254
Trade receivables	54,556	42,459	54,556	42,459	-	-	54,556	42,459
Other financial assets	2,876	3,855	2,500	3,483	376	372	2,876	3,855
Financial receivables to subsidiaries	41,420	38,330	41,420	38,330	-	-	41,420	38,330
Total financial assets	**101,973**	**84,898**	**101,597**	**84,526**	**376**	**372**	**101,973**	**84,898**

	BOOK VALUE						FAIR VALUE	
	Total		current		non current			
(in thousand of Euro)	March 31 2014	March 31 2013	March 31 2014	March 31 2013	March 31 2014	March 31 2013	March 31 2014	March 31 2013
Trade liabilities	51,586	38,414	51,586	38,414	-	-	51,586	38,414
Financial debts	36,691	27,279	17,745	20,585	18,946	6,694	36,691	27,279
Other liabilities	8,156	4,099	8,156	4,099	-	-	8,156	4,099
Total financial liabilities	**96,433**	**69,792**	**77,487**	**63,098**	**18,946**	**6,694**	**96,433**	**69,792**

With regard to the financial instruments booked at fair value, IFRS 7 requires these values to be classified on the basis of hierarchy levels that reflect the significance of the method used to calculate the fair value. These levels are as follows:

- level 1: financial instrument listed on an active market;
- level 2: fair value is measured on the basis of valuation techniques that are based on observable market data, different from the listing;
- level 3: fair value is calculated on the basis of valuation techniques that are not based on observable market data.

All assets and liabilities valued at fair value at March 31, 2014 are classified at level 2 and during the financial year 2013/2014 there were no transfer from level 1 or 3 to level 2.

36. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

There are no significant events after the closing date.

37. AUDIT COSTS

The following table, prepared in accordance with article 149-duodecies of Consob Issuers' Regulation, shows the contractual fees accrued in the financial year ended March 31, 2014 for services provided by the independent audit company and by the entities belonging to the same network.

(in thousands of Euro)			
Type of service	Service provider	Services	Fees
Audit	Reconta Ernst & Young S.p.A.	Professional fees	220
		Other expenses	20
Total			**240**

For the Board of Directors
Chairman & CEO
Mr. Guido Grassi Damiani

ANNEX 1

Key data of subsidiaries

Rocca S.p.A. Registered office	 Valenza (AL), Italy
Key figures (in thousands of Euro)	FY closed at March 31 2014
Share capital	4,680
Revenues from sales and services	47,665
Operating result	(487)
Net result	(1,053)
Total assets	41,526
Shareholders' equity	5,200
Total liabilities	36,327
Financial report according to local GAAP	

Laboratorio Damiani S.r.l. Registered office	 Valenza (AL), Italy
Key figures (in thousands of Euro)	FY closed at March 31 2014
Share capital	850
Revenues from sales and services	14,132
Operating result	602
Net result	272
Total assets	12,054
Shareholders' equity	3,494
Total liabilities	8,560
Financial report according to local GAAP	

Damiani International B.V. Registered office	 Amsterdam, Netherlands
Key figures (in thousands of Euro)	FY closed at March 31 2014
Share capital	194
Revenues from sales and services	3,663
Operating result	1,017
Net result	(27,483)
Total assets	47,933
Shareholders' equity	18,755
Total liabilities	29,178
Financial report according to local GAAP	

Damiani Japan K.K. Registered office	 Tokio, Japan
Key figures (in thousands of Jpy)	FY closed at March 31 2014
Share capital	495,000
Revenues from sales and services	1,778,464
Operating result	(134,662)
Net result	(141,799)
Total assets	2,744,136
Shareholders' equity	834,311
Total liabilities	1,909,824
Average exchange rate 2013/2014	Euro/Jpy 134.3084
Exchange rate at March 31 2014	Euro/Jpy 142.4200
Financial report according to local GAAP	

Damiani USA, Corp. Registered office	New York, USA
Key figures (in thousands of Usd)	FY closed at March 31 2014
Share capital	900
Revenues from sales and services	12,010
Operating result	(2,636)
Net result	(3,482)
Total assets	15,163
Shareholders' equity	(6,592)
Total liabilities	21,756
Average exchange rate 2013/2014	Euro/Usd 1.3401
Exchange rate at March 31 2014	Euro/Usd 1.3788
Financial report according to local GAAP	

Casa Damiani Espana S.L. Registered office	Valencia, Spain
Key figures (in thousands of Usd)	FY closed at March 31 2014
Share capital	721
Revenues from sales and services	-
Operating result	(1)
Net result	(1)
Total assets	833
Shareholders' equity	833
Total liabilities	-
Financial report according to local GAAP	

Damiani Hong Kong Lt Registered office	Hong Kong, Hong Kong
Key figures (in thousands of Hkd)	FY closed at March 31 2014
Share capital	72,500
Revenues from sales and services	61,013
Operating result	(11,038)
Net result	(11,625)
Total assets	68,237
Shareholders' equity	26,767
Total liabilities	41,471
Average exchange rate 2013/2014	Euro/Hkd 10.3963
Exchange rate at March 31 2014	Euro/Hkd 10.6973
Financial report according to local GAAP	

Damiani France S.A. Registered office	Paris, France
Key figures (in thousands of Euro)	FY closed at March 31 2014
Share capital	39
Revenues from sales and services	866
Operating result	(280)
Net result	(280)
Total assets	3,084
Shareholders' equity	963
Total liabilities	2,121
Financial report according to local GAAP	

Damiani Macau Ltd	
Registered office	Macau
Key figures (in thousands of Pataca)	FY closed at March 31 2014
Share capital	22,500
Revenues from sales and services	10,190
Operating result	(3,559)
Net result	(3,896)
Total assets	26,179
Shareholders' equity	14,359
Total liabilities	11,820
Average exchange rate 2013/2014	Euro/Pataca 10.7082
Exchange rate at March 31 2014	Euro/Pataca 11.0170
Financial report according to local GAAP	

Damiani Mexico S.A.	
Registered office	Mexico - Distrito Federal, Mexico
Key figures (in thousands of Mxn)	FY closed at March 31 2014
Share capital	3,000
Revenues from sales and services	3,981
Operating result	(2,006)
Net result	(1,988)
Total assets	17,228
Shareholders' equity	1,759
Total liabilities	15,469
Average exchange rate 2013/2014	Euro/Mxn 17.2442
Exchange rate at March 31 2014	Euro/Mxn 18.0140
Financial report according to local GAAP	

Damiani Shanghai Trading Co. Ltd	
Registered office	Shanghai, Cina
Key figures (in thousands of Cny)	FY closed at March 31 2014
Share capital	42,500
Revenues from sales and services	8,865
Operating result	(19,755)
Net result	(19,993)
Total assets	50,116
Shareholders' equity	20,293
Total liabilities	29,822
Average exchange rate 2013/2014	Euro/Cny 8.1985
Exchange rate at March 31 2014	Euro/Cny 8.5754
Financial report according to local GAAP	

Damiani Korea Co. Ltd	
Registered office	Seoul, South Korea
Key figures (in thousands of Krw)	FY closed at March 31 2014
Share capital	500,000
Revenues from sales and services	278,614
Operating result	(267,625)
Net result	(267,333)
Total assets	808,794
Shareholders' equity	232,667
Total liabilities	576,127
Average exchange rate 2013/2014	Euro/Krw 1,461.7630
Exchange rate at March 31 2014	Euro/Krw 1,465.90
Financial report according to local GAAP	

Damiani India Co. Ltd Registered office Key figures (in thousands of Inr)	New Delhi, India FY closed at March 31 2014
Share capital	35,980
Revenues from sales and services	9,584
Operating result	(19,304)
Net result	(22,089)
Total assets	22,853
Shareholders' equity	(5,033)
Total liabilities	27,886
Average exchange rate 2013/2014	Euro/Inr 81.1141
Exchange rate at March 31 2014	Euro/Inr 82.5780
Financial report according to local GAAP	

Rocca International S.A. Registered office Key figures (in thousands of Chf)	Lugano, Switzerland FY closed at March 31 2014
Share capital	600
Revenues from sales and services	3,423
Operating result	789
Net result	92
Total assets	3,979
Shareholders' equity	1,249
Total liabilities	2,730
Average exchange rate 2013/2014	Euro/Chf 1.2299
Exchange rate at March 31 2014	Euro/Chf 1.21940
Financial report according to local GAAP	

For the Board of Directors
Chairman & CEO
Mr. Guido Grassi Damiani

Attestation regarding the Financial Statements of Damiani S.p.A., pursuant to article 154 bis of the Legislative Decree 58/98

1. The undersigned Mr. Guido Grassi Damiani, Chairman and CEO, and Mr. Gilberto Frola, Executive in charge of drawing up the accounting documents of Damiani S.p.A., also considering the provisions of article 154-bis, paragraphs 3 and 4, of the Legislative Decree n. 58 of February 24, 1998, certify:

- The adequacy in relation to the characteristics of the company and
- The effective application of the administrative and accounting procedures for the preparation of the financial statements of Damiani S.p.A. as of March 31, 2014.

2. Furthermore it is certified that the financial statements:

a) Are prepared in conformity with the International Accounting standards as endorsed by the European Union pursuant to the EC Regulation n. 1606/2002 of the European Parliament and Council dated July 19, 2002

b) Agree with the contents of the accounting books and entries

c) Provide a true and fair representation of the economic and financial position of the Issuer

d) The report on operations contains a reliable analysis of the results of operations, and the situation of the Company, with a description of the main risks and uncertainties to which it is exposed.

Milan, June 12 2014

Guido Grassi Damiani
Chairman & CEO

Gilberto Frola
Executive in charge of drawing up the
accounting documents

DAMIANI S.p.A.
Registered Office in Valenza (AL), Piazza Damiano Grassi Damiani, n. 1
Share Capital Euros 36,344,000 fully paid up
Vat Number and Tax Code 01457570065

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF DAMIANI S.P.A. PURSUANT TO ARTICLE 153 OF THE LEGISLATIVE DECREE 58/1998 AND OF ARTICLE 2429 OF THE ITALIAN CIVIL CODE

FINANCIAL STATEMENT MARCH 31ST 2014

Dear Shareholders,

Hereby we inform you that the Shareholder's Meeting of Damiani S.p.A. (the "Company") of 26 July 2013 has renewed the appointment of the Board of Statutory Auditors for three-year period 2014-2016 in the composition of Gianluca Bolelli (Chairman), Simone Cavalli and Milena Motta (Standing Auditors), and until the approval of the 31 March 2016 financial statement.

During the financial year closed at 31 March 2014, we discharged the supervisory activities required by Law, in accordance with the rules of conduct for the Board of Statutory Auditors as provided for by the Italian Board of Professional Accountants and Auditors, attending the meeting of corporate organs, carrying out the periodic checks and meeting with the Independent Auditors' managers of Reconta Ernst & Young, the Company's Internal Control managers, the members of the Supervisory Body established pursuant to Legislative Decree no. 231/2001, the main executives of the several company's functions and the Executive in charge of drawing up of the company's accounting documents, to exchange information on the activities undertaken by them, and to assess the timetable of scheduled internal control operations.

Pursuant to article 153 of the Legislative Decree no. 58/1998 and article 2429 of the Italian Civil Code, as well as taking into account the indications supplied by Consob notice no. DEM/1025564 of 6 April 2001, as further amended and extended, we report the following:

- we have supervised and checked compliance with the law and the Company's by-laws;
- the Directors provided us, with the required periodicity, information on the activities undertaken by them, and on the most significant economic, financial and capital transactions carried out by the Company and its subsidiaries, ensuring us that the same were in accordance with the Law and the Company's by-laws and were not manifestly imprudent or risky, in potential conflict of interest, in breach of the resolutions passed by the Shareholders' Meeting or susceptible of compromising the integrity of the Company's assets and equity;
- we have received from the Board of Directors, the half-year financial report and the quarterly report, according to the law;
- we have not found nor received information from the Board of Directors, the Independent Auditors or the Internal Auditing and Corporate Governance Committee regarding the existence of atypical and / or unusual transactions carried out with third parties, Group companies or related parties;
- the Directors have illustrated, in their Reports on Operations attached to the Financial Statements of Damiani S.p.A. and to the Consolidated Financial Statements of the Damiani Group and in the explanatory notes to them, the normal business operations carried out during the financial year with related parties or with companies belonging to the Group. We ask you to make reference to these

documents regarding the matters that fall within our competencies and, specifically, regarding the description of the characteristics of the operations and their relative economic and equity impacts. With regard to such transactions, with the support of the Board of Directors and the Internal Auditing and Corporate Governance Committee, we have checked on the existence and the observance of procedures that are suitable for ensuring that these operations are carried out at market conditions and in the Company's interest. Moreover we have supervised the conformity to the principles required by art. 4, paragraph 1, of the Consob regulation adopted with resolution no. 17221 of 12 March 2010 (and successively modified with the resolution no. 17389 of 23 June 2010) concerning the procedure on transactions with related parties approved by the Board of Directors of Damiani S.p.A. of 26 October 2013;

- the information pertaining to transactions with group companies and / or related parties, contained, in particular, in the paragraphs "Transactions with related parties" in the explanatory notes attached to the IAS/IFRS statutory and consolidated financial statements of the Damiani Group and Casa Damiani S.p.A. and in the "Transaction with related parties" in the respective report on operations are adequate in light of the Company's size and structure;
- according to the process of regulatory simplification adopted by Consob, the Company has decided to join the out-put regime as per articles 70, paragraph 8, and 71, paragraph 1-bis of the Issuers' Consob Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented, and, therefore, to exercise the option of exemption from the disclosure requirements for publication of informative documents, as set out in Attachment 3B of the above-mentioned Consob Regulation, in connection with significant mergers, spin-offs, capital increases by contributions in kind, acquisition and transfers;

have discussed with the Independent Auditors about their independency and the measures taken to mitigate those risks;

- we have received from the Independent Auditors the report required by article 19, Section 3, of the Legislative Decree no. 39/2010 dated 28 June 2013, which shows that, based on the work performed, no "fundamental issue" or "material shortcomings in the system of internal controls concerning the financial disclosure process" were identified even related to controlled subsidiaries outside the European Union;
- we have monitored the effectiveness of the auditing process, reviewing the audit plan and discussing the work performed;
- the Independent Auditors issued on 27 June 2014 their opinions on the statutory and consolidated financial statements. These opinions are unqualified and do not contain any matter of emphasis;
- we took note of the preparation of the Report on Remuneration ex Articles 123-ter of Consolidated Law on Finance and 84-quarter of the Issuers' Regulation and we have no special observations to make;
- we verified the correct application of the criteria and procedures adopted by the Board of Directors to ascertain the independence of its members on the basis of the methods provided by law and by the Self-Regulatory Code of Conduct;
- we verified that independence requirements of the Statutory Auditors remain valid, already ascertained before the appointment, on the basis of the methods provided by law and by the Self-Regulatory Code of Conduct; we also observed the limit on simultaneous offices set out in article 144-terdecies of the Issuer Regulation adopted through Consob resolution 11971, and during the year we met the disclosure obligations toward the Consob;
- during the course of financial year we rendered our opinions as provided for by Law;

have discussed with the Independent Auditors about their independency and the measures taken to mitigate those risks;

- we have received from the Independent Auditors the report required by article 19, Section 3, of the Legislative Decree no. 39/2010 dated 28 June 2013, which shows that, based on the work performed, no "fundamental issue" or "material shortcomings in the system of internal controls concerning the financial disclosure process" were identified even related to controlled subsidiaries outside the European Union;
- we have monitored the effectiveness of the auditing process, reviewing the audit plan and discussing the work performed;
- the Independent Auditors issued on 27 June 2014 their opinions on the statutory and consolidated financial statements. These opinions are unqualified and do not contain any matter of emphasis;
- we took note of the preparation of the Report on Remuneration ex Articles 123-ter of Consolidated Law on Finance and 84-quarter of the Issuers' Regulation and we have no special observations to make;
- we verified the correct application of the criteria and procedures adopted by the Board of Directors to ascertain the independence of its members on the basis of the methods provided by law and by the Self-Regulatory Code of Conduct;
- we verified that independence requirements of the Statutory Auditors remain valid, already ascertained before the appointment, on the basis of the methods provided by law and by the Self-Regulatory Code of Conduct; we also observed the limit on simultaneous offices set out in article 144-terdecies of the Issuer Regulation adopted through Consob resolution 11971, and during the year we met the disclosure obligations toward the Consob;
- during the course of financial year we rendered our opinions as provided for by Law;

- during the course of financial year we have attended 8 meetings of the Board of Directors and 1 meetings of the Remuneration Committee. In the same period the Board of Statutory Auditors met 13 times, 5 of which were in joint meetings with the Internal Auditing and Corporate Governance Committee;
- we have acquired knowledge and watched over, insofar as this falls within our competencies, that the principles of correct administration have been observed, the adequacy of the organizational structure and the directives issued by the Company to its subsidiaries, pursuant to article 114, paragraph 2, of the Legislative Decree 58/1998, through direct observations, getting information from the managers of the company functions involved and meetings with the Independent Auditors, with the Executive in charge of drawing up the Company's accounting documents and with the Internal Audit Manager for the purposes of a reciprocal exchange of relevant data and information;
- we have checked and evaluate the periodic disclosure and statements released from the Company, as well as compliance with the obligations to communicate to Consob;
- we ensured that the information flows provided by the subsidiaries outside the European Union are adequate to conduct the auditing of annual and interim accounts, as provided for in article 36 of the Regulation of markets adopted by Consob resolution no. 16191 of 29 October 2007;
- we have acquired knowledge and have watched over, insofar this falls within our competencies, also pursuant to art. 19 of Legislative Decree no. 39 /2010, regarding the adequacy of the internal controls system and of the risk management system, the activities of the relative Managers and the administration/accounting system, as well as on the dependability of this latter to correctly reflect operational events, by obtaining information from functional managers, by examining the company documents and the work carried out by the Independent Auditors, by attending the

meetings with the Internal Auditing and Corporate Governance Committee and through meetings with the Executive in charge of drawing up the company's accounting documents, as well as with the Internal Controls Manager and the Director entrusted with the functionality of the internal controls system;

- no significant aspects or issues worthy of mention arose during the meetings held with the same bodies in the subsidiary companies;
- no significant aspects or issues worthy of mention arose during the meeting held with the Independent Auditors pursuant to article 150, paragraph 3, of the Legislative Decree no. 58/1998;
- we checked the procedures for the proper implementation of the rules of corporate governance entrenched in the new edition of the Self-Regulation Code for listed companies adopted by the Board of Directors in the meeting of 27 June 2007. We confirm compliance with the regulations provided by the above Code. This compliance was covered in the Corporate Governance report and ownership structures of Damiani S.p.A. relating to the financial year April 1st 2013 - March 31st 2014 that is available in the forms provided. We outline that the Board of Directors of Damiani S.p.A. confirmed and identified as "strategically significant subsidiary" Rocca S.p.A.;
- through direct checks and information obtained from the Independent Auditors and the Executive in charge of drawing up the Company's accounting documents, we oversaw compliance with statutory provisions pertaining to the preparation and layout of the Consolidated Financial Statements of the Damiani Group, the Financial Statements of Damiani S.p.A. and the related Reports on Operations. Our oversight activities did not reveal any facts warranting a report to internal control organs or worthy of mention in this report;
- the Company is provided with the organizational, management and control model contained as ruled by Legislative Decree no. 231/2001 and with the Code of Ethics.

The Supervisory Body reported on the activities carried out without pointing out matters that could be subject to sanction or specific violations of the Model;

Considering what has been referred to above, within the matters falling within our purview, we have not found any reasons hindering the approval of the Financial Statements for the year closed at 31 March 2014 and we propose to the shareholders' meeting to approve the financial statement of Damiani S.p.A. and the report on operations as presented by the Board of Directors and we agree to their proposal relating the cover of the loss of the year.

Milan, 27 June 2014

The Board of Statutory Auditors

Gianluca Bolelli - Chairman

Simone Cavalli – Active Statutory Auditor

Milena Motta – Active Statutory Auditor

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working world

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Damiani S.p.A.

1. We have audited the financial statements of Damiani S.p.A. as of 31 March 2014 and for the year then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Damiani S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements of the prior year are presented for comparative purposes. As described in the explanatory notes n. 2 "Accounting Policies", following the application of the amendment to IAS 19, Directors have restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated 28 June 2013. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the financial statements as of 31 March 2014 and for the year then ended.

3. In our opinion, the financial statements of Damiani S.p.A. at 31 March 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Damiani S.p.A. for the year then ended.

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4. The Directors of Damiani S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Ownership Structure of Damiani S.p.A. published in the section "investor relation" of Damiani S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the financial statements of Damiani S.p.A. at 31 March 2014.

Milan, 27 June 2014

Reconta Ernst & Young S.p.A.
Signed by: Fabio Mischi partner

This report has been translated into the English language solely for the convenience of international readers.

REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE OF DAMIANI S.P.A.

Pursuant to Article 123-bis of Legislative Decree 58/98 ('TUF')

(Traditional model of governance)

Damiani S.p.A.
Web site www.damiani.com
Company financial year 1 April 2013-31 March 2014
Report approved by the Board of Directors of the company on 12 June 2014

DAMIANI S.P.A. – Registered office at Piazza Damiani Grassi Damiani 1, Valenza (AL), Share capital: € 36,344,000 Fully paid up, Tax code and VAT No. 01457570065, Registry of Businesses of Alessandria No. 01457570065, REA No. 162836/AL

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GLOSSARY

Code/Corporate Governance Code: The Corporate Governance Code of listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Civil Code/CC: The Civil Code.

Board/Board of Directors: the Board of Directors of the Issuer.

Issuer /Company: Damiani S.p.A.

Financial year: *the financial year 1 April 2013–31 March 2014 to which this Report refers.*

Issuer Regulations: The Regulations issued by CONSOB with Resolution No. 11971 of 1999 (as subsequently amended) on issuers.

Market Regulations: The Regulations issued by CONSOB with Resolution No. 16191 of 2007 (as subsequently amended) on markets.

Related Parties Regulation: The Regulation issued by CONSOB with Resolution No. 17221 of 2010 (as subsequently amended) on operations with related parties.

Report: This report on the corporate governance and the ownership structure that the company is required to draft for the financial year pursuant to Art. 123-bis TUF.

TUF: Legislative Decree 58 dated 24 February 1998 (Testo Unico della Finanza - Unified Finance Law).

1. PROFILE OF THE ISSUER

The Corporate Governance system of Damiani S.p.A. is the traditional one (the so-called 'Latin' model). The corporate bodies are therefore the Shareholders' Meeting, the Board of Directors and the Board of Auditors.
The Board of Directors is divided into two internal committees - the Committee on Control, Risks and Operations with Related Parties, and the Remuneration Committee. Both committees have a role of consultation and proposal, with the aim of facilitating the function and work of the Board.

A) THE SHAREHOLDERS' MEETING

The competences, role and operation of the Shareholders' Meeting are determined by the current law and Articles of Association, to which full reference is made.

B) THE BOARD OF DIRECTORS

The Board of Directors consists of a number of members between five and fifteen, determined each time by the Meeting. The composition of the Board of Directors should, in any case, ensure the balance between genders in conformity with the rules and regulations, in force at the time. The Board elects a chairman from its members and, if necessary, one or more deputy chairmen.
Pursuant to Art. 21 of the Articles of Association, the chairman has the legal representation of the company before third parties and in court. He has free signature with the right to move legal action or petitions, also for revocation and Cassation sentences, appointing lawyers and attorneys of record. The legal representation is also separately entrusted to one or more of its members, within the limits of the powers conferred on them by the Board of Directors, also with the role of managing directors where appointed
As shown in greater detail below, the Board of Directors is invested with the widest powers for the ordinary and extraordinary management of the company (only excluding what is reserved to the Shareholders' Meeting by the law), including the jurisdiction to deliberate a merger in the cases set out by Arts. 2505 and 2505-bis of the Civil Code, the establishment and suppression of branches, the indication of which of the directors can represent the company, the reduction of the capital if the shareholders withdraw, the adaptation of the Articles to legislative provisions and the transfer of the registered office within Italy.

C) THE COMMITTEES

In compliance with the provisions of the Code of Conduct, the Committee on Control, Risks and Operations with Related Parties, and the Remuneration Committee are set up within the sphere of the Board of Directors; as illustrated in greater detail below, both Committees have roles of consultation and proposal. At the date of approval of this Report, the company did not consider it necessary to form an Appointments Committee.
As will be explained below, in implementing the Related Parties Regulation and in consideration of the qualification of the Issuer as 'a smaller-sized company', insofar as the company can be so defined, the role and relevant competences that the Related Parties Regulation attributes to the committee, consisting wholly or mainly of independent directors with reference to all the operations with related parties, have been attributed to the Committee for Control, Risks and Operations with Related Parties.

D) THE BOARD OF AUDITORS

This consists of three regular and two alternate members and is the control body of the company. The composition of the Board of Auditors must, in any case, ensure the gender balance in compliance with the rules and regulations, in force at the time.
The Board is responsible for the supervision of the company and ensuring that, in its work, it respects the law and the Articles of Association, criteria of correct administration and gives adequate instructions to its internal apparatus and subsidiaries. For the aspects of its competence, the Board of Auditors must similarly supervise the adequacy of the organisational structure of the company, the internal control and administrative accounting systems, as well as the reliability of the latter in correctly representing management-related issues, making the necessary checks for the purpose.
It is also the responsibility of the Board to supervise the effective implementation of the rules of corporate governance set out by the Codes of Conduct drawn up by the management companies of regulated markets or sector associations which the company states it belongs to through information given to the public. It also checks the adequacy of the provisions issued by the company to its subsidiaries so that they supply the company with all the news necessary for compliance with the notification requirements set out by the law. In compliance with Legislative Decree 39 of 27 January 2010, it should be noted that the Board of Auditors supervises, in particular, the process of financial reporting, the effectiveness of the internal control systems, internal audit, if applicable, and risk management, the statutory auditing of the annual accounts and consolidated financial statements, and the independence of the statutory auditor or legal auditing company, especially with reference to the provision of non-auditing services to the Issuer.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (*EX* ART. 123-*BIS*, SUB-PARA. 1, TUF)

The detailed information on the ownership structure at the date of approval of this Report on 12 June 2014 is given below, in compliance with the provisions of Art. 123-bis, sub-para. 1, of the TUF.

(A) STRUCTURE OF THE SHARE CAPITAL (EX ART. 123-BIS, SUB-PARA. 1 (A) TUF).

The whole Damiani S.p.A. share capital consists of ordinary shares with voting rights, listed on the screen-based Stock Exchange, STAR segment, organised and managed by Borsa Italiana S.p.A. The current share capital, fully issued and paid up, is **Euro 36,344,000** (thirty-six million, three hundred and forty-four thousand) and is divided into **82,600,000** (eighty-two million, six hundred thousand) ordinary shares, with a nominal value of **Euro 0.44** (zero point forty-four) each.

There were three plans based on financial instruments in progress at the date of approval of this Report. In detail:

- the '***Stock Grant Plan 2009***', approved by the Shareholders' Meeting on 22 July 2009 and concerning the free assignment of a maximum 1,000,000 Damiani shares to employees and some directors of the Damiani group in one or more tranches, within five years of approval by the Meeting. The description of the plan is given in the '*Information Document prepared pursuant to Art. 84-bis, sub-para.1 of CONSOB Regulation No. 11971/99 and subsequent amendments*' in the Directors' Report of Damiani S.p.A. of 12 June 2009, and the subsequent supplementary documents (the last of which is shown attached to the Remuneration Report dated 14 June 2012), available in the '*Investor Relations/ Shareholders/Shareholders' Meeting', 'Investor Relations/ Financial Documents/Balance Sheets and Reports' and 'Investor Relations/ Financial Documents/Documents and Notices*' sections of the web site www.damiani.com;

- the '***Stock Option Plan 2009***', approved by the Shareholders' Meeting on 22 July 2009 and concerning the sale of options for the purchase of a maximum 3,500,000 Damiani shares (in the measure of one share per option sold) to the Management of the Damiani group, in one or more tranches, within five years of approval by the Meeting. The description of the plan is shown in the '*Information Document prepared pursuant to Art. 84-bis, sub-para.1 of CONSOB Regulation No. 11971/99 and subsequent amendments'* in the Directors' Report of Damiani S.p.A. dated 12 June 2009, and the subsequent supplementary information documents (the last of which is shown attached to the Remuneration Report dated 14 June 2013), available in the 'Investor Relations/Shareholders/Shareholders Meeting', '*Investor Relations/ Financial Documents/Balance Sheets and Reports' and 'Investor Relations/Financial Documents/Documents and Notices*' sections of the website www.damiani.com;

- the "***Stock Option Plan 2010***", approved by the Shareholders' Meeting on 21 July 2010 and concerning the free assignment of options for the purchase of a maximum 3,500,000 Damiani shares (in the measure of one share per option assigned) to executive directors, senior managers, middle managers, other employees, consultants and co-workers, including the agents of the company and companies in the Damiani group, in one or more tranches, within five years of approval by the Meeting. The description of the plan is given in '*Information Document prepared pursuant to Art. 84-bis, sub-para.1 of CONSOB Regulation No. 11971/99 and subsequent amendments*' in the Directors' Report of Damiani S.p.A. dated 11 June 2010, and the subsequent supplementary information documents (the last of which is shown attached to the Remuneration Report of 14 June 2013), available in the 'Investor Relations/Shareholders/Shareholders Meeting', '*Investor Relations/ Financial Documents/Balance Sheets and Reports' and 'Investor Relations/Financial Documents/Documents and Notices*' sections of the website www.damiani.com.

See Table 1 in the Appendix to the Report for any other information and, with reference to the recompense plans based on financial instruments, to information documents drafted pursuant to Art.84-bis of the Issuer Regulations available on the company website, and also the Remuneration Report prepared pursuant to Art. 123-ter of the TUF. At the date of approval of this Report, the Board of Directors, with the aid of the Remuneration Committee, resolved to propose the approval of the following two new plans to the Shareholders' Meeting:

- the '*Stock Grant Plan 2014-2019*' which sets out the free assignment of a maximum 1,000,000 (one million) Damiani shares in favour of beneficiaries identified by the Board of Directors, with the aid of the Remuneration Committee, among the directors, employees, and co-workers of companies in the Damiani group, which can be implemented in one or more tranches within five years of the date of approval by the Meeting;

- the '*Stock Option Plan 2014-2019*' which sets out the sale of options for the purchase of a maximum 3,500,000 (three million, five hundred thousand) Damiani shares to beneficiaries identified by the Board of Directors, with the aid of the Remuneration Committee, in the management of companies in the Damiani group, which can be implemented in one or more tranches within five years of the date of approval by the Meeting.

The information relating to these new plans is in the Explanatory Report drafted pursuant to Art. 125-ter of the TUF, and includes the information documents prepared in compliance with the provisions of Articles 114-bis of the TUF and 84-bis of the Issuer Regulations, available in the registered office and the company web site at www.damiani.com ('*Investor Relations/ Shareholders/Shareholders*' Meeting') and the authorised storage mechanism 1INFO at www.1info.it.

Please note that the company has not issued other financial instruments that attribute the right to subscribe to newly issued shares.

(B) RESTRICTIONS ON THE TRANSFER OF SECURITIES (EX ART. 123-BIS, SUB-PARA. 1, (B) TUF).

The Articles of Association of Damiani S.p.A. do not envisage restrictions on the transfer of shares, limits to the shareholding, or the approval of corporate bodies or shareholders for the admission of shareholders to the body of shareholders.

(C) RELEVANT HOLDINGS IN THE CAPITAL (EX ART. 123-BIS, SUB-PARA. 1, (C) TUF).

Based on the results of the Shareholders' Register and the updates available at the date of approval of this Report, including the notifications received by the company pursuant to Art. 120 of the TUF, as well as any other information available, the people who are directly or indirectly holders of participations of greater than 2% of the share capital issued and fully paid up are those indicated in Table 1 shown in the Appendix to this Report.

(D) SECURITIES GIVING SPECIAL RIGHTS (EX ART. 123-BIS, SUB-PARA. 1 (D) TUF).

The company has not issued securities that give special rights of control nor do the Articles of Association provide for special powers for some shareholders or possessors of particular sectors of shares.

(E) EMPLOYEE SHARE OWNERSHIP – MECHANISM FOR THE EXERCISE OF THE VOTING RIGHTS (EX ART. 123-BIS, SUB-PARA. 1 (E) TUF).

The Articles of Association do not provide for special provisions relating to the exercise of voting rights of employee shareholders.

(F) RESTRICTIONS ON VOTING RIGHTS (EX ART. 123-BIS, SUB-PARA. 1 (F) TUF).

There are no particular provisions determining restrictions or limitations on the right to vote in the Articles of Association or the separation of the financial rights connected to securities from their possession.

(G) AGREEMENTS BETWEEN SHAREHOLDERS (EX ART. 123-BIS, SUB-PARA. 1 (G) TUF).

At the date of approval of this Report, there was a shareholders' agreement ex Art. 122 of the TUF signed between Guido, Giorgio and Silvia Grassi Damiani on 9 September 2007 with a duration of 3 years, tacitly renewed for a further period of 3 years until 9 September 2013, and recently tacitly renewed for another period of 3 years until 9 September 2016. The said shareholders' agreement was published in the manner and terms set out by the legislation in force at the time.
The companies whose equity instruments are the subject of the shareholders' agreement are D Holding S.A. and Leading Jewels S.A., the latter holder of a controlling participation (direct) in Damiani S.p.A.
For further information, see the extract of the agreement published in the CONSOB web site www.consob.it.

(H) CLAUSES ON CHANGE OF CONTROL (EX ART. 123-BIS, SUB-PARA. 1 (H) TUF) AND STATUTORY PROVISIONS ON TAKE-OVERS (EX ARTS. 104, SUB-PARA. 1-TER, AND 104-BIS, SUB-PARA. 1, TUF).

At the date of publication of this Report, the company has a loan contract of 6 years with Unicredit with effect from July 2010. It also has a contract signed with Unicredit and Intesa in November 2013 which sets out the supply of a credit line in tranches and repayment with effect from the 30th month after the start of the contract. Both contracts provide for a 'change of control' clause.
The company also has an agreement with *Società Italiana per le Imprese all'Estero – SIMEST S.p.A.* (Italian company for companies abroad) which contains a 'change of control' clause. The contract is also on behalf of the Ministry of Economic Development which disciplines the participation of SIMEST S.p.A. in the capital of the subsidiary Damiani Hong Kong Ltd in support of the development of the company's business.
There are also 'change of control clauses' in some selective distribution contracts signed by the subsidiary Rocca S.p.A. with Rolex Italia S.p.A., Patek Philippe S.A., Richemont Italia S.p.A. and Bulgari Italia S.p.A. for the purpose of acquiring the position of Authorised Retailer for some Rocca points of sale throughout Italy for the brands of watches they represent.
Please note that, on take-overs, the Articles of Association of the Issuer (*i*) do not derogate from the provisions on the passivity rule set out by Art. 104 of the TUF, and (*ii*) do not provide for the application of the neutralisation rules envisaged by Art. 104-bis of the TUF.

(I) POWERS TO INCREASE THE SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE TREASURY SHARES (EX ART. 123-BIS, SUB-PARA. 1 (M) TUF).

The Board of Directors has not been delegated by the Shareholders' Meeting to increase the share capital pursuant to Art. 2443 of the Civil Code.
After revoking the authorisation to purchase and dispose of treasury shares, resolved on by the session of 26 July 2012 as not used, the General Shareholders' Meeting of 26 July 2013 authorised the Board of Directors, pursuant to Articles 2357 et seq. of the Civil Code, and also Art. 132 of the TUF, to purchase treasury shares in one or more solutions, as long as it is not more than one-fifth of the share capital, and so a maximum of 16,520,000 (sixteen million five hundred and twenty thousand) ordinary shares with a nominal value of Euro 0.44 each (also taking account for the purpose of the shares of the company and its subsidiaries); the aforesaid authorisation was resolved on for a period of 18 months with effect from the date of the decision in the Meeting and so until 26 January 2015.
The purchases, pursuant to Art. 132 of the TUF and Art. 144-bis of the Issuer Regulations, can be made (*i*) through offers to purchase or exchange, (*ii*) in the market, in accordance with the operational methods established by the company managing the market, (*iii*) through the purchase and sale of derivative instruments traded in regulated markets which provide for the physical consignment of the underlying shares, in compliance with the regulatory provisions, (*iv*) through attribution to Shareholders of an option to sell to be exercised within 18 months of 26 July 2013, proportional to the shares held, and lastly, (*v*) with the different methods permitted in compliance with legislation in force at the time, taking account of the need to respect, in any case, the principle of equal treatment of Shareholders and also the legislation, including Community regulations, in force. Purchases can be made in one or more solutions.

Except for the cases of non-money payments, the purchase price of each treasury share is set at an amount including the accessory purchase fees (*a*) no lower than 20% (twenty per cent) less than the official trading price recorded on the screen-based Stock Exchange the day before the purchase, and (*b*) not more than 20% (twenty per cent) higher than the official trading price recorded on the screen-based Stock Exchange the day before the purchase.
In the same session of 26 July 2013, the Shareholders' Meeting also authorised the provision of treasury shares with no time limit, also before the purchases have been exhausted.
Similarly, the Meeting ordered that the sale price of the shares to third parties must not be less than 90% of the average of the official prices recorded on the screen-based Stock Exchange in the five days preceding the sale; this price limit can be derogated in special cases in the interest of the company, as in the case of exchanges or transfers of treasury shares in the fulfilment of industrial and/or commercial projects and/or however of interest to the Issuer, and also for the assignment and/or transfer, free of charge or against payment, of shares or options against the same to directors, employees or co-workers of the Damiani group and also in performance of any plan adopted pursuant to Art. 114-bis of the TUF and programmes of free assignment of shares to shareholders.
Acts of disposal of acquired shares can be made one or more times, also before purchases have been exhausted and, if necessary, the same shares can be repurchased in compliance with the limits and conditions established by the authorisation of the Shareholders' Meeting.
Over the financial year, the Board did not implement programmes for the purchase of treasury shares and, at the date of approval of this Report, the company held 5,556,409 Damiani S.p.A. shares overall amounting to 6.727% of the share capital of the Issuer.
The Articles of Association of Damiani S.p.A. do not permit the company to issue participating financial instruments.

(J) MANAGEMENT AND CO-ORDINATION (EX ART. 2497 ET SEQ. OF THE CIVIL CODE).

Damiani S.p.A. is not subject to management and co-ordination by either the direct holding company Leading Jewels S.A. (which holds 58.812% of the share capital of the Issuer) or indirectly by D. Holding S.A., pursuant to Articles 2497 et seq. of the Civil Code, and manages and co-ordinates its subsidiary companies.
In compliance with the principles of the Code of Conduct, as shown below, the operations of particular strategic, economic, capital and financial importance of Gruppo Damiani S.p.A. are reserved for collective examination and the exclusive approval of the Board of Directors of the Issuer, in which – as recently checked on 12 June 2014 – there is a congruous number of directors with the requisites of not being executive and independence as per the application criteria established by Art. 3 of the Code of Conduct.
It is considered that the jurisdiction and authoritativeness of the non-executive and independent directors and their significant weight in the assumption of Board decisions is a further guarantee that all the decisions of the Board of Directors are adopted in the exclusive interest of Damiani S.p.A. and in the absence of directives or interference of third parties with interests extraneous to those of the group.

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It should be noted that:
(A) the information required by Art. 123-bis, sub-para. 1 (*i*) of the TUF ('*agreements between the company and directors … which set out indemnities for resignation or dismissal without just cause or if their employment relationship ceases following a take-over bid*') is shown in the Remuneration Report dated 12 June 2014 published pursuant to Art. 123-ter of the TUF;
(B) the information required by Art. 123-bis, sub-para. 1 (*l*) of the TUF ('*regulations applicable to the appointment and replacement of directors … and also the amendment of the Articles, if different from the legislative and regulatory ones applicable as an alternative*') is shown in the section of the Report on the Board of Directors (sect. 4.1).

3. COMPLIANCE (EX ART. 123-BIS, COMMA 2, LETTERA A), TUF)

The company considers that the alignment of the internal Corporate Governance structure with that suggested by the Code of Conduct is a valid and indispensable opportunity to increase its reliability towards the market.
As a result, the Board of Directors of the Issuer has adopted a framework resolution and a series of resolutions aimed at the effective implementation of the principles of the Code of Conduct since 27 June 2007. Following the last update of the Code of Conduct in December 2011, the Board of Directors of the company adopted a new '**Frame Resolution**'on *Corporate Governance* on 26 July 2012 and, in the subsequent financial years, a series of resolutions aimed at the effective implementation of the new principles in the December 2011 edition of the Code of Conduct. More detailed information will be given below on these resolutions, also in relation to the subjects relevant at the time. Please note that the Code of Conduct is accessible to the public at the website www.borsaitaliana.it.
Before describing the Corporate Governance structure of the Issuer, it should be noted that, in the meeting of 14 February 2014, the Board of Directors of the parent company Damiani S.p.A. identified the '**subsidiary company with strategic relevance**' as Rocca S.p.A., particularly because of the role played in both the management of the group's single-brand boutiques and the development of the 'multi-brand' retail channel, considering that, in the opinion of the Board of Directors, this does not have a significant influence on the governance structure of the Issuer.
It should be noted that, as far as the statutory references are concerned, this Report refers to Articles, as in force at its date of approval, in the version recently amended by the Board of Directors on 12 June 2013 to adapt the content to Law 120/2011 and Art. 144-*undecies*. 1 of the Issuer Regulations on gender balance in administration and control bodies.
The current Articles and this Report can be consulted on the company web site www.damiani.com.
Please note that the company and its subsidiary with strategic relevance are not subject to legal provisions that are not Italian which influence the corporate governance structure of the Issuer.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS AND STATUTORY AMENDMENTS (EX ART. 123-BIS, SUB-PARA. 1 (L) TUF).

In compliance with Art. 147-*ter* of the TUF, Art. 16 of the Articles of Association sets out that the mechanism of voting a list is used for the election of the Board of Directors, respecting the regulations on gender balance in force at the time, with the attribution of a director to the list which is second for number of votes (the other members being taken from the list with the most votes). Shareholders with a holding equal to that determined by CONSOB, pursuant to the law and the regulations, or more, have the right to present lists of candidates for the division of directors to elect. At the date of approval of this Report, this figure corresponded to **2.5% of the Issuer's share capital**, as established by Art. 144-*quater* of the Issuer Regulations and **CONSOB Resolution No. 18888 of 24 April 2014**.

In compliance with Art. 147-*ter*, sub-para.4, of the TUF, Art. 16 of the Articles of Damiani S.p.A. similarly sets out that "*at least two candidates, always indicated in at least the fourth and seventh places of each list, must have the requisites of independence established by Legislative Decree No. 58/1998*".

The Articles of Association does not provide for additional **requisites of independence** with respect to those established for the auditors **pursuant to Art. 148, sub-para. 3 of the TUF**, nor requirements of integrity and/or professionalism different from and additional to those requested by the law for the assumption of the position of director.

With effect from the first renewal of the Board of Directors after 12 August 2012, and for three consecutive mandates, each list containing three or more candidates should be made up in such a way that at least the minimum quota in the gender balance required by the rules, laws and regulations in force at the time is ensured in the Board of Directors.

In compliance with Art. 147-*ter,* sub-para.1-*bis*, of the TUF and Art. 16 of the Articles of Association, the lists of candidates presented by the Shareholders must be lodged in the registered office, with the appropriate documentation issued by the qualified intermediaries proving that the necessary number of shares is held at the presentation of the lists, the CVs of the candidates with a detailed description of their personal and professional features, and the declarations and legal certifications referred to on acceptance of the candidature, that there are no causes of ineligibility and, if necessary, the possession of the requirements of independence established by the TUF, at least twenty-five days before the date set for the First Call of the Shareholders' Meeting. The documentation certifying possession of the minimum participation quota in the share capital can be produced subsequently, as long as its at least twenty-one days before the date of the Shareholders' Meeting.

Pursuant to Art. 16 of the Articles of Association, the procedure to determine those elected to the office of director is as follows:

(a) **all the directors to elect, except one, are taken from the list that obtained the highest number of votes** expressed by the shareholders in the progressive order in which they are found on the list;

(b) the remaining director is taken from the list that obtained **the second highest number of votes, after the first list**, in the Meeting, and **which is not connected** in any way, even indirectly, with the shareholders who presented or voted the list which obtained the highest number of votes.

The Articles of Association sets out that, for the purposes of the division of the directors to elect, no account is taken of the lists which did not achieve a percentage of votes at least equal to half those required by the Articles for their presentation.

If the composition of the Board of Directors does not respect the gender balance set out by the legislation in force at the time at the end of voting, the candidate of the most represented gender elected last in progressive order in the list with the highest number of votes will be replaced by the first candidate of the least represented gender not elected in the same list in accordance with the progressive order, without prejudice to respect for the minimum number of directors with the requisites of independence established by law. The replacement procedure will take place until the composition of the Board of Directors complies with the regulations in force at the time. If the said procedure does not ensure the result indicated above, the Shareholders' Meeting shall arrange for the necessary integrations with a resolution adopted by the legal majority.

If just one list is presented or accepted for voting, the candidates of the said list will be appointed directors in the sphere of that list, according to the progressive number with which they were listed in it. If necessary, the replacement procedure described above will be applied.

If no list is presented, the Shareholders' Meeting shall deliberate with the legal majority, without respecting the above-mentioned procedure, in compliance with the rules and regulations *pro tempore* on gender balance in force at the time.

If there is a reduction of one or more members of the Board of Directors during the financial year, provision must be made pursuant to Article 2386 of the Civil Code, respecting the composition criteria of the Board of Directors set out by the law and Art. 16 of the Articles of Association.

Please note that legislative rules from additional sectors with respect to those of the TUF are not applicable for the composition of the Board of Directors.

Pursuant to Art. 123-*bis*, sub-para. 1 (*l*), and with reference to the amendments to the Articles of Association, please recall that every amendment will be applied respecting current legislative and regulatory principles, with the specification that Art. 20 of the Articles of Association attributes the jurisdiction to deliberate on matters, as per Art. 2365, sub-para. 2, of the Civil Code, to the Board of Directors.

Succession plans

In relation to Application Criterion 5.C.2 of the Code of Conduct, the Board of Directors of Damiani S.p.A., having regard for the particular structure of the shareholding, does not at present consider it necessary to adopt a specific plan for the succession of the executive directors.

4.2 COMPOSITION (EX ART. 123-BIS, SUB-PARA. 1 (D) TUF).

The current Board of Directors was appointed by the **Shareholders' Meeting of 26 July 2012**, which set the overall number of directors as 8 (eight), and it will expire with the Meeting convened for approval of the balance sheet of the financial year to 31 March 2015.
Please note that election took place on the basis of **two lists** presented, respectively by the majority shareholder **Leading Jewels S.A**. and the minority shareholder **DGPA S.G.R. S.p.A**.
The list presented by the shareholder Leading Jewels S.A. numbered Messrs Guido Roberto Grassi Damiani, Giorgio Andrea Grassi Damiani, Silvia Maria Grassi Damiani, Fabrizio Redaelli, Giancarlo Malerba, Stefano Graidi, Francesco Minoli and Giampaolo Umberto Pio Grasso among the candidates, in that order. Seven members of the Board of Directors were given a percentage of votes in favour of 91.76% of the share capital represented in the Shareholders' Meeting. In detail, they were Guido Roberto Grassi Damiani, Giorgio Andrea Grassi Damiani, Silvia Maria Grassi Damiani, Fabrizio Redaelli, Giancarlo Malerba, Stefano Graidi and Francesco Minoli. The list presented by the minority shareholder DGPA S.G.R. S.p.A. – which proposed just one candidate, Ms Roberta Benaglia, was given a percentage of votes in favour of 8.24% of the share capital represented in the Shareholders' Meeting and one director of the eight members of the Board of Directors - specifically, Ms Roberta Benaglia.
It should be recalled that, on 14 June 2013, the director Francesco Minoli resigned from the position for personal reasons with effect from the date of the Shareholders' Meeting approving the balance sheet to 31 March 2013. Taking account of the said resignation, the Board of Directors considered it was not opportune to replace the resigning director, also with a view to containing costs; subsequently, taking note of the evaluation made by the Board of Directors, the **Shareholders' Meeting of 26 July 2013** unanimously resolved to settle the number of members of the Board of Directors as 7 (seven).
The composition of the Board of Directors of the company has not undergone further variations to date.

The personal and professional features of each director currently in office are shown below, also pursuant to Art. 144-decies of the Issuer Regulations:
1) **GUIDO ROBERTO GRASSI DAMIANI**, Guido Roberto Grassi Damiani, Chairman and Managing Director of the company, joined in 1994, occupied with the sales network in Italy and the marketing, introducing new strategies and making a significant contribution to development. In 1996, he took over management of the Damiani group. He has an honours degree in Sociology and an Istituto Gemmologico Italiano (IGI - Italian Gemmological Institute) diploma in Gemmology. Before joining the family company, he followed a personal career in the real estate sector for a number of years achieving brilliant results.

2) **GIORGIO ANDREA GRASSI DAMIANI**, Deputy Chairman of the company with responsibility for the purchase of the raw materials, product development and trade relations. He is also the director responsible for the System of Internal Control and Risk Management. He joined the company immediately after obtaining the High School technical sales diploma in 1990, learning the stages of goldsmith working and training in the various areas of the company. In particular, he studied the techniques of the valuation and purchase of precious components in depth. Subsequently, he became international distribution manager, acquiring great knowledge of foreign markets. He then started managing the Raw Materials Supply and Product Creation and Development areas, covering the position of Art Director. In 1994, he won a *Diamonds International Award*.

3) **SILVIA MARIA GRASSI DAMIANI**, Deputy Chairman of the Damiani group with responsibility for External Relations and Group Image; she covered the position of Image Director and VIP Relations with the Damiani group, adopting international testimonials representing the aims of the different brands of the group. In 1996, she won a *Diamonds International Award*. She is currently Vice President of Damiani USA. She obtained an IPSOA Master in Business Management and diploma in Gemmology at the IGI. She started working in the family company in 1985, gaining considerable experience in the purchase of pearls and has extensive practice with the creative staff.

4) **FABRIZIO REDAELLI**, non-executive and independent director appointed by the Board of Directors. 'Lead Independent Director' of the company and also Chairman of the Committee on Control, Risks and Operations with Related Parties and the Remuneration Committee. He obtained a degree in Business Management from the Bocconi University, Milan. He is enrolled in the Register of Chartered Accountants of Milan and also the Register of Internal Auditors and is in private practice in Studio Redaelli & Associati. He is a Senior Lecturer at the Management School (SDA) of the Bocconi University, Corporate Finance and Real Estate Area.

5) **GIANCARLO MALERBA**, non-executive and non-independent director, member of the Committee on Control, Risks and Operations with Related Parties and the Remuneration Committee. He graduated in Business Management from the Bocconi University, Milan. He started working for KPMG as a manager in 1986, specialising in the banking and finance sector. He is enrolled in the Register of Chartered Accountants of Milan and also the Register of Internal Auditors. He is a partner in the law company *Studio Legale Tributario Biscozzi Nobili* and is an expert in statutory and tax aspects linked to consolidated financial statements and co-operates with magazine and journals specialised in tax and balance sheet matters.

6) **STEFANO GRAIDI**, non-executive and non-independent director of Damiani. He graduated in Economics from the Bocconi University, Milan in 1978. He is a Chartered Accountant and is enrolled in the Register of Statutory Auditors. He worked for the Pirelli group, covering positions of responsibility in International Taxation. He is a founding partner of *Talenture Advisory SA*, Lugano, Switzerland, a com-

pany specialised in legal and corporate consultancy with special reference to multi-national corporate groups.

7) **ROBERTA BENAGLIA**, non-executive and independent director of Damiani, and also member of the Committee on Control, Risks and Operations with Related Parties and the Remuneration Committee. She graduated in Management Engineering from the Politecnico di Milano. Her career has developed since 1999 with a professional appointment at the listing department of the Borsa Italiana. She has worked with *Onetone Consulting*, an advisory company for the venture capital fund Onetone since 2001 and holds the position of Sole Director of *Action Management Consulting*, an M&A and Financial Advisory company. She has been managing director of DGPA SGR S.p.A., a company managing private equity funds since March 2005. She is active in research, investment assessment and selection, business & financial due diligence, planning, negotiation and closing of investment operations.

Please note that the existence of the above-mentioned requisites of being/not being executive and independence/non-independence of the directors of the company has been hereby assessed by the Board of Directors of Damiani S.p.A. in compliance with the application criteria established by Articles 2 and 3 of the Code of Conduct, and recently in the Board meeting of 12 June 2014, and that the Board of Auditors acknowledged the correct implementation of those criteria on the same date.
At the date of approval of this Report, Ms Gabriella Colombo Damiani covered the role of Honorary Chairman of the company. There is no duration indicated for the honorary office but, from 1 October 2007, Ms Colombo Damiani has not received any recompense for the position held.
The composition of the Board of Directors of the company and the relevant information for each director in office at the date of approval of this Report is shown in the Appendix in Table 2.

MAXIMUM ACCUMULATION OF POSITIONS COVERED IN OTHER COMPANIES

In relation to application criterion 1.C.3 of the Code of Conduct, please note that, at the date of approval of this Report, the Board did not consider it either necessary or opportune to establish general criteria to set the maximum number of positions of director and auditor that the directors of the company can hold at the same time in other listed companies, financial, banking and insurance companies or those of relevant size, instead opting for an assessment of the individual cases, in relation to the features of each director (experience, features of the positions held, etc.) from which the compatibility of the offices held can be inferred with the assumption of the position on the Board of Directors of the Issuer.
Also in compliance with application criterion 1.C.2 of the Code of Conduct, the positions of director or auditor held to date by the current directors in other companies listed in regulated markets, including foreign ones, financial, banking and insurance companies or those of relevant size, is shown schematically in the enclosure in the Appendix.

INDUCTION PROGRAMME

During the meetings of the Board of Directors, the Chairman and Managing Director arrange for the transmission of all relevant information and update for the purposes of the trend in the company, constantly supplying, inter alia, information on the main updates in the relevant legislative framework and their impact on the company. The Board of Directors, in its entirety, has adequate knowledge of the sector in which Damiani S.p.A. operates, the company dynamics and their evolution, and also the reference legislative framework.

4.3 ROLE OF THE BOARD OF DIRECTORS (EX ART. 123-BIS, SUB-PARA. 1 (D) TUF).

As extensively highlighted in the *Corporate Governance Report* drafted with reference to previous financial years, the Board of Directors of Damiani S.p.A. covers a central role in the determination of the strategic objectives of the Issuer and group. Over the financial year, the Board of Directors met 8 (eight) times and, for the current one 2 times (twice), including the meeting for the approval of this Report. At least another 3 (three) meetings are planned for the current financial year. On average, Board meetings last for an hour. The meetings recorded the regular and frequent participation of the directors (the percentage of participation of each director is indicated in Table 2 in the Appendix).
Pre-meeting information is guaranteed through the distribution, reasonably in advance of the date of the meeting, of all the documentation relative to the points on the agenda. In particular, with reference to application criterion 1.C.5 of the Code of Conduct, it is specified that the Board of Directors decided not to set a rigid term for sending pre-meeting information, considering opportunely that this term can reasonably vary each time, according to the individual cases and in relation to the appropriate documentation to be submitted to the Board.
Board meetings take part with the effective contribution of all members of the Board of Directors, whose heterogeneous skills allow the subjects on the Agenda to be analysed from different perspectives.
People outside the Board took part in the Board meetings held during the financial year, invited in relation to the matters to be dealt with on the agenda each time.
In compliance with the Articles of Association, the Board is invested with all the powers of ordinary and extraordinary management, without limitations, and with the right to carry out all the acts considered opportune to fulfil the company's' objectives, only excluding those that the law and the Articles of Association reserve for the Shareholders' Meeting.
As specified above, Art. 20 of the Articles of Association attributes the competence to resolve on the matters set out by Art. 2365, sub-

para. 2, of the Civil Code to the Board.
Furthermore, with the cited Framework Resolution dated 26 July 2012, in relation to application criteria 1.C.1 and 7.C.1 of the Code of Conduct, the Board of Directors has decided to reserve the following subjects for its jurisdiction, in addition to that established by law and the Articles of Association (and respecting their limits):

a) examine and approve the strategic, industrial and financial plans of the company and group, periodically monitoring the implementation; define the corporate governance system of the company and the structure of the group;
b) define the nature and level of risk compatible with the strategic objectives of Damiani S.p.A. and the Damiani group;
c) subject to determination of the relative criteria, identify the subsidiary companies with strategic relevance; assess the adequacy of the organisational, administrative and general accounting structure of the company and its subsidiaries with strategic relevance, with particular reference to the internal control system and the management of risks;
d) establish the frequency, not less than quarterly, with which the delegated bodies must refer to the Board on the work carried out in the exercise of the powers;
e) assess the general trend of the management, taking into consideration the information received from the delegated bodies, in particular, and also periodically comparing the results obtained with those planned;
f) deliberate on the operations with significant strategic, economic, capital or financial importance for the company, set up by it and its subsidiaries; for the purpose, establish general criteria to identify the operations of significant importance (the so-called '*Guidelines for Significant Operations*');
g) at least once a year, carry out an assessment of the size, composition and operation of the Board and its committees, taking account of the professional features, experience, including managerial experience, and the gender of its members, and also their seniority (the so-called 'self assessment');
h) before the appointment of the new Board, give the shareholders the orientations on the on the professional figures whose presence on the Board is considered opportune;
i) give information in the Report on Corporate Governance on: (*1*) its composition, indicating the title of each member (executive, non executive or independent), the role covered on the Board, the main professional features as well as the seniority from the first appointment; (*2*) the methods of application of Art. 1 of the Code of Conduct and, in particular, on the number and average length of Board meetings, as well as the relative percentage of participation of each director; (*3*) how the 'self assessment' process is carried out;
j) adopt a procedure for the internal management and external communication of documents and information on the company, with particular reference to privileged information on the proposal of the Managing Director or Chairman of the Board of Directors;
k) designate an independent director as Lead Independent Director;
l) identify (*i*) one or more directors, entrusted with institution and maintenance of an effective system of internal control and risk management (the '*Director entrusted with the Internal Control System and Risk Management*') from within the Board.

Similarly, subject to the opinion of the Committee on Control, Risks and Operations with Related Parties, the Board has decided to retain the following subjects for its competence, as better specified in the '*Guidelines of the Internal Control and Risk Management System of Gruppo Damiani S.p.A.*' (recently amended in the Board meeting of 8 February 2013):

m) define the guidelines of the Internal Control and Risk Management System so that the main risks related to the Issuer and its subsidiaries are correctly identified, adequately measured, managed and monitored, also determining the level of compatibility of those risks with business management consistent with the strategic objectives identified;
n) at least twice a year assess the adequacy of the Internal Control and Risk Management System with respect to the features of the business and the risk profile assumed, as well as its effectiveness;
o) at least once a year approve the work programme prepared by the Internal Audit Manager, after discussion with the Board of Auditor and the director responsible for the Internal Control and Risk Management System;
p) approve the strategies and policies for the management of the main risks of the Issuer and the Gruppo Damiani S.p.A.;
q) describe the main features of the Internal Control and Risk Management System in the Corporate Governance Report, giving its assessment of its adequacy;
r) after discussion with the Board of Auditors, assess the results set out by the statutory auditor in any suggestions letter and the report on the fundamental questions emerging during the statutory audit;

and also, at the suggestion of the director responsible for the Internal Control and Risk Management System, subject to the favourable opinion of the Committee on Control, Risks and Operations with Related Parties, and after discussion with the Board of Auditors:

s) appoint and revoke the manager of the Internal Audit function;
t) ensure that it has adequate resources to fulfil its responsibilities;
u) define the remuneration consistently with company policies.

In relation to application criterion 1.C.1 of the Code of Conduct, the Board also formally confirmed (in the sphere of the 'Framework Resolution' adopted on 26 July 2012), the principle that the delegated bodies refer to the Board on the work performed in the financial year in the exercise of the powers conferred at least once a quarter, usually at the Board meetings for the approval of the balance sheet and the interim financial reports, in compliance with the current legal provisions. Please also note that, in compliance with the Related

Parties Regulation and the '*Procedure on operations with related parties of Damiani S.p.A.*', the delegated bodies must supply complete information on the performance of operations with related parties at least once a quarter to the Board of Directors and Board of Auditors.

In implementing the principles and competences described above, the Board of Directors has:

(A) as already specified in the Reports on previous financial years, approved the *'Guidelines on particularly significant operations and with related parties of the Gruppo Damiani S.p.A.'* on 27 June 2007, then redefined as *'Guidelines on particularly significant operations'* ('Guidelines') which contain precise identification criteria of 'particularly significant' and relevant operations concluded with third parties, also through subsidiaries reserved for the jurisdiction of the Board (although falling within the subject concerned by the proxy), in particular:
• the following operations, with whomsoever they are conducted, are *'particularly significant'* and, as a result, are always subject to prior examination and approval by the Board of the company:
a) operations that oblige the company to make an information document drafted in compliance with the provisions set out by CONSOB available to the public;
b) financial liabilities operations (assumption of mortgages and loans in general, and also the issue of collateral securities or personal guarantees), for amounts higher than Euro 15,000,000.00 per operation;
c) trademark acquisition and disposal operations;
d) licensing of trademarks for amounts higher than Euro 10,000,000.00 per operation;
e) other operations, different from the points above, whose value is greater than Euro 15,000,000.00 per operation.
After the Related Parties Regulation became effective, the Board updated, inter alia, the criteria used to identify the degree of importance of the operations to submit to its prior examination and approval;
(B) as already specified in the Reports on previous financial years, adopted the *'Procedure on operations with related parties of Damiani S.p.A.'* (hereinafter the 'OPC Procedure') on 26 November 2010, in compliance with the provisions of the Related Parties Regulation, identifying the most relevant operations with related parties in compliance with the relevance thresholds set out by Appendix 3 to the Related Parties Regulation. Please note that, in respect of this Regulation and consideration of the qualification of Damiani S.p.A. as a 'smaller-sized company', the role and relevant competences that the regulatory legislation attributes to the committees set up, wholly or mainly with independent directors, has been attributed to the Committee for Internal Control and Operations with Related Parties of the Issuer, consisting of non-executive, mainly independent directors; the OPC Procedure sets out that all operations with related parties (whether of greater or lesser relevance) are to be resolved upon by the competent body each time, which deliberates only after the issue of a motivated, non-binding opinion by the Committee for Internal Control and Operations with Related Parties concerning the interests of the company in the completion of the operation, and also the expedience and substantial fairness of the conditions of the operation.
The Board of Directors has always been immediately updated on operations with related parties, also pursuant to Art. 22 of the Articles of Association and Art. 150 of the TUF.

The Board of Directors also:
(C) assessed the adequacy of the organisational, administrative and general accounting structure *(i)* of subsidiaries with strategic relevance, and *(ii)* of the Issuer, in the meeting for the approval of the draft balance sheet to 31 March 2014 held on 12 June 2014. In particular, the assessment was adopted with the aid of the Committee for Internal Control and Operations with Related Parties which, in its meetings, in which the Internal Audit Manager also took part (see below), was able to continuously check the effective operation of the Internal Control and Risk Management System of both the Issuer and the group, with special reference to subsidiaries with strategic relevance. As specified above, please also recall that in the meeting of 14 February 2014, the Board of Directors of the company resolved to confirm the current nature of the parameters adopted to identify the 'subsidiaries with strategic relevance', taking into account the criteria indicated in the '*Guidelines of the group Internal Control System*' developed by the company:
(i) relevance and complexity of the functions performed by the subsidiary within the group;
(ii) strategic relevance of the subsidiary within the market;
(iii) turnover;
(iv) value of the total assets;
(v) existence in the sphere of the subsidiary of a separate organisational structure, featuring a significant management element (distinct from the members of the administrative body) with operational independence.
The 'strategic relevance' of Rocca S.p.A., from the combination of the aforesaid parameters, was confirmed in the same meeting;
(D) having assessed the general trend in management on the basis of the information received from the delegated bodies, once more on 12 June 2014, comparing the results achieved with those budgeted;
(E) having made, still on 12 June 2014, the assessment of the size, composition and operation of the Board and its committees (the so-called self-assessment), acknowledging that the current Board consists of 7 directors of whom 4 non-executive and 2 independent, in accordance with the law and also pursuant to the Code of Conduct.
The self-assessment process by the administrative body was carried out through the use of special questionnaires, circulated before to the individual directors, and particularly concerned: the adequacy of the size and composition of the Board for the operations of the company, also with reference to the professional figures on the Board; the number, competence, authority and availability of time of the non-executive directors and the number and skills of the independent directors in relation to the size of the Board and the business of

the company; the immediacy and completeness of the information and the documentation transmitted to the members of the Board and Committees before each meeting; the adequacy of the information received during Board meetings from the delegated bodies on the work performed in the exercise of the powers attributed to them, and also the information received from them, also for the purposes of the assessment of the general trend in management and its foreseeable evolution; the adequacy of the organisational, administrative and accounting structure of the company and its subsidiary with strategic relevance, with special reference to the Internal Control and Risk Management System; the compatibility of the administration and control positions covered by each member of the administrative body with effective performance of the role of director in the company; the adequacy and completeness of the information supplied by the delegated bodies in Board meetings, the adequacy of the remuneration of directors and senior managers with strategic responsibilities, and, lastly, the evaluation of the requisites of independence based on both the provisions of the law and the Code of Conduct.
In the meeting of 12 June 2014, the Board of Directors examined the outcome of the self-assessment process, considering, also with a positive assessment by the independent directors, on one hand the congruity of a Board also consisting of consisting of seven members (of whom 4 non-executive, 2 of whom independent) with respect to the operation and business of the company; on the other, the heterogeneous nature of the professionals called to contribute to the work of the Board and, particularly, the skills of the non-executive directors in economic, accounting, legal and/or financial matters, which contribute to nurturing the dialectics of the Board, the assumption of every reasonable and informed Board decision.
The Board of Directors, also with a positive assessment by the independent directors, similarly expressed its favourable opinion on the operation of the Board and Committees, considering the information and documentation supplied before each of the relative meetings adequate, complete and timely, and assessed the information received from the delegated bodies during the Board meetings as adequate and satisfactory, both with reference to the general trend in management and to the operations effected with related parties.
It should be recalled that, in compliance with application criterion 1.C.1 (h) of the Code of Conduct, before the appointment of the current Board resolved on by the Shareholders' Meeting of 26 July 2012, the previous Board advised shareholders of its orientation on professional figures whose presence on the Board is considered opportune in the Report on the subjects on the Agenda drafted pursuant to Art. 125-ter of the TUF, recommending the inclusion of candidates from both genders with adequate experience, also managerial, and skills in economic, accounting, legal and financial matters and/or remuneration policies in the lists.

Lastly, please note that the Shareholders' Meeting of 26 July 2012 specifically authorised the directors appointed to assume offices and perform business notwithstanding the prohibition as per Art. 2390 of the Civil Code. In compliance with application criterion 1.C.4 of the Code of Conduct, the Board of Directors has the task of assessing the merits of each problem and reporting any critical points at the first possible meeting.

4.4 DELEGATED BODIES

The current Board of Directors expresses its work, not only directly and collectively, through:

- the chairman who is also conferred with the position of managing director;
- two deputy chairmen.

In the meeting of 26 July 2012, the Board of Directors attributed the role of **Managing Director on the CHAIRMAN Guido Roberto Grassi Damiani** and assigned him - with the signatory and representative powers set out by the law and the Articles of Association before third parties and the courts - all the powers of ordinary and extraordinary administration, without exclusion, except for those reserved for the jurisdiction of the Shareholders' Meeting or the Board of Directors by the law, the Articles of Association, company procedures or the Board of Directors itself, also in compliance with the principles of the Code of Conduct, with the right to appoint and revoke representatives and proxies for individual acts or categories of acts, move legal action or petitions, also for revocation and Cassation sentences as well as appoint lawyers and attorneys of record for every type and level of justice.
Once again in the meeting of 26 July 2012, the Board of Directors identified **Guido Roberto Grassi Damiani** as the '**Employer**', i.e. the person with all the powers for the health and safety of the workers, as per Legislative Decree 81 of 9 April 2008, and any other current or future law that, however, concerns the health and safety of workers and, as the Employer, has attributed him with the widest empowerment, with the resulting unlimited spending power and with the full power of law in sub-delegation for the implementation of the work on the health and safety of the workers listed below by way of example:

1) designate the Prevention and Protection Service Manager;
2) in co-operation with the Prevention and Protection Service Manager, identify the risk factors and measures for the health and safety of the work areas;
3) still in co-operation with the Prevention and Protection Service Manager, prepare the 'Risk Assessment' document on the place of work;
4) appoint the doctor;
5) guarantee respect for the general measures of protection set out by Legislative Decree 81/2008, carrying out all that is necessary and adopting all the essential and opportune initiatives for the pursuit of the protection of the safety and hygiene of the workers in the sphere of the place of work;
6) create the preventive and protective measures whether individual or collective;
7) purchase appliances, equipment and devices and the materials necessary to guarantee the correct fulfilment of the mandate;

8) implement the health supervision of the workers and check the implementation of the protocol on the health supervision of the workers;
9) prepare the information and training programmes of the workers;
10) if necessary, make use of resources external to the company with specific professional knowledge;
11) represent the company in relations with the state administration, public and private bodies, carrying out all acts and operations necessary to obtain concessions, licenses and authorisations in general;
12) represent the company before the judicial and administrative authorities.

Further, for all the offices and operational units where the business of the company is developed in Italy, the Board of Directors conferred, once again on **Guido Roberto Grassi Damiani,** the widest delegation of functions so that, in the name and on behalf of the company, he is responsible for the compliance with any obligation set out by the rules and regulations **on the protection of the environment and the land**, including in particular, from Legislative Decree 152/2006 and subsequent amendments (the so-called 'Environmental Code'), with the widest powers, also in expenses, with reference to the functions of management, organisation, direction, supervision and control, with the widest powers of sub-delegation.

By way of example, Mr Damiani, with the power to sub-delegate, with the most extensive empowerment and without any requirement to obtain prior approval or for costs, is responsible for the:

i. application of the environmental legislation and, in particular, Legislative Decree 152/2006 and subsequent amendments, in every site, office, company unit and place pertaining to the company;

ii. identification of the work or situations that, within the company or the work in the workshops, required the programming of operations (presentation of declarations, applications for authorisations, technical operations by the bodies skilled in the subject, etc.);

iii. representation of the company before the state administration, public and private bodies, the competent judicial and administrative authorities, and any other public authority with competence pursuant to the law, with the relative power to sign applications, petitions and questions aimed at the compliance set out and to receive deeds of the same authorities in the name and on behalf of the company;

iv. identification of the internal company functions and external bodies which, for their professional technical skill and specific preparation, can assist him in compliance with the obligations; for this purpose, he can give every directive, service order, attribution of position and delegations to the company functions identified and sign consultancy and/or service contracts with external bodies;

v. information and training of the managers of the company units about the tasks entrusted to them for compliance with the obligations arising from the environmental laws, including Legislative Decree 152/2006 and subsequent amendments;

vi. supervision of the compliance with the obligations set out by the cited Legislative Decree 152/2006 and subsequent amendments and the organisational and technical directives for the purpose given by each delegate, also through the company functions or third parties as per (iv);

vii. the adoption of all the expenses decisions necessary for the purposes of the correct application of Legislative Decree 152/2006 and the environmental legislation in general in complete independence and with a single signature;

viii. the suspension and/or interruption of any activity until he considers it absolutely necessary for the purpose of preventing relevant risks not otherwise avoidable.

The Board of Directors then resolved to attribute the following in the same session:

- the **DEPUTY CHAIRMAN Mr Giorgio Andrea Grassi Damiani** with the purchasing powers for raw materials, product development and trade relations conferring on him:

(i) all the powers necessary to supervise the work of the company area referring to the purchase of raw materials and, in relation to this, by way of example, with single and separate signature and without limits on the amount, except for, however, that reserved to the jurisdiction of the Board of Directors by the law, the Articles of Association, company procedures or the Board of Directors itself in compliance with the principles of the Code of Conduct, the power to negotiate and purchase raw materials and components necessary for the production of jewellery, watches and precious articles in general;

(ii) all the powers to carry out all the necessary activities for the development of new products, still with single and separate signature and without limits on the amount, except for, however, that reserved to the jurisdiction of the Board of Directors by the law, the Articles of Association, company procedures or the Board of Directors itself in compliance with the applicable principles, also of the Code of Conduct, supporting the dedicated company areas;

(iii) all the powers and authorisations necessary to maintain and develop relationships with customers and suppliers of the group and, more generally, develop the commercial communication of the company and the Damiani group as well as the care of relations with celebrities, group testimonials, people from the national and international jet set, members of the fashion and entertainment world, also through the organisation and promotion of events and other promotional initiatives, supporting the dedicated company areas;

- to the other **DEPUTY CHAIRMAN, Ms Silvia Maria Grassi Damiani,** the responsibility for External Relations and the Image of the Damiani group, conferring her with all the necessary powers to:

(i) take care of the image of company and group products with customers and more generally with the public, with particular reference to the care of relations with celebrities, people from the national and international jet set, members of the fashion and entertainment world,

also through the organisation and promotion of events and other promotional initiatives;
(ii) take care of and develop relationships with the press and the media in general;
(iii) take care of and develop relationships with the testimonials, promoting loyalty to group brands;
all in support of and con-ordination with the dedicate company area.

In the Board meeting of 29 November 2013, having acknowledged the remittal of the position of Director with responsibility for the Internal Control and Risk Management System by the director Stefano Graidi, the Board of Directors resolved on the appointment of Giorgio Grassi Damiani, the Deputy Chairman with powers, to that position, conferring on him the functions indicated in the Framework Resolution of 26 July 2012, as detailed better in the '*Guidelines for the Internal Control and Risk Management System of Gruppo Damiani S.p.A.*' in force and summarised in para. 10.1 below.

Chairman of the Board of Directors
With reference to Art. 2 of the Code of Conduct, it should be noted that the Chairman of the Board of Directors Mr Guido Grassi Damiani is the controlling shareholder of the Issuer and Chief Executive Officer, and that the Board of Directors considered it opportune to support the recommendation on the appointment of a *Lead Independent Director* who is attributed with the functions suggested by the Code of Conduct.
It should also be noted that, in relation to principles 2.P.4 (opportunity of avoiding the concentration of company positions in a single person) and 2.P.5 (illustration of the reasons why the Chairman is conferred with administrative powers), the Board, re-examining the matter recently on 12 June 2014, considered that the governance of Damiani S.p.A., also from the point of view of the concentration of positions, conforms to the interests of the company, taking into account, inter alia, that *(i)* the role of chairman is not circumscribed to institutional and representative functions but is fully operative and so essential for the best trend of the company, and *(ii)* the management powers are also conferred on other directors, in addition to the chairman (as indicated, there are a total of three executive directors of the company).

Information to the Board
At least once a quarter, the managing director and the other executive directors:
- must report the operations carried out in the exercise of the powers to the Board of Directors, both for ordinary operations and the atypical and unusual ones;
- give full information to the Board of Directors and Board of Auditors at least every quarter on the performance of the operations with related parties;
- submit the significant operations whose exclusive jurisdiction is reserved to the Board of Directors, to the approval of the Board, in compliance with the '*Guidelines*', recently updated by the Board of Directors on 11 February 2011 (following the specific approval of the direct procedure to order the operations of the group with related parties).

As already referred, in relation to application criterion 1.C.1 of the Code of Conduct, the Board has also formally confirmed within the sphere of the often-mentioned Framework Resolution of 26 July 2012, the principle that the delegated bodies refer to the Board on the work performed in the exercise of the powers conferred with a frequency of at least quarterly, usually at the Board meetings to approve the annual financial and interim reports, in compliance with the current legislative and statutory provisions.

4.5 OTHER EXECUTIVE DIRECTORS
With reference to the directors currently in office, Mr Guido Roberto Grassi Damiani, Chairman and Managing Director, and Messrs Giorgio Andrea and Silvia Maria Grassi Damiani, Deputy Chairpersons with powers are executive pursuant to Art. 2 of the Code of Conduct; as mentioned above, Mr Giorgio Andrea Grassi Damiani similarly covers the position of Director with responsibility for the Internal Control and Risk Management System of the company, covered by the director Mr Stefano Graidi until 29 November 2013.

4.6 INDEPENDENT DIRECTORS
In the meeting of 26 July 2012, after its appointment, the Board of Directors checked the existence of the requisites of independence established by Art. 148, sub-para. 3, of the TUF and Art. 3 of the Code of Conduct, on the basis of the information given by each director, noting the independence pursuant to the law of the directors Francesco Minoli, Fabrizio Redaelli and Roberta Benaglia, the last two independent also pursuant to the Code of Conduct. In compliance with application criterion 3.C.4 of the Code, the outcome of this assessment was made known to the market with the issue of a press release on the same date.
The Board of Directors confirmed the existence of the requisites of independence of the directors Fabrizio Redaelli and Roberta Benaglia, pursuant to the law and Code of Conduct, taking account of the resignation of the director Minoli on 14 June 2013, during the financial year, and most recently on 12 June 2014.
It should be noted that all the criteria set out by Article 3 of the Code were applied in the assessment of the existence of the requisites of independence pursuant to the Code of Conduct.
In compliance with application criterion 3.C.5 of the Code of Conduct, the Board of Auditors considered correct the criteria and pro-

cedures adopted by the Board to assess the independence of its members.

Further, in the implementation of application criterion 3.C.6 of the Code of Conduct, just the independent directors pursuant to the Code of Conduct met during the financial year, without the other directors, in February 2014 at the convocation of the Lead Independent Director to assess the opportunity of making a revision of the Procedure for Operations with Related Parties (ORP) three years from the entry into force of the Related Parties Regulation "*taking account, inter alia, of any amendments occurring in the ownership structures and also the effectiveness shown of the procedures in practical application*" implementing the recommendations of CONSOB in Communication DEM/10078683 of 24 September 2010.
The independent directors expressed their opinion on the lack of necessity to make any changes to the ORP Procedure on the outcome of the assessment of the current Procedure and its practical application to the ownership structures and the structure of the Issuer, considering the current one completely effective and adequate for operations.

4.7 LEAD INDEPENDENT DIRECTOR

As specified above, considering that the Chairman of the Board of Directors is the person mainly responsible for the management of the Issuer (Chief Executive Officer) and also the controlling shareholder of the Issuer, the Board of Directors considered it opportune to respect the recommendation on the appointment of a Lead Independent Director to whom the functions suggested by the Code of Conduct can be attributed.
Therefore, respecting application criterion 2.C.3 of the Code of Conduct and the recommendation as per the comment relating to Article 2 of that Code, the Board appointed the (non-executive and) independent director **Fabrizio Redaelli** as 'Lead Independent Director', to whom the following functions were attributed:
- act as a reference and co-ordination point for the petitions and contributions of the non-executive directors and, in particular, the independent ones;
- co-operation with the Chairman of the Board of Directors to guarantee that all the directors receive complete and timely information;
- convene, independently or at the request of other directors, special meetings of just independent directors to discuss the topics considered of interest with respect to the operation of the Board or company management, guaranteeing, *inter alia*, that the independent directors meet without the other directors at least once a year.

During the financial year, the Lead Independent Director co-operated with the Chairman to ensure the completeness and timeliness of the information flow to all directors, and convened the aforesaid meeting with just the independent directors.

5. HANDLING OF CORPORATE INFORMATION

In compliance with criterion 1.C.1 *(j)* of the Code, in addition to provisions of Art. 114, first and twelfth sub-paras., and 115-bis of the TUF, as well as Arts. 66 et seq. and 152-bis et seq. of the Issuer's Regulations, the company has adopted the 'Procedure for the management and disclosure to the market of privileged information' and the 'Procedure for the institution, management and updating of the group register of people with access to privileged information of Damiani S.p.A.', amended in the Board meeting of 11 February 2011.
The registers were duly instituted for both the Issuer and the subsidiaries

In compliance with the provisions of Art. 114, seventh sub-para., of the TUF and Arts. 152-sexies et seq. of the Issuer Regulations, the Board of Directors meeting on 12 September 2007 also resolved on the adoption of the 'Procedure for the identification of Relevant People and for the communication of the operations effected by them, also through third parties, concerning shares issued by the company or other financial instruments connected to them ('INTERNAL DEALING PROCEDURE') which identifies the so-called 'relevant people' and disciplines the methods of disclosure to CONSOB and the public of the operations they have carried out concerning shares issued by the listed company or other financial instruments connected to them.The Internal Dealing Procedure was last amended in the Board meeting of 23 November 2012.
In addition, in line with the provisions of Art. 2.2.3, sub-para. 3, *(p)* of the Stock Exchange Regulations, the Internal Dealing Procedure provides for a ban on 'relevant people' from carrying out operations on the shares and/or financial instruments of the company, directly or through third parties, during the so-called blackout period, i.e. in the 15 days before the date set for the meeting of the Board of Directors of the company called to resolve on the approval of the draft financial statement of the financial year, the consolidated financial statements, the Interim Report, and the interim management report, further statements and anticipated final results.

6. INTERNAL COMMITTEES OF THE BOARD (EX ART. 123-BIS, SUB-PARA. 2 (D) TUF)

Since the Board meeting of 27 June 2007, and lately with the cited Framework Resolution of 26 July 2012, the Board has resolved to respect the principles and application criteria of Art. 4 of the Code of Conduct, thus establishing the institution of the following committees, formed and operating pursuant to the Code:
- the Internal Control and Corporate Governance Committee, renamed the **Committee on Control, Risks and Operations with Related Parties** (for short, Control and Risks Committee);
- the **Remuneration Committee**.

The principles and operational criteria of the two Committees are as following:

a) the Committees consist of not less than 3 independent directors; alternatively, they can consist of non-executive directors, the majority of whom are independent, on condition that the chairman is chosen from the independent members; one of the members of the Remuneration Committee must have adequate knowledge and experience in financial matters or retribution policies, to be assessed by the Board at the time of the appointment; one of the members of the Committee on Control, Risks and Operations with Related Parties must have adequate experience in accounting and financial matters or risk management, to be assessed by the Board at the time of the appointment;

b) the Board can, with a subsequent resolution, supplement or amend the duties of the individual Committees as attributed with the cited Framework Resolution of 26 July 2012;

c) the meetings of each Committee must be minuted;

d) the Committees have the right to access the information and company functions necessary for the fulfilment of their functions as well as make use of external consultants, subject to the terms established each time by the Board; in relation to the tasks to be completed, each Committee can, from time to time, draw on the resources that the company makes available at its request, in the terms established by the Board of Directors, its Chairman or the director responsible for the Internal Control and Risk Management System, without prejudice to the provisions on operations with related parties;

e) people who are not members, including other members of the Board or the company structure, can take part in the meetings of the Committees, subject to the invitation of the Committee and limited to the individual points on the agenda;

f) the Chairman of the Board of Auditors or another auditor designated by him (the other auditors can, in any case, participate) takes part in the meetings of the Committee on Control, Risks and Operations with Related Parties; it is opportune that the Chairman of the Board of Auditors – or another auditor designated by him – takes part in the meetings of the Remuneration Committee;

g) the meetings of each committee are chaired by the relative Chairman; in the event of the Chairman's absence, or however the unanimous decision of its members, the meetings of each committee can be chaired by another member;

h) attendance of the majority of the respective members in office is required for the validity of the resolutions of the Committees; resolutions are taken with the absolute majority of those present and, if the voting is equal, the vote of the person presiding will prevail; meetings are also validly constituted when held by means of videoconference or telephone conference call, on condition that all participants can be identified by the chairman and the others attending, that they are able to follow the discussion, speak in real time in the discussion on the subjects discussed, receive the documentation and then transmit it; in this case, the Committee is considered to be held at the place where the chairman is.

Still on 26 July 2012, following the appointment of the new directors, the Board arranged for the appointment of the new members of the Committee on Control, Risks and Operations with Related Parties and the Remuneration Committee.
At the date of preparation of this Report, the Board of Directors have not considered it necessary to set up an Appointments Committee within it, considering, inter alia, the current structure of the body of shareholders.
Please note that a committee carrying out the functions of two or more of the committees set out by the Code has not been formed and that the committee functions set out in the Code have not been reserved for the Board of Directors.

7. REMUNERATION COMMITTEE

Determination of the payment to be attributed to directors for their participation in the Board of Directors of the company is specifically reserved for the Shareholders' Meeting which, pursuant to Art. 23 of the Articles of Association, can likewise establish a Directors' Severance Indemnity in favour of each director; however, the task of establishing the remuneration of those directors who cover particular roles, pursuant to Article 2389, sub-para. 3, of the Civil Code, is the responsibility of the Board, on the basis of a proposal formulated on the matter by the Remuneration Committee and after consultation with the Board of Auditors.
In the Board meeting of 26 July 2012, the Board of Directors resolved, subject to a check of the requisites of being non-executive and independence in compliance with the application criteria of the Code of Conduct, to set up the Remuneration Committee, consisting of the following directors: Fabrizio Redaelli (chairman), Giancarlo Malerba and Roberta Benaglia.

Composition and operation of the Remuneration Committee (ex art. 123-bis, sub-para. 2 (d), TUF)

The Remuneration Committee currently in office consists of three non-executive members, the majority of whom are independent, as indicated below:

- **Fabrizio Redaelli** (Chairman – independent),
- **Giancarlo Malerba,**
- **Roberta Benaglia** (independent).

During the financial year, the Committee, co-ordinated by its chairman, met once and, for the current financial year, one meeting had already been held at the date of approval of this Report; at present, no other meetings are planned. The meeting of the Remuneration Committee held in the financial year lasted 55 minutes (the percentage of participation of each member at the meetings held in the same period is indicated in Table 2 shown in the Appendix).

Over the financial year, the Committee consisted of three non-executive directors, the majority of whom independent, and its Chairman was chosen from the independent members; further, in compliance with Principle 6.P.3 of the Code of Conduct, the professionalism of all the members of the Committee guarantees adequate knowledge and experience in financial matters or retribution policies.
In compliance with application criterion 6.C.6 of the Code of Conduct, directors do not take part in the meetings of the Committee in which the proposals relating to their remuneration are formulated.
People who are not members have taken part in the meetings of the Committee held throughout the financial year, at the invitation of the Committee and in relation to individual matters on the agenda.

Functions of the Remuneration Committee

With the Framework Resolution of 26 July 2012, the Board of Directors resolved, in compliance with Art. 6 of the Code of Conduct, to confirm the attribution of the functions already set out by the '*Remuneration policies and procedures for their implementation of Damiani S.p.A.*' adopted by the company on 14 June 2012, to the Remuneration Committee; in particular, the Remuneration Committee has the following duties:

a) to present proposals for the remuneration of the executive directors, and those who cover special roles, to the Board, and also, after discussions with the delegated bodies, the correct identification and setting of adequate performance objectives, that enable the calculation of the variable component of their payment;
b) formulate proposals to the Board of Directors on the adoption of the remuneration policy for directors, particularly executive directors, and those who cover special roles, and the senior managers with strategic responsibilities;
c) assist the Board of Directors in the preparation and implementation of the payment plans based on financial instruments;
d) periodically assess the adequacy and real application of the remuneration policy, making use of the information supplied by the delegated bodies where the assessment concerns the payments of senior managers with strategic responsibilities;
e) formulate any proposal on remuneration matters to the Board of Directors;
f) monitor the application of the decisions adopted by the Board of Directors on remuneration, assessing, among other items the effective achievement of the performance targets;
g) refer to shareholders on the methods of exercising their functions; for this purpose, the attendance of the Chairman of the Remuneration Committee or another member of the Committee is recommended at the Shareholders' Annual General Meeting;
h) if considered necessary or opportune for the fulfilment of the tasks attributed to it, make use of external consultants expert in retribution policies; the experts should be independent and, as a result, by way of example, should not exercise relevant activities in favour of the Human Resources Department of Damiani S.p.A., any controlling shareholders of Damiani S.p.A. or the directors or senior managers with strategic responsibilities of Damiani S.p.A. The independence of external consultants is checked by the Remuneration Committee before assigning the relative position.

During the financial year, the Remuneration Committee, inter alia, formulated proposals to the Board of Directors on *(i)* the remuneration of directors invested with special roles pursuant to Art. 2389, sub-para. 3, of the Civil Code, taking account of the renunciations made by the Chairman and Managing Director and Deputy Chairmen with powers to the payments to be proposed in their favour for the financial year pursuant to Art. 2389, sub-para. 3, of the Civil Code; *(ii)* the check on the vesting conditions of the options with a vesting period until 21 April 2013 assigned in the implementation of the first cycle of the '*Stock Option Plan 2010*'; and also assessed *(iii)* the adequacy of the company's remuneration policy in the financial year, and *(iv)* its real application in the 2012/2013 financial year.

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The chairman of the Board of Auditors took part in the meeting of the Remuneration Committee held during the financial year; the other auditors also took part in the work of the Committee.
The meetings of the Remuneration Committee are duly minuted.
The Remuneration Committee has the right to access the information and company functions necessary for the fulfilment of its duties as well as make use of external consultants, subject to the authorisation of the Board of Directors.
Please note that the Board of Directors has not allocated an ad hoc budget to the Remuneration Committee, and that, from time to time, the company makes the resources necessary for the fulfilment of its functions available to the Committee.

8. DIRECTORS' REMUNERATION

On the proposal of the Remuneration Committee, the Board of Directors of Damiani S.p.A. defined the '*Remuneration policies and procedures for implementation by Damiani S.p.A.*', with a resolution of the Board on 14 June 2012, respecting the applicable legislation and in compliance with Principle 6.P.4 of the Code of Conduct. This document defines the guidelines that all the corporate bodies involved must respect for the purposes of determining the directors' remunerations, in particular the executive directors and others with special roles, and the senior managers with strategic responsibilities, also taking account of the remunerations perceived at group, procedural (path of definition and implementation of the remuneration policies) and substantial levels (criteria that must be respected in the definition of remunerations).

The remuneration policies and procedures are set out in the first section of the Remuneration Report prepared pursuant to Art. 123-*ter* of the TUF, made available to the public at the registered office and on the company web site www.damiani.com and the authorised storage mechanism 1INFO at www.1info.it, according to the law, to which reference should be made in full for all information not in this Report. Please note that, in compliance with the provisions of Art. 123-*ter*, sub-para. 6, of the TUF, the next Shareholders' Meeting will be called on to make a non-binding resolution on the first section of the Remuneration Report, which sets out the remunerations policy adopted by the company and the procedures used for its adoption and implementation.
It should also be recalled that, on 14 June 2013, in consideration of the difficulties linked to the negative economic situation and the collapse of the markets in which the company operates, Guido Grassi Damiani, Chairman and Managing Director, and Giorgio and Silvia Grassi Damiani, Deputy Chairpersons with powers, once more renounced the salary which would have been proposed in their favour, pursuant to Art. 2389, sub-para. 3, of the Civil Code, for the 2013/2014 financial year, thus giving an additional demonstration of their strong affection for the company.

Remuneration plans based shares
As specified above, all information relating to the current remuneration plans is in the Remuneration Report prepared pursuant to Art. 123-ter of the TUF and the respective information sheets drawn up pursuant to Art. 84-*bis* of the Issuers' Regulations available at www.damiani.com, to which this section refers to in full.

Indemnity of directors following resignation, dismissal or termination of the relationship also following a take-over bid (ex Art. 123-bis, sub-para.1 (i) of the TUF)
Pursuant to Art. 123-*bis*, sub-para.1 *(i)*, of the TUF, please note that, at the date of approval of this Report, there are no specific agreements between the Issuer and any of the directors which provide for the payment of an indemnity to directors following resignation, dismissal without just cause or termination of the relationship following a take-over bid.

9. COMMITTEE ON CONTROL, RISKS AND OPERATIONS WITH RELATED PARTIES

The current Committee on Control, Risks and Operations with Related Parties was appointed, subject to the check on the requisites of not being executive and independence in compliance with the law and the application criteria of Art. 3 of the Code of Conduct, by the Board of Directors on 26 July 2012.

Composition and operation of the Committee on Control, Risks and Operations with Related Parties (ex Art. 123-bis, sub-para. 2 (d), TUF).
The Committee on Control, Risks and Operations with Related Parties currently appointed consists of three non-executive members, the majority of whom are independent, as indicated below:
- Mr **Fabrizio Redaelli** (Chairman – independent),
- Mr **Giancarlo Malerba**,
- Ms **Roberta Benaglia** (independent).

Over the financial year, co-ordinated by its Chairman, the Committee met 8 (eight) times and has already met twice (2) in the current year; at present, at least another 2 meetings are planned. The meetings of the Committee lasted an average of about one hour and were attended regularly and frequently by the members (the percentage of participation of each member in the meetings is indicated in Table 2 shown in the Appendix).

As specified above, over the financial year, the Committee consisted of three non-executive directors, mostly independent; the Chairman was chosen from the independent members. Furthermore, in compliance with Principle 7.P.4 of the Code of Conduct, the professionalism of the members of the Committee guarantee adequate knowledge and experience in accounting and financial matters or risk management.
People who are not members, such as members of the Board of Auditors, the Internal Audit manager, the director responsible for the Internal Control and Risk Management System and the senior manager responsible for drafting the corporate accounts, and also representatives of the statutory auditors, took part in the meetings of the Committee held in the financial year, at the invitation of the chairman and in relation to individual matters on the Agenda each time.

Functions of the Committee on Control, Risks and Operations with Related Parties
The following functions of a consultative and propositional nature, coinciding with those indicated by the Code of Conduct, and better detailed in the *'Guidelines for the Internal Control and Risk Management System of the Gruppo Damiani S.p.A.'*, as well as the '*Procedure in Operations with Related Parties of Damiani S.p.A.'*, were assigned to the Committee by the Board with the often-mentioned Framework Resolution of 26 July 2012:
a) give the Board of Directors opinions in the cases set out by application criterion 7.C.1 of the Code of Conduct;
b) assess, with the senior manager responsible for the drafting of the corporate accounting documents and the auditors, the correct use

of the accounting principles and their homogeneity for drafting the consolidated financial statements;

c) give opinions on specific aspects relevant to the identification of the main company risks;
d) examine the periodic reports and those of special relevance prepared by the Internal Audit function;
e) monitor the independence, adequacy and effectiveness of the Internal Audit function;
f) if necessary, exercise the right to ask the Internal Audit function to make checks on specific operational areas, advising the Chairman of the Board of Auditors at the same time;
g) at least every six months, usually at the approval of the annual financial and interim reports, refer to the Board on the work performed and also the adequacy of the Internal Control and Risk Management System;
h) carry out the tasks which, in compliance with the regulatory legislation in force at the time, is attributed to it pursuant to the *'Procedure in Operations with Related Parties of Damiani S.p.A.'*.

In consideration of the qualification of 'smaller-sized company' of the Issuer, the role and relevant competences that the Related Parties Regulation and the ORP Procedure attribute to the committee consisting of non-executive directors with a majority of independent directors were assigned to the Committee on Control, Risks and Operations with Related Parties with reference to all the operations with related parties

With reference to the individual functions attributed to it, please note that, throughout the financial year, the Committee on Control, Risks and Operations with Related Parties has, among other items: *(i)* examined the periodic reports of the Internal Audit manager to monitor the adequacy of the Internal Controls System with the due constancy and, where necessary, intervene to fill any gaps, *(ii)* examined the correct use of the accounting principles and their homogeneity for drafting the consolidated financial statements with the statutory auditors; *(iii)* given its favourable opinion on the operation of major relevance regarding the issue of a debenture loan reserved for related parties, in relation to which an appropriate information sheet was published; (*iv)* examined an additional operation of major relevance with related parties and shared, within the scope of its competence, the exemption set out by Art. 13, sub-para. 3, *(c)*, of the Related Parties Regulation and Art. 8.1, *(f),* of the current 'Procedure in Operations with Related Parties of Damiani S.p.A.' for 'ordinary' operations and those "on conditions equivalent to those of the market"; (v) supported the Board of Directors in identifying the criteria for assessing the strategic relevance of the Issuer's subsidiaries; (vi) formulated its opinion for the Board in relation to the Work Plan prepared by the Internal Audit manager; *(vii)* formulated its favourable opinion on the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the features of the business and the risk profile assumed.

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The members of the Board of Auditors took part in the meetings of the Committee held during the financial year; also in the light of Legislative Decree 39/2010, the Board of Auditors therefore met in a joint session with the Committee, to ensure efficient co-ordination of the work and full and complete exchange of information.
In compliance with application criterion 4.C.1 *(d)* of the Code, the meetings of the Committee were duly minuted.
In compliance with application criterion 4.C.1 *(e)* of the Code of Conduct, the Committee has the right to access the information and company functions necessary for the fulfilment of its duties, as well as make use of external consultants subject to authorisation by the Board of Directors in the performance of its functions.
It should be noted on this point that the Board of Directors did not make an ad hoc budget available to the Committee, and that the company from time to time makes the resources necessary for the fulfilment of its functions, without prejudice to the provisions on operations with related parties, available to the Committee.

10. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In the session of 13 June 2008, the Board of Directors of Damiani adopted its own Guidelines for the Internal Control System (the 'Guidelines') on the proposal of the director responsible for Internal Control and with the aid of the then Internal Control and Corporate Governance Committee - its '*Guidelines for the Internal Control System' (the 'Guidelines')*. These were amended and supplemented by the Board of Directors on 11 June 2010, also in order to strengthen and optimise the Internal Control System both inside the company and also within the Damiani group overall, with particular reference to subsidiaries identified as 'strategically relevant' pursuant to Art. 1 of the Code of Conduct. As specified above, on 8 February 2013, the Board of Directors, noting the prior favourable opinion of the Committee on Control, Risks and Operations with Related Parties, and after discussions with the Board of Auditors, approved the new text of the '*Guidelines for the Internal Control and Risk Management System of Gruppo Damiani S.p.A.*' in order to adapt the contents to the December 2011 edition of the Code of Conduct.
According to the provisions of the Guidelines, the controls involve the bodies listed below, with different roles and in the sphere of the respective competences: *(a)* the Board of Directors, which has a role of guidance and assessment of the adequacy of the Internal Control and Risk Management System and, within it, identifies one or more directors entrusted with the institution and maintenance of an effective Internal Control and Risk Management System, as well as the Committee on Control, Risks and Operations with Related Parties, with the task of supporting, with adequate investigation work, the assessments and decisions of the Board of Directors relating to the Internal Control and Risk Management System, and also that relating to the approval of the periodic financial relations; *(b)* the manager of the Internal Audit function, entrusted with checking that the Internal Control and Risk Management System is functioning and adequate;

(c) other roles and company functions with specific tasks on the subject of Internal Control and Risk Management, divided in relation to the sizes, complexity and risk profile of the company (the senior manager responsible for the corporate accounting documents and all the staff), *(d)* the Board of Auditors, which supervises the effectiveness of the Internal Control and Risk Management System, *(e)* the Supervisory Body, and, lastly, *(f)* the directors and auditors of the Issuer's subsidiaries. All are required to respect the indications and principles in the Guidelines.

The Internal Control and Risk Management System of Damiani S.p.A. is aimed at:
- contributing to a management of the company consistent with the company objectives defined by the Board of Directors, favouring the assumption of conscious decisions;
- ensure the necessary separation between the operational and control functions and, therefore, it must be structured so that situations of conflict of interest are avoided or reduced to the minimum in the assignment of the competences;
- facilitate the adequate identification, measurement, management and monitoring of the risks assumed by the Issuer and the Gruppo Damiani S.p.A., with particular reference, among others, to the companies with strategic relevance;
- establish controls at every operational level and clearly identify tasks and responsibilities, in particular in the stages of supervision, intervention and correction of the irregularities detected;
- ensure reliable information systems and appropriate reporting processes at the various levels to which control functions are attributed;
- guarantee that the anomalies found are brought to the knowledge of adequate levels of the company in a timely manner;
- allow the registration of every management fact and, in particular, every operation with a sufficient level of detail, ensuring the correct attribution under the time profile.

The Internal Control and Risk Management System is subject to periodic exams and checks, taking account of the evolution in company operations and the reference context, as well as the existing national and international best practices.

An integral and essential part of the Internal Control and Risk Management System of the Damiani group consists of the risk management and internal control system existing in relation to the process of financial information (administrative and accounting procedures for the preparation of the financial statement and consolidated balance sheet and the other reports and/or communications of an economic, capital and financial nature prepared pursuant to the law and/or regulations, and also for monitoring their effective application) prepared with the co-ordination of the senior manager responsible for drafting the corporate accounting documents.

In implementation of application criterion 1.C.1 *(b)* of the Code of Conduct, please note that, at the meeting of the Board of Directors of 12 June 2014, the Director Responsible for the Internal Control and Risk Management System submitted the report on the identification of the main risks involving the Issuer and its subsidiaries, prepared by the Internal Audit Manager (with special reference to the company with strategic relevance), to the Board.

So the Board of Directors approved the risk monitoring policy with a view to their compatibility with a healthy, correct management of the company and, subject to the opinion of the Committee on Control, Risks and Operations with Related Parties, assessed that the Internal Control and Risk Management System of the Damiani group has been the subject of another significant strengthening during the financial year and appears adequate and functional overall.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS EXISTING IN RELATION TO THE PROCESS OF FINANCIAL AND CONSOLIDATED INFORMATION

INTRODUCTION

In compliance with the indications included in the Format diffused by Borsa Italiana S.p.A., it should be noted that the management and control system of the Damiani group concerning the risks related to the financial reporting process is an integral part and is included in the context of the wider Internal Control System of Damiani S.p.A. and the group, a system in which the main elements are:

- the Code of Ethics;
- the Organisation, management and control model pursuant to Legislative Decree 231/01;
- the '*Procedure for the identification of Relevant Persons and advice of the operations made by them, also through third parties, concerning shares issued by the company or other financial instruments connected to them*' ('Internal Dealing Procedure'), amended at the Board meeting of 23 November 2012;
- the principles and procedures for carrying out operations with related parties; the current Damiani S.p.A. procedure on operation with related parties was approved by the Board of Directors of the company on 26 November 2010 and subsequently updated on 10 February 2012, and is aligned with the provisions of the Related Parties Regulation and subsequent amendments and integrations;
- the system of commissions and proxies;
- the organisation chart;
- the procedure for the management and disclosure to the market of privileged information;
- the accounting and administrative system, in turn consisting of a set of procedures and operational documents and instructions for budget and reporting work relative to the closure calendars.

- The Board of Directors of Damiani S.p.A. maintains the central role for the co-ordination and guidance of the Internal Control and Risk Management System, defining the general lines of the organisational, administrative and accounting structures of the Issuer and the other companies of the group.

- The internal control system of financial reporting is a set of activities aimed at identifying and assessing actions and/or events that may compromise the trustworthiness, precision, reliability and timeliness of financial reporting, if they occurred. As a result, the system adopted by Damiani S.p.A. and the group aims at guaranteeing that the procedures prepared reasonably ensure the trustworthiness of the financial reporting, according to the Business Model which is a feature of the group, corporate structure (with the survey of strategically important companies), reference accounting principles and their evolution. The design approach in the construction of the Control Model was inspired by international standards and the best practices in the sector. It is periodically monitored to assess its full application and correspondence with the features of the group and its evolution.

DESCRIPTION OF THE MAIN FEATURES

Risk assessment, aimed at identifying and assessing the areas of risk in which, in the reference context (business models, corporate and organisational structure, supply and distribution markets, current legislation and regulations), events may occur that compromise achievement of the reliability of the financial reporting, is at the base of the control system on the processes of financial reporting. This work has enabled identification of the only group company with strategic relevance on the basis of quantitative and qualitative parameters and the main company processes supplying the balance sheet documents of the companies and consolidated. In this way, a matrix of processes/units to be checked and assessed by the existing Control System in relation to their typical risks referring to the preparation of official and public financial reporting has been defined.
The real balance sheet items and connected company processes supplying them are selected for the company identified as having strategic relevance, whose control system overseeing the formation of the balance sheet is subject to specific assessment and monitoring so that the specific controls to perform can be identified to guarantee the typical objectives the Internal Control System must follow in supplying the financial reporting.

ROLE AND FUNCTIONS INVOLVED

The system of management and control of financial reporting is managed by the senior manager responsible for drafting the accounting and corporate documents appointed by the Board of Directors in compliance with the current statutory provisions.
In the fulfilment of his duties, the senior manager responsible:
- interacts with the Internal Audit manager who makes independent checks on the operation of the Control System and supports the senior manager responsible in his monitoring work;
- is supported by the managers of the various company functions (and, in particular, by the administrative managers) of group companies, who ensure the completeness, trustworthiness and timeliness of the information flows to the senior manager responsible who co-ordinates all the work for the preparation of the annual and interim financial reporting;
- sets up a reciprocal exchange of information with the Committee on Control, Risks and Operations with Related Parties and the Board of Directors, referring on the work performed;
- periodically informs the Board of Auditors on the events of particular relevance occurring with reference to the impact on financial reporting and the adequacy and reliability of the administrative-accounting system where they are recorded.

Monitoring of the effective application of the system of risk management relative to financial reporting is carried out continuously throughout the financial year by the senior manager responsible who has direct responsibility for the correct and timely performance of management in the administrative, accounting and financial spheres carried out by the groups' companies.
No risks or situations that were not already subject to monitoring by the company emerged from all the checks made.
The senior manager responsible for drafting the corporate accounting documents, with the Chairman and Managing Director, make the certification set out by sub-para.5 of Art. 154-*bis* of the TUF.
As already mentioned in paragraph 4.3 of this Report, in fulfilment of application criterion 7.C.1 *(b)* of the Code of Conduct, the Board assessed the adequacy of the organisational, administrative and general accounting structure of the Issuer and the only subsidiary with strategic relevance during the session of 12 June 2014; in particular, evaluation was adopted on the basis of the report of the Internal Audit manager and also the assessments of the Director Responsible for the Internal Control and Risk Management System subject to approval of the Committee on Control, Risks and Operations with Related Parties which, in the sphere of its meetings, in which the Internal Audit manager also took part (see below), was able to check continuously the effective operation of the Internal Control and Risk Management System of both the company and the group, with particular reference to the only company of strategic relevance.
Still on 12 June 2014, the Board of Directors, subject to the opinion of the Committee on Control, Risks and Operations with Related Parties, positively evaluated the status of the Internal Control System, considering it adequate overall.

10.1 DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As mentioned, in compliance with Principle 7.P.3 (a), no. *(i)* of the Code of Conduct, the Board of Directors identified a Director Responsible for the Internal Control and Risk Management System from within it. This position was covered by **Mr Stefano Graidi** until 29 November 2013, when he remitted it to the Board of Directors because of pressing commitments. On 29 November 2013, the Board of Directors of the company therefore acknowledged Mr Graidi's resignation and appointed **Giorgio Grassi Damiani**, the Deputy Chairman with powers, to the position of Director Responsible for the Internal Control and Risk Management System. The functions indicated in the Framework Resolution of 26 July 2012, as better detailed in the current '*Guidelines of the Internal Control and Risk Management System of the Gruppo Damiani S.p.A.*', were conferred on him, and particularly those of:

a) taking care of the identification of the main company risks, taking account of the features of the business carried on by the Issuer and its subsidiaries, with particular attention to the companies with strategic relevance, and submits them to the Board of Directors at least once a year, usually at (or before) the meeting of the Board of Directors for the approval of the annual financial report;

b) implementing the aforesaid Guidelines, looking after the development, creation and management of the Internal Control and Risk Management System, constantly checking its adequacy and effectiveness. In particular:

- identifying the risk factors for the Issuer or other Damiani group companies, with special attention to the strategically relevant companies – without prejudice to the primary responsibility of the respective managing directors of the individual companies – also in the light of the changes in the internal and external conditions in which they operate, and also the trends in management, variations from the forecasts and the legislative and regulatory panorama in force at the time;
- defining the duties of the operational units on control functions, ensuring that the various tasks are directed by qualified staff, with specific experience and knowledge. In this sphere, the areas of potential conflict of interest must be identified and reduced to the minimum;
- establishing effective communication channels to ensure that all staff are aware of the policies and procedures relative to their duties and responsibilities;
- defining the information flows aimed at ensuring full knowledge and governability of company facts;

c) at least once a year, submits the company risks and all the control processes implemented and planned for their prevention, reduction and effective and efficient management, to the examination and assessment of the Board of Directors, usually at the meeting (or before) of the Board to approve the annual financial report, and also every time it is considered necessary or opportune, in relation to the circumstances, as when significant new risks arise or there are significant increases in the possibilities of risk, to enable the Board of Directors to take an informed and conscious decision on the management strategies and policies of the main risks of the Issuer and Gruppo Damiani S.p.A., with particular attention to companies of strategic relevance;

d) proposes the appointment, revocation and remuneration of the Internal Audit manager to the Board of Directors, similarly informing the Committee on Control, Risks and Operations with Related Parties and ensures the independence and operational autonomy of each person responsible for an operational area, giving him the appropriate means to perform the duties entrusted to him effectively;

e) submit the annual work programme prepared by the Internal Audit Manager, subject to the opinion of the Committee on Control, Risks and Operations with Related Parties and after discussions with the Board of Auditors, to the Board of Directors;

f) be concerned with the adaptation of the Internal Control and Risk Management System to the dynamics of the operational conditions and the legislative and regulatory panorama;

g) be able to request the Internal Audit function to carry out checks on specific operational areas and the respect for the rules and internal procedures in the performance of company operations, advising the Chairman of the Board of Directors, and the Chairman of the Committee on Control, Risks and Operations with Related Parties and the Chairman of the Board of Auditors at the same time;

h) refer to the Committee on Control, Risks and Operations with Related Parties (or the Board of Directors) in a timely manner on problems and critical points emerging in the performance of his work, or about which he becomes aware, so that the Committee (or the Board) can take the opportune initiatives.

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In compliance with application criterion 7.C.4 (a) of the Code of Conduct, the Director responsible for the Internal Control and Risk Management System has taken care of the identification of the main company risks (strategic, operational, financial and compliance), taking account of the features of the work carried out by the company and its subsidiaries, and has submitted them for examination by the Board of Directors. In the meeting to approve the draft balance sheet to 31 March 2013, he explained his assessment and proposals on the identification of and the company risk management policy to the (the so-called risk assessment) Board.

In compliance with application criterion 7.C.4 *(b)* of the Code of Conduct, the Director responsible for the Internal Control and Risk Management System has taken care of the fulfilment of the Guidelines, constantly checking the overall adequacy, effectiveness and efficiency of the Internal Control and Risk Management System.

With reference to the state of adequacy of the Internal Control and Risk Management System in comparison with the rules and regulations in force, information was given to the Board of Directors in the Board meeting of 12 June 2014, as referred above.

10.2 THE INTERNAL AUDIT MANAGER

On 15 September 2011, in compliance with Principle 7.P.3 (b) of the Code of Conduct, the Board of Directors appointed Mr Delucchi as Manager of the Internal Audit function, as proposed by the then executive director responsible for supervising the operation of the Internal Control System and noting the favourable opinion of all members of the Committee for Internal Control, and also discussion with the Board of Auditors. The Board of Directors similarly defined the remuneration of the Internal Audit Manager, consistently with company policy, in the same meeting, once more at the proposal of the then executive director responsible for supervising the operation of the Internal Control System and noting the favourable opinion of the Committee and also discussion with the Board of Auditors.

Pursuant to the aforesaid Guidelines, last amended, as indicated, in the Board meeting of 8 February 2013, the Internal Audit Manager:

- extends his control work to all the companies of the Damiani group, with special concern for the companies identified by the Board of Directors as having strategic relevance, and has access to all their work and the relative documentation; the Internal Audit Manager has direct access to all the information useful for the fulfilment of the role;
- if certain checks are outsourced by the company or other companies in the group, he also has access to the documentation produced by the bodies appointed;
- he is not responsible for some operational areas, reports hierarchically to the delegated bodies, responds functionally to the Director responsible for the Internal Control and Risk Management System, Board of Directors and the Committee on Control, Risks and Operations with Related Parties, and ensures the due information is sent to the Board of Auditors;
- he has, *inter alia*, the task of checking the suitability of the internal procedures for ensuring the adequate containment of the risks of the Issuer and Damiani group, and assisting the group to identify and assess the greatest exposures to risk.

The duties of the Internal Audit Manager are carried out by making random checks on the processes subject to check. Further, always pursuant to the Guidelines, the Internal Audit Manager:

a) prepares the annual work programme based on a structured process of analysis of the priorities of the main risks ('Audit Plan') and explains it to the Director responsible for the Internal Control and Risk Management System, the Committee on Control, Risks and Operations with Related Parties and the Board of Auditors;

b) checks the operation and suitability of the Internal Control and Risk Management System, both continuously and in relation to specific needs, respecting international standards;

c) assists the Director responsible for the Internal Control and Risk Management System in looking after the planning, management and monitoring of the Internal Control and Risk Management System and in identifying the various risk factors;

d) plans and carries out, consistent with the annual work programme, direct and specific checks in the Issuer and all other group companies, with special reference to the companies with strategic relevance, to note any defects in the Internal Control and Risk Management System in the various areas of risk;

e) within the sphere of the Audit Plan, checks the reliability of the information systems, including the accounting survey systems;

f) checks that the rules and procedures of the control processes are respected and that all those involved operate in conformity with the preset objectives. In particular:

- he checks the reliability of the information flows, including the automatic data processing systems and the administrative-accounting survey systems;

- within the work programme, he checks that the procedures adopted by the Issuer and group ensure respect, in particular, for the current legal and regulatory provisions;

g) he also performs checks with regard to specific irregularities, where he considers opportune or at the request of the Board of Directors, Committee on Control, Risks and Operations with Related Parties, the Director responsible for the Internal Control and Risk Management System or the Board of Auditors;

h) using the method considered most opportune, he ascertains that the irregularities found in the operation and functions of controls have been removed;

i) he keeps all the documentation relating to the work performed in an orderly manner; this documentation is available, on request, to the people responsible for the control processes indicated in Art. 2 of the 'Guidelines';

j) he prepares periodic reports containing adequate information on his work, how the management of risks is conducted and also respect for the plans defined to contain them. The periodic reports also contain an assessment of the suitability of the Control and Risk Management System.

Further, in the light of both the results of the checks made and the analysis of the company risks, he identifies any deficiencies in the Internal Control and Risk Management System and suggests any necessary operations on the system; the deficiencies identified and the operations proposed are shown in the relative internal audit reports;

k) where necessary, prepares timely reports on events of particular relevance;

l) transmits the reports as per points *(j)* and *(k)* to the Director responsible for the Internal Control and Risk Management System, and also the Chairman of the Committee on Control, Risks and Operations with Related Parties, the Board of Directors and the Board of Auditors; where the checks concern companies in the group, the reports are also sent, if necessary, to the relative competent bodies of the company involved;

m) at least twice a year, giving time to enable the Committee on Control, Risks and Operations with Related Parties and the Board of

Directors, as well as the Director responsible for the Internal Control and Risk Management System, to perform their respective tasks for (or before) Board meetings to approve the annual financial report and also the interim one, prepares a six-monthly summary of the main points emerging during the reference period and throughout the year. The annual report compiled for the Board meeting preceding approval of the annual financial report also contains an update on the company risks subject to monitoring which emerged during the year;
n) he immediately advises the Director responsible for the Internal Control and Risk Management System and the delegated bodies if there are critical points that suggest urgent intervention, and also the Chairman of the Committee on Control, Risks and Operations with Related Parties and the Board of Auditors to update them on the results of his work.

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In the financial year, the Internal Audit Manager performed checks in the areas he is responsible for in conformity with the provisions of the Audit Plan for the 2013/2014 financial year. In addition, in compliance with the provisions of the aforesaid Guidelines, the Internal Audit Manager has, over the financial year, in detail:

1) continuously checked the operation and suitability of the Internal Control and Risk Management System;

2) prepared periodic reports containing adequate information on his work, how the management of risks is conducted and also respect for the plans defined to contain them; the reports are then sent to the Director responsible for the Internal Control and Risk Management System, and also the Chairman of the Committee on Control, Risks and Operations with Related Parties, the Board of Directors and the Board of Auditors (where the checks concern group companies, the reports are also sent, if necessary, to the relative competent bodies of the company involved). Also in consideration of the reports of the Internal Audit Manager, the Board of Directors has expressed its positive and favourable judgement on the adequacy and effectiveness of the Internal Control and Risk Management System, as last said on 12 June 2014;

3) had access to all the information useful for the performance of the position;

4) submitted the Audit Plan for the 2014/2015 financial year to the attention of the Committee on Control, Risks and Operations with Related Parties, subsequently approved by the Board of Directors;

5) checked the reliability of the information systems in the sphere of the Audit Plan, including the systems of administrative-accounting survey.

With reference to the specific work carried out throughout the financial year by the Internal Audit Manager in the performance of his duties, please note that they particularly concerned:

(i) within the sphere of alignment with the legislation ex L. 262/05:

- the review of the company procedures of the Issuer and group companies;

(ii) in the sphere of the Audit work:

- compliance audits concerning the Issuer and also the other companies in the group;
- training on compliance aimed at ensuring understanding and the consequent putting into practice of the contents and objectives of the procedures by company functions;
- review of the company procedures of the Issuer.

Pursuant to application criterion 7.C.6 of the Code of Conduct, please note that the Internal Audit function has not been entrusted to bodies outside the company, even for sectors of operation, and does not report hierarchically to any manager of operational areas.
Please note that the Board of Directors has not allocated an ad hoc budget to the Internal Audit Manager, and that, from time to time, the company makes the resources necessary for the purpose for the fulfilment of its functions available to the Internal Audit Manager.

10. 3 ORGANISATIONAL MODEL EX LEGISLATIVE DECREE 231/2001

In order to be aligned with the internal control systems set out by Legislative Decree 231/2001 and in conformity with the provisions of Article 2.2.3, sub-para.3, *(j)* of the Stock Exchange Regulations, the Board of Directors of the Issuer approved the organisation, management and control model set out by Art. 6, Legislative Decree 231/2001 (the 'Organisational Model') and the Code of Ethics.
The Organisational Model adopted by the Issuer, and last amended on 29 May 2014, is structured in the following parts:

- **a General Part,** which introduces the model and orders the rules of governance, with particular reference to *(i)* recipients; *(ii)* composition, role and powers of the Supervisory Board (hereinafter, 'ODV'); *(iii)* role of the Board of Directors; *(iv)* information flows to the ODV; *(v)* penalty system; *(vi)* divulgation of the Model to recipients and training;
- eleven **Special Parts**, each of which identifies and orders the processes at risk and the rules of behaviour each recipient is required to respect in the performance of his business for the individual offences abstractly relevant for the company. Pursuant to the Organisational model, the offences abstractly relevant for the Issuer are: *(i)* offences against the Public Administration and obstruction of justice, *(ii)* corporate crimes, *(iii)* the administrative offences of market abuse, *(iv)* transnational offences, *(v)* offences concerning health and safety at work, *(vi)* the offences of receiving, recycling and using money, goods or assets of unlawful origin, *(vii)* IT crimes and the unlawful processing of data, *(viii)* offences against industry and trade and the crimes of forgery of instruments or signs of recognition, *(ix)* offences concerning breach of copyright, *(x)* environmental offences, and *(xi)* the offence of employing illegal immigrants from non-EU countries.

Each Special Part then refers to specific Protocols ordering the operative and control method for the management of the process, relevant for preventive purposes with a view to '231' for the processes assessed as being at greater potential risk.
In addition, as mentioned above, on 29 May 2014, the Board of Directors of Damiani S.p.A. approved the updated version of Model 231 and the relative Code of Ethics. The member of the Supervisory Board is identified in the Internal Audit Manager of the company as a resource not directly involved in the management work that is subject to his control, nor hierarchically subject to those who carry out that work, and is able to ensure the 'continuity of action' required by the principles of law.

A special Supervisory Board, with full economic independence, watches over the operation and respect of the Model. On 21 April 2011, Ms Carlotta Lanzi Puglia and two consultants from outside the company, **Mr Luca Pecoraro**, lawyer, and **Ms Rossella Zunino** were called on to form part of the Supervisory Board. As a result of the resignation of Ms Lanzi Puglia, the Board meeting of 15 September 2011 reintegrated the composition of the ODV, appointing **Mr Francesco Delucchi** the Internal Audit Manager, as the new 'internal' member until the expiry of the Supervisory Board forecast for 31 March 2014. In the session of 29 May 2014, the Board of Directors of the company opted for the appointment of a monocratic Supervisory Board consisting of **Mr Francesco Delucchi**, Internal Audit Manager of the company, who has the requisites of autonomy and is not manager of any operational area.

The Supervisory Board was attributed with all the powers to ensure punctual and efficient supervision of operation and respect for the Organisational Model adopted by the company, and also to check its efficiency and effectiveness with respect to the prevention and impediment of the commission of the offences currently set out by Legislative Decree 231/2001, with the possibility of formulating any proposals of updating and adaptation of the Organisational Model to the Board of Directors.

The Issuer's Code of Ethics is published in the *'Investor relations/Corporate Governance'* section of the company website www.damiani.com.

Lastly, it is noted that, in the sphere of the group, the subsidiary company with strategic relevance Rocca S.p.A. has also adopted its own organisational, management and control model set out by Art. 6, Legislative Decree 231/2001, updated on 12 June 2013.

10.4 INDEPENDENT AUDITORS

The independent auditors assigned to the auditing of DAMIANI S.p.A. and the other subsidiary companies is Reconta Ernst & Young S.p.A., based in Via G. D. Romagnoli, 18/a, Rome, enrolled in the Register of Auditors. On 27 June 2007, the general Shareholders' Meeting of Damiani resolved to confer the independent auditors with the statutory audit for nine financial years, until approval of the balance sheet to 31 March 2016, pursuant to Art. 159 of the TUF.

10.5 SENIOR MANAGER RESPONSIBLE FOR DRAFTING CORPORATE DOCUMENTS

The senior manager responsible for drafting the corporate accounting documents is Mr Gilberto Frola, appointed by the Issuer's Board of Directors in the session of 12 September 2007 with effect from the admission to trading of the shares of the company on the screen-based stock exchange of Borsa Italiana S.p.A. and until revoked. Pursuant to Art. 27 of the Articles of Association, the senior manager is chosen by the administrative body, subject to the compulsory but not binding opinion of the Board of Auditors, from people who have qualified experience of at least three years in accounting or administration in a company with listed shares or, however, with share capital of not less than one million Euros.

The Board of Directors conferred Mr Frola, the senior manager responsible, with all the powers necessary for the exercise of the tasks attributed by the law and the Articles of Association to him, also contained in the aforesaid Guidelines, and in particular:

- direct access to all the information necessary for the production of the accounting data without the need for authorisation, undertaking (as with all the members of his office) to maintain the confidentiality of the documents and information acquired in the performance of his duties, in compliance with the current legal and regulatory applicable provisions;
- use internal communication channels that guarantee correct infra-company information;
- structure his office in a fitting manner, both with reference to the staff and the technical means (material, IT resources, etc.);
- arrange administrative and accounting procedures, being able to also have the co-operation of the offices participating in the production of the relevant information;
- arrange for external consultancy, where particular company requirements make this necessary, drawing on the budget allocated to him;
- set up relationships and flows with the other persons responsible for control (auditors, Internal Audit Manager, etc.) which ensure adequate monitoring of the correct operation of the procedures, in addition to the constant mapping of risks and processes;
- with reference to the expenses considered necessary for the fulfilment of his duties, he can proceed, subject to authorisation by the Board of Directors and, on its behalf, the Control and Risks Committee, or, alternatively, the Chairman of the Board of Directors, with the requirement to make an annual report to the Board.

10.6 CO-ORDINATION BETWEEN BODIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In compliance with both Principle 7.P.3 of the Code of Conduct, and also the best practices of listed companies, the company has set out co-ordination methods between the various bodies involved in the internal control and risk management system. In particular, periodic meetings are planned to be held jointly with the different bodies deputed to internal control and risk management (Control and Risks Committee, Board of Auditors, Supervisory Body and Internal Audit function) with the purpose of identifying, starting from the company processes set out in the Audit Plan prepared by the Internal Audit Manager, the areas of operation and analysis of each body and, for each of these, taking account of the respective competences, to identify the different point of view of examination for the same topics, in order to avoid superimpositions of functions and/or duplications of work and implement a unitary system of 'compliance' in the company and the Damiani group.

As already extensively specified, it is also, *inter alia*, set out that: *(i)* the whole Board of Auditors, or at least the Chairman or another auditor designated by him, will normally take part in the meetings of the Control and Risks Committee; *(ii)* the reports of the Internal Audit Manager must be sent to the Director responsible for the Internal Control and Risk Management System, the Chairmen of the Board of Auditors, Control and Risks Committee and the Board of Directors as well as, where the control work concerns other group companies, also the relative competent bodies of the company involved, usually at the same time; *(iii)* at least annually, the independent auditors will meet jointly with the Control and Risks Committee, Board of Auditors and the senior manager responsible for drafting corporate accounting documents, to assess, amongst other items, the correct use of the accounting principles and their homogeneity for the purposes of drafting the consolidated balance sheet.

11. DIRECTORS' INTERESTS AND OPERATIONS WITH RELATED PARTIES

As already recalled, the Board of Directors, in compliance with the Related Parties Regulation and subject to the opinion of the independent directors on the Board, approved the '*Procedure on operations with related parties of Damiani S.p.A.*' (also 'ORP Procedure') in the meeting of 26 November 2010, effective from 1 January 2011 (the whole text of the ORP Procedure, as updated in the Board meeting of 10 February 2012, is available in the '*Financial Documents' – 'Documents and Notices'* section of the web site www.damiani.com).

The ORP Procedure, respecting the applicable regulatory provision, distinguishes operations with related parties according to their greater or lesser importance, identifying operations of greater relevance in conformity with the indices as per Appendix 3 to the Related Parties Regulation; nevertheless, in consideration of the status of 'smaller-sized company' of Damiani S.p.A., and as long as the Issuer can be qualified as such, the role and relevant competences that the Related Parties Regulation attributes to committees consisting wholly or mainly of independent directors, are attributed to the Committee on Control, Risks and Operations with Related Parties, consisting of non-executive Directors, the majority of whom are independent.

Taking into account that the Issuer is 'a smaller-sized company', the ORP Procedure envisages a single general procedure of instruction and approval of operations with related parties, both of greater and lesser relevance; this general procedure, however, features a significant development of the role of independent directors, who – in the Committee on Control, Risks and Operations with Related Parties – must always give a prior opinion which is not binding with respect to the proposed operation.

Conversely, with reference to the publishing obligations, the ORP Procedure sets out the requirement for an information document to be published for all operations of greater relevance with the opinions of the independent directors and, in essential elements, independent experts.

Further, the ORP Procedure envisages, in accordance with what is permitted by the Related Parties Regulation, exclusion from the application of the new discipline of some categories of operations; in particular, 'small amount' operations, 'ordinary' operations concluded "on conditions equivalent to those of the market", operations carried out with and between subsidiary companies, operations with companies connected to the company (as long as there are no 'significant' interests of related parties of the company in the aforementioned companies), and also the other cases allowed by the Related Parties Regulation.

In the cases examined during the financial year, from the substantive point of view, the equivalence of the economic advantages for the Damiani group arising from the transaction considered with the related party each time with respect to the theoretical agreement with a third party were always assessed; the Board was also always previously informed about any potential conflicts of interest in the individual operation, as set out by the law.

With particular regard to the operations with related parties, the group operated both with related parties within the consolidated companies and related parties external to it over the financial year.

In the financial year, the relationships with consolidated related parties were mainly commercial, consisting of the sale of jewellery or raw materials, matured in the sphere of the usual intra group operations conducted recurrently at market conditions.

Relationships with related parties outside the group, in particular with Immobiliare Miralto S.r.l., Duomo 25 S.r.l. and Montenapoleone 10 S.r.l., were mainly of a non-commercial nature principally concerning property leasing contracts.

As noted, two operations of greater relevance with related parties were similarly carried out during the financial year: *(a)* one concerning the issue of a debenture loan reserved for related parties, in relation to which a special information document was published, available

on the company web site, to which reference should be made, and *(b)* the other in relation to an equity commitment assumed by related parties in the context of (and guaranteeing) a bank loan requested by the company in support of the ordinary operations of the Damiani group in relation to which the exemption set out by Art. 13, sub-para. 3, *(c)*, of the Related Parties Regulation and Art. 8.1, *(f)*, of the current ORP Procedure for 'ordinary' operations and those "on conditions equivalent to those of the market" applies; the information on the latter operation, promptly advised to CONSOB, is available in the Annual Financial Report, made available to the public in the ways set out by the current legislation.
It should be noted that the Board of Directors did not consider necessary the adoption of specific operational solutions suitable for facilitating the identification and adequate management of the situations where a director holds an interest both on his own account and on that of third parties; on this point, the Board considered the existing supervision adequate under the requirements of Art. 2391 of the Civil Code ('Directors' interests', which orders that each director '*shall advise the other directors and the Board of Auditors of every interest that he has, on his own behalf or that of third parties, in a determined operation of the company, specifying the nature, terms, origin and extent*').

12. APPOINTMENT OF THE AUDITORSI

The appointment of the auditors and the Chairman of the Board of Auditors of the company is, as is known, the authority of the Shareholders' Meeting. The methods of presentation of the lists with the proposals for appointment and voting are regulated by the Articles of Association.
Art. 24 of the Articles of Association sets out that the Board of Auditors consists of three regular auditors and two alternate ones. The auditors stay in office for three financial years, and expire at the date of the Shareholders' Meeting convened for the approval of the balance sheet relating to the last financial year of their office; they can be re-elected. The composition of the Board of Auditors must, in any case, ensure equilibrium between genders in compliance with the rules and regulations in force each time. The same article of the Articles of Association is aimed at ensuring that the Chairman of the Board of Auditors is appointed by the minority, taking him from the list that is second for number of votes.
Art. 24 of the Articles of Association of the Issuer provides that the election of regular and alternate members of the Board of Auditors takes place in the following ways:

(a) as many shareholders holding a participation at least equal to that determined by CONSOB for the appointment of directors, pursuant to the law and regulations – which, at the date of approval of this Report, corresponds to 2.5% (as established by Art. 144-quater of the Issuer Regulations and **CONSOB resolution 18888 of 23 April 2014**) – can present a list of candidates ordered progressively by number, lodging it at the registered office of the company in the terms set out by Arts. 148, sub-para.2, and 147-ter, sub-para.1-bis, of the TUF, and that is at least twenty-five days before the date set for the First Call of the Shareholders' Meeting, subject to lapse; each list is supplied with the information requested pursuant to the legal and regulatory provisions in force each time; for three consecutive mandates from the first renewal of the Board of Auditors subsequent to 12 August 2012, each list containing three or more candidates must be made up so that the gender balance at the least equal to the minimum quota required by the legal and regulatory provisions in force each time is ensured within the Board of Auditors; the list in which the above rulings are not respected is considered as not to have been presented;

(b) a Shareholder can neither present nor vote in more than one list, even if through a third party or trust companies; shareholders belonging to the same group and those joining a shareholders' agreement - concerning shares of the company - cannot either present or vote more than one list, even if through a third party or trust companies;

(c) a candidate can only be in one list, at the risk of ineligibility; candidates who do not respect the limits of accumulation of position set out by the law and the relative implementation provisions in force each time cannot be included in the lists;

(d) if, at the date of expiry of the term at *(a)*, just one list has been lodged, or only lists presented by shareholders who are connected pursuant to the current law and regulatory provisions, lists can be presented up to three days from that date; in this case, the thresholds set out pursuant to *(a)* are reduced by half.

On the basis of the same clause of the Articles of Association of Damiani S.p.A., the procedure for the election of the Board of Auditors is as follows:

(i) **two regular auditors and one alternate auditor** are taken from the list obtaining the **highest number of votes**, in the progressive order in which they are listed;

(ii) **the remaining regular auditor and the second alternate auditor** are taken from the list obtaining the second highest number of votes from those **which are not connected** - not even indirectly - with the shareholders who presented or voted the list with the highest number of votes, in the progressive order in which they are listed.

At the end of voting, if the composition of the Board of Auditors does not respect the gender balance set out by the legislation in force at the time, the second regular and/or alternative auditor on the list with the highest number of votes will be replaced by the next candidate for the same appointment of the least represented gender in the same list. If the said procedure does not allow compliance with the law in force at the time on the composition of the Board of Auditors, the Shareholders' Meeting will make provisions for the necessary replacements with a resolution adopted with the legal majority.
The Chairman of the Board of Auditors is the regular auditor taken from the second list obtaining the highest number of votes.

If an auditor is replaced, the alternate is taken from the same list as the person replaced, without prejudice, however, where possible, to the regulations in force at the time on the composition of the Board of Auditors. If the replacement does not allow respect for the legislation in force at the time on gender balance, the Shareholders' Meeting shall be convened without delay to ensure compliance with it.
If the Chairman is replaced, the chairmanship is assumed by the alternate member who substitutes him.
When called on to reintegrate the Board of Auditors pursuant to the law, the Meeting will act so that the principle of representation of the minority, and also the rules and regulations on gender balance in force at the time are respected.
The rulings above on the election of members of the Board of Auditors and the designation of the Chairman do not apply to Meetings for which a single list is presented or voted; in these cases, the Meeting acts by majority, also in compliance with the rules and regulations on gender balance in force at the time.

13. AUDITORS (EX ART. 123-BIS, SUB-PARA. 2 (D) TUF).

The Board of Auditors in office was appointed by the Shareholders' Meeting of **26 July 2013** for three financial years, i.e. until the date of the Meeting convened for the approval of the balance sheet for the financial year to 31 March 2016.
The current composition is as follows:

1. **Gianluca Bolelli** (Chairman);
2. **Simone Cavalli** (Regular auditor);
3. **Milena Motta** (Regular auditor);
4. **Fabio Massimo Micaludi** (Alternate auditor);
5. **Paola Mignani** (Regular auditor).

From 1 April 2013 until 26 July 2013, date of appointment of the new Board of Auditors in which Ms Milena Motta was appointed to replace Mr Fabio Massimo Micaludi, the Board of Auditors met 5 (five) times of which 2 (two) meetings were jointly with the Committee on Control, Risks and Operations with Related Parties.
From 26 July 2013 until 31 March 2014, the date the financial year closed, the incumbent Board of Auditors met 8 (eight) times of which 3 (three) were joint meetings with the Committee on Control, Risks and Operations with Related Parties. In total, the Board of Auditors met 13 (thirteen) times of which 5 (five) times were in joint session with the Committee on Control, Risks and Operations with Related Parties. For the current year, 8 (eight) meetings are planned of which 2 (two) have already taken place. The meetings of the Board of Auditors held in the financial year lasted, on average, about 60 minutes and showed regular attendance by the auditors (the percentage of participation of each member in the meetings held in the same period is indicated in Table 3 shown in the Appendix to this Report).
It should be noted that, from the date of closure of the financial year to the date of approval of this Report, there have not been changes in the composition of the Board of Auditors. The personal and professional features of each regular auditor currently in office are indicated below:

GIANLUCA BOLELLI – CHAIRMAN OF THE BOARD OF AUDITORS

He obtained a degree in Business Management from the Bocconi University, Milan. He is enrolled in the Register of Chartered Accountants and the Register of Auditors. He started his professional career as auditor of Deloitte and Touche and then consultant for KPMG. In March 1986, he started practising privately as a chartered accountant and is co-founder-member of Studio Bolelli, Sportelli, de Pietri, Tonelli.
He is an external lecturer of the School of Management (SDA) of the Bocconi University.

SIMONE CAVALLI – REGULAR AUDITOR

Born in Verona in 1965, he graduated in Business and Economics from the University of Bergamo in 1992. He has been enrolled in the Register of Auditors since 2003. He started his career in the auditing company Arthur Andersen S.p.A., until becoming a senior manager and member of Transaction Advisory Services in 1999. In 2004, he became a partner in *Studio Controllo Contabile – Analisi e Valutazioni d'Azienda*, where he carries out the audit of financial and consolidated statements and accounting and financial due diligence, company valuations and consultancy in the administration, finance and control area.

MILENA MOTTA – REGULAR AUDITOR

She graduated in Business and Economics from the Catholic University of the Sacred Heart, Milan, is enrolled in the Register of Chartered Accountants of Milan and is a statutory auditor. She has carried out business consultancy on competitive strategy, marketing and innovation since 1982. She is a lecturer in technology intelligence and competitive strategy at leading Italian and European universities including the SDA Bocconi, Milan, the Scuola Superiore Sant'Anna, Pisa, and the IfM Centre for Technology Management of the University of Cambridge; She is the author of some publications edited by '*Il Sole 24 Ore*'.

PAOLA MIGNANI – ALTERNATE AUDITOR

She graduated in Business Management at the Bocconi University, Milan. She is enrolled in the Register of Chartered Accountants and the Register of Auditors. She started her career of accountant in a leading firm in Milan, gaining experience in the field of restructuring and liquidating companies and the insolvency proceedings sector. She is a member of the Board of Auditors of various companies, operating in both financial and industrial sectors. She has been a consultant with leading company consultancy firms since 2004, specialising in the valuation of companies and branches of companies, technical consultancy, corporate restructuring and, more generally, advisory work for extraordinary operations. She is the author of various publications.

FABIO MASSIMO MICALUDI – ALTERNATE AUDITOR

He holds a degree in Business Management from the Bocconi University, Milan, with specialisation in Administration and Control. He is enrolled in the Register of Chartered Accountants and the Register of Auditors. He started his professional career in Arthur Young & Company, now Ernst & Young. After experience with leading companies, he decided to devote himself to a professional career and started practising as a chartered accountant in Milan in 1997, becoming first partner Studio Commercialisti Associati and then, in 2000, founder partner of *Studio GMMPAV - Dottori Commercialisti Associati*, specialised in consultancy on corporate, fiscal and balance sheet matters with special reference to extraordinary operations. He has been a member of the Finance and Management Control Commission of the Order of Chartered Accountants of Milan since 2008.
In January 2010, he was a founder partner of *Studio MM & Associati Dottori Commercialisti,* specialised in consultancy on corporate, fiscal and balance sheet matters with special reference to extraordinary operations, assessments and management control.

In relation to application criterion 8.C.1 of the Code of Conduct, please note that the independence of the Auditors is considered to be already ensured by the respect for the existing legal provisions and the Articles, and, as a result, the company has not considered it necessary to also apply the criteria of independence as per Art. 3 of the Code of Conduct to the Auditors. For this reason, for the purposes of the assessment of the permanency of the requisites of independence consistent with the position, the criteria of the law and the Articles were taken into consideration. In the application of these criteria, the Board of Auditors has checked the independence of its members after their appointment during the financial year, and recently on 12 June 2014.
In relation to application criterion 2.C.2 of the Code of Conduct, it should be noted that all the members of the Board of Auditors have profound knowledge of the situation and business dynamics of the company and the group, and that the number of meetings of the Board, as well as the participation of the members of the Board in the meetings of the Board of Directors, Committee on Control, Risks and Operations with Related Parties and the Remuneration Committee guarantee continuous updating of the Auditors on the situation of the company and the market. In addition, during the meetings of the Board of Directors, the delegated bodies explain what they find for the purposes of the trend of the company and the group, constantly supplying, *inter alia*, information on the main updates of the legislative framework concerned and its impact on the company.

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In compliance with application criterion 8.C.3 of the Code of Conduct, the auditor who, on his own behalf or that of third parties, has an interest in a certain operation of the Issuer, must advise the other auditors and the Chairman of the Board of Directors in a detailed manner as soon as possible on the nature, terms, origin and extent of his interest.
Further, respecting application criteria 8.C.4 and 8.C.5 of the Code of Conduct, it should be noted that in performing its business, the Board of Auditors is similarly co-ordinated with the Internal Audit Manager, with whom it has a constant exchange of information, and the Committee on Control, Risks and Operations with Related Parties, in whose meetings the Chairman of the Board of Auditors, or another auditor designated by him, takes part.

14. RELATIONS WITH SHAREHOLDERS

The Issuer deems it to be in its own interests, in addition to being right and proper towards the market, to set up a continuous dialogue with its shareholders, based on the reciprocal understanding of the roles. The dialogue with shareholders must, however, respect the procedure for the external communication of company documents and information.
In compliance with the provisions of Art. 2.2.3, sub-para.3, *(i)* of the Rules of Borsa Italiana S.p.A., and in compliance with the provisions of application criterion 9.C.1 of the Code of Conduct, the company has arranged for the inclusion of a professionally qualified figure, the Investor Relator, in its structure who has, inter alia, the task of managing relationships with professional investors and other shareholders. The references to contact the Issuer's *Investor Relations Officer*, directed by Ms Paola Burzi, are as follows:
Telephone: +39 02/46716340
e-mail address: paolaburzi@damiani.it
Likewise, it should be noted that the company complies with the information requirements set out by the rules and regulations in force with precision and timeliness, and has structured its website (www.damiani.com) so that access to the information concerning the Issuer by the public is easy.

15. SHAREHOLDERS' MEETINGS (EX ART. 123-BIS, SUB-PARA. 2 (C) TUF)

Pursuant to Art. 10 of the Articles of Association, both general and extraordinary Shareholders' Meetings are convened by a Notice of Call published in the terms and methods of the law and regulations. The second convocation can be established for another day in the same Notice; a third convocation may be set for extraordinary Shareholders' Meetings. The Meeting can also be convened and meet in a place other than the registered office, both in Italy and abroad, as long as its within countries of the European Union or Switzerland.
Please note that, at the date of approval of this Report, members with the right to vote for whom the company has received advice certifying the shares held, as per Art. 83-*sexies* of the TUF, within the terms set out by current law, have the right to speak in the Meeting; the specific advice, according to the law, is made by an authorised intermediary in compliance with his accounting records on the basis of the relative evidence at the end of the accounting day of the seventh trading day preceding the date set for the first call of the Shareholder's Meeting;

pursuant to current legislation, those who are holders of shares only after that date do not have the right to take part in and vote in the Meeting.
Art. 11 of the Articles of Association sets out that every shareholder with the right to speak at the Meeting can be represented by another person, including a non-shareholder, through a written proxy, under the terms and limitations of the law. The proxy can also be conferred electronically and can be advised to the company by certified e-mail, to the certified e-mail address specified each time in the Notice of Call.
The Shareholders' Meeting resolves on the matters within its jurisdiction pursuant to the current law, as further specific competences are not set out by the Articles of Association. It should be noted the Articles, in compliance with Art. 2365, sub-para.2, of the Civil Code, attributes the competence to resolve on mergers in the cases set out by Arts. 2505 and 2505-bis of the Civil Code, the establishment and closure of branches, the indication of who among the directors represents the company, the reduction of capital if the shareholders withdraw and the adaptation of the Articles to legislative provisions and the transfer of the registered office within Italy to the Board of Directors.
The current legal provisions apply for the validity of the constitution and resolutions of the Meeting, both general and extraordinary.

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At the Shareholders' Meeting of 26 July 2013 which, inter alia, renewed the Board of Directors, it was recalled that that, with appropriate notice, the controlling shareholder advised the public of the proposals to deliberate with regard to the recompense for the auditors; this proposal was included in the sphere of the list deposited, as recommended by the Board of Directors in the Report explaining the matters on the Agenda.

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With reference to application criterion 9.C.3, it should be noted that, to date, the company has not considered it necessary to adopt Regulations for the Shareholders' Meeting.
In compliance with the provisions of application criterion 9.C.2 of the Code of Conduct, all directors normally take part in the Shareholders' Meetings.
The Shareholders' Meetings are also opportunities to advise shareholders of Issuer's information, respecting the regulations on insider trading. In this context, the Board of Directors has always worked to ensure adequate information to the shareholders on the necessary elements so that they can take the decisions required by the meeting with the full knowledge of the facts; the Board has always referred the work carried out and planned to the Meeting for this purpose.

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Shareholders are regularly informed on how the functions of the Remuneration Committee are exercised, both through this Report and through the information in the Remuneration Report, prepared pursuant to Art. 123-ter of the TUF.

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With reference to application criterion 9.C.4 of the Code of Conduct, it should also be specified that, during the financial year, substantial variations did not occur in the composition of the body of shareholders of the Issuer and that the capitalisation of the company's shares – as shown by *Borsa Italiana* – moved from Euro 89.53 million at 28 March 2013 to Euro 141.64 million at 31 March 2014.

16. CHANGES AFTER THE CLOSURE OF THE REFERENCE FINANCIAL YEAR

No changes have occurred in the governance structure of the company from the date of closure of the financial year to the date of approval of this Report.

Milan, 12 June 2014

Chairman of the Board of Directors
MR. GUIDO GRASSI DAMIANI

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURES

STRUCTURE OF THE SHARE CAPITAL				
	NO. SHARES	% COMPARED TO S.C.	LISTED (INDICATE THE MARKETS) /NOT LISTED	RIGHTS AND OBLIGATIONS
ORDINARY SHARES	82,600,000	100	Screen-based Stock Exchange, STAR segment, managed by Borsa Italiana S.p.A.	-
SHARES WITH LIMITED VOTING RIGHT	-	-	-	-
SHARES WITHOUT VOTING RIGHT	-	-	-	-

RELEVANT HOLDINGS IN THE CAPITAL			
DECLARANT	DIRECT SHAREHOLDER	% QUOTA OF ORDINARY CAPITAL	% QUOTA OF VOTING CAPITAL
DAMIANI S.P.A.	DAMIANI S.P.A.	6.73%	6.73%
GUIDO GRASSI DAMIANI	GUIDO GRASSI DAMIANI	5.99%	5.99%
GUIDO GRASSI DAMIANI	LEADING JEWELS SA	58.81%	58.81% (1)
GIORGIO GRASSI DAMIANI	GIORGIO GRASSI DAMIANI	6.11%	6.11% (2)
SILVIA GRASSI DAMIANI	SILVIA GRASSI DAMIANI	5.30%	5.30% (3)
DGPA SGR S.P.A.	DGPA SGR S.P.A.	5.36%	5.36%

(1) Of which 616,379 in bare ownership but with right to vote.

(2) Of which 163,373 in bare ownership but with right to vote.

(3) Of which 163,373 in bare ownership but with right to vote.

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS											RISK CONTROL COMMITTEE		REMUN. C'TTEE		ANY APPT. C'TTEE		ANY EXECUTIVE COMMITTEE		ANY OTHER C'TTEE	
Position	Members	Appointed on	Appointed until	List (M/m) *	Exec.	Non-exec.	Indep. as per Code	Indep. as per TUF	(%) **	Number other positions ***	****	**	****	**	****	**	****	**	****	**
Chairman and M.D.	GUIDO GRASSI DA-MIANI	26.07.2012	Approval of Balance Sheet to 31.03.2015	M	X	-	-	-	100%	-	-	-	-	-	-	-	-	-	-	-
Deputy Chairman and Director with Resp. for the Internal Control and Risk M'ment System	GIORGIO GRASSI DA-MIANI	26.07.2012	Approval of Balance Sheet to 31.03.2015	M	X	-	-	-	87.5%	-	-	-	-	-	-	-	-	-	-	-
Deputy Chairman	SILVIA GRASSI DA-MIANI	26.07.2012	Approval of Balance Sheet to 31.03.2015	M	X	-	-	-	75%	-	-	-	-	-	-	-	-	-	-	-
Director	STEFANO GRAIDI	26.07.2012	Approval of Balance Sheet to 31.03.2015	M	-	X	-	-	62.5%	7	-	-	-	-	-	-	-	-	-	-
Director	GIANCARLO MALERBA	26.07.2012	Approval of Balance Sheet to 31.03.2015	M	-	X	-	-	87.5%	3	X	100%	X	0%	-	-	-	-	-	-
Director	ROBERTA BENAGLIA	26.07.2012	Approval of Balance Sheet to 31.03.2015	m	-	X	X	X	62.5%	2	X	25%	X	100%	-	-	-	-	-	-
Director and L.I.D.	FABRIZIO REDAELLI	26.07.2012	Approval of Balance Sheet to 31.03.2015	M	-	X	X	X	87.5%	9	X	75%	X	100%	-	-	-	-	-	-
DIRECTORS RESIGNING DURING THE REFERENCE FINANCIAL YEAR																				
Director	FRANCESCO MINOLI	26.07.2012	Approval of Balance Sheet to 31.03.2015	M	-	X	-	X	66.6%	-	-	-	-	-	-	-	-	-	-	-
Quorum required for the presentation of lists for the last nomination: 2.5%																				
No. meetings held during reference financial year:						BOD: 8			CRC 8				RC: 1							

NOTES
* M/m indicated in this column according to whether the member was elected from the list voted by majority (M) or a minority (m).
** Percentage of participation of directors in meetings indicated in this column respectively of BOD and committees (no. attendances/no. meetings held during effective period of appointment of person concerned).
*** No. of positions of director or auditor held by the person concerned in other companies listed in regulated markets, also abroad, in finance, banking, insurance or relevant size companies, indicated in this column. The list of those companies for each director is attached to the Report, specifying whether the company in which the position is held is part of the group which the Issuer reports to or is a part.
**** Belonging to a BOD or Committee is indicated in this column with an 'X'.

TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS

BOARD OF AUDITORS							
Position	Members	Appointed on	Appointed until	List (M/m)*	Independence from Code	(%)*	Number of other appointments**
Chairman	BOLELLI GIANLUCA	26.07.2013	Approval of Balance sheet to 31.03.2016	m	-	100%	14
Effective auditor	CAVALLI SIMONE	26.07.2013	Approval of Balance sheet to 31.03.2016	M	-	100%	11
Effective auditor	MILENA TERESA MOTTA	26.07.2013	Approval of Balance sheet to 31.03.2016	M	-	100%	14
Alternate auditor	PAOLA MIGNANI	26.07.2013	Approval of Balance sheet to 31.03.2016	M	-	-	-
Alternate auditor	FABIO MASSIMO MICALUDI ***	26.07.2013	Approval of Balance sheet to 31.03.2016	m	-	-	-
Quorum required for the presentation of the lists for the last nomination: 2.5%							
Number meetings held during the reference financial year:						13	

NOTES

* The percentage of participation of the auditors at the meetings of the B.A. (no. attendances/no. meetings held during the effective period of position of the person concerned) are shown in this column.

** The number of positions of director or auditor covered by the person concerned and relevant pursuant to Art. 148-bis TUF are indicated in this column.

*** During the reference financial year, Mr Fabio Massimo Micaludi covered the position of Regular Auditor until 26 July 2013, when the Shareholders' Meeting appointed Ms Milena Motta as Regular Auditor and Mr Micaludi as Alternate Auditor.

APPENDIX 'A': LIST OF POSITIONS OF THE DIRECTORS

List of the positions held by the directors of the Board of DAMIANI S.p.A. in other listed companies, financial companies, banks and insurances or of significant size and also other companies in the Damiani group at the date of approval of this Report.

DIRECTOR	COMPANY	POSITION
STEFANO GRAIDI	Carraro Int. SA	Director
	Prada SA	Director
	Gen Del SA	Director
	Roger Vivier SA	Director
	Giovanni Rana SA	Director
	Piaggio International SA.	Director
	Giochi Preziosi SA	Director
GIANCARLO MALERBA	EEMS Italia S.p.A.	Director and Chairman ODV
	Calimmaco Finance S.r.l.	Sole Auditor
	Calliope Finance S.r.l.	Chairman of Board of Auditors (B.A.)
FABRIZIO REDAELLI	Screen Service Broadcasting Technologies S.p.A.	Director
	Eagles Pictures S.p.A.	Chairman B.A.
	Kedrion S.p.A.	Chairman B.A.
	Vetrerie Riunite S.p.A.	Chairman B.A.
	Tod's S.p.A.	Auditor
	Fomas Hop S.p.A.	Chairman B.A.
	Caleffi S.p.A.	Regular Auditor
	Prima TV S.p.A.	Regular Auditor
	The Walt Disney Company S.r.l.	Regular Auditor
ROBERTA BENAGLIA	DGPA SGR S.p.A.	Managing Director
	Vetrerie Riunite S.p.A.	Director

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