Consolidated financial statements of the Damiani Group as of and for the year ended March 31, 2015

Prepared in accordance with IAS/IFRS accounting standards

Damiani S.p.A.

Report on operations of the
Consolidated financial statements
as of March 31, 2015

Report on operations [1]

Structure of the Damiani Group

The Damiani Group (hereinafter also "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. (hereinafter also "Company"), which in addition to carry out directly production and commercial activities, also covers the role of industrial and financial holding company. It develops the strategic direction of the Group, manages and coordinates initiatives and provides technical, financial and administrative assistance, both for manufacturing operations and for those commercial activities of the companies, directly or indirectly controlled.
Damiani Spa has been listed on the Milan Stock Exchange since November 2007.
The consolidated financial statements for the financial year ended March 31, 2015 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, 2015, and therefore consolidated using line-by-line method, are listed below:

Company name	Registered office	Currency	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 International S.A.	Lugano, Switzerland	CHF	600,000	Damiani S.p.A.	100.00%	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	45,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani Korea Co. Ltd	Seoul, South Korea	KRW	1,900,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani India Co. Ltd	New Delhi, India	INR	44,285,710	Damiani International B.V.	0.00%	51.00%
Damiani International S.A.	Manno, Switzerland	CHF	250,000	Damiani International B.V.	0.00%	100.00%

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

Compared to the financial year ended March 31, 2014 the consolidation area at March 31, 2015 changed as follows:

- On December 16, 2014 the merger by incorporation of Rocca S.p.A. in the parent company Damiani S.p.A. which held 100% of the share capital of the merged company, was signed. The merger had been approved by the Boards of Directors of the two companies involved on October 2, 2014. The merger took legal effect as from January 1, 2015, while accounting and tax effects were backdated to April 1, 2014. The transaction did not result in any capital increase in the absorbing company (which accounted the merger deficit as a reduction of its equity) or, in accordance with Consob (Italian SEC) Regulation 17221/10 is subject to the procedure on transactions with related parties. The merger has been designed to provide greater functionality and effectiveness of the Group, generating economic and financial benefits.
- On March 18, 2015, by notarial deed was set up the company Damiani International SA based in Manno (Switzerland), wholly owned by Damiani International B.V. who has subscribed and paid share capital of 250,000 Swiss francs, consisting of 250 shares with nominal value of 1,000 francs each. On March 26, 2015 the company was entered in the Commercial Register of the Canton Ticino (Switzerland). The company's purpose is the marketing around the world, wholesale and retail of jewelry products, watches, precious items and raw materials, and the provision of services for the Group and the acquisition of holdings. On March 31, 2015 the company was not yet operational.

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 is made up of five brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni.
Furthermore, through the fully owned network Rocca 1794, the Group distributes prestigious third party brands, mainly in the timepiece sectors, in its multi-brand stores.
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, 2015 the Point of Sales ("POS") in Italy and abroad were 54, whose 41 under the Damiani brand and 13 multi-brand Rocca 1794. Geographically, the network of directly operated stores of the Group is as follows:

[1] The Damiani Group ends its financial year on March 31. Therefore the consolidated financial statements at March 31, 2015 cover the period April 1, 2014 – March 31, 2015 (henceforth referred to as Financial year ended March 31, 2015 or Financial Year 2014/2015). For comparative purposes are shown also the figures related to the previous period April 1, 2013 – March 31, 2014 (henceforth referred to as Financial year ended March 31, 2014 or Financial Year 2013/2014).

Boutiques and corners	Italy	Japan	Greater China (*)	Rest of the World	**Total**
Mono-brand Damiani	11	11	9	10	**41**
Multi-brand Rocca	12	-	-	1	**13**
Total DOS	**23**	**11**	**9**	**11**	**54**
Franchising	**-**	**-**	**2**	**16**	**18**

(*) Includes: Mainland China, Hong Kong, Taiwan and Macau

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 Damiani S.p.A. was appointed on July 26, 2012 by the Shareholders' Meeting for a three years period, until the approval of the financial statements as of March 31, 2015 of Damiani S.p.A. 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 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 Independent 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 Audit, Risk, Remuneration and Transaction with related parties Committee.

The Board of Directors of Damiani S.p.A. consists of 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.

On February 13, 2015 the Board of Directors of Damiani S.p.A. took note of the will of President Guido Grassi Damiani to focus on activities aimed at strengthening strategic export markets, coordinating directly dedicated resources and therefore to put the powers concerning the operational management of Damiani S.p.A. Consequently, the Board of Directors has granted the Chief Executive Officer - and their powers - in Giorgio Grassi Damiani, former Vice President of the Company.

Damiani S.p.A. and the Italian subsidiary Laboratorio Damiani S.r.l. 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 28, 2015 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 "SB") of the parent company currently in office was appointed by the Board of Directors on May 29, 2014.

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 SB sitting alone in the person of the Internal Auditor, Francesco Delucchi. To the new SB was allocated an annual budget of expenses for the activities and functions conferred to it.

During the financial year 2014/2015 the Supervisory Body, the Audit, Risk, Remuneration and Transaction with related parties Committee and the Board of Statutory Auditors of Damiani S.p.A. met 4 times to share its findings on issues of internal audit.

It is also reported that as of January 15, 2015 the composition of the Statutory Auditors of Damiani S.p.A. changed. For personal reasons Milena Motta resigned and was replaced by Paola Mignani, former alternate member of the Board of Statutory Auditors appointed by the General Meeting of July 27, 2013. The current Board of Auditors in office until the financial statements of the company at March 31, 2016.

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 24, 2014 resolved to authorize – subject to revocation for the part non executed of the resolution adopted by the Shareholders' Meeting of July 26, 2013 – 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 24, 2016.
- 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 Regulation n. 11971/1999) and respecting the principle of equal treatment of Shareholders and any other regulations, including Community rules.

As of March 31, 2015 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 2014 and March 2015.

Directors' fees

The fees for the financial year 2014/2015 due to the directors, statutory auditors and executives with strategic responsibilities of Damiani S.p.A., also with reference to what has perceived to similar functions performed within other Group companies, are reported in the Annual report on remuneration. This report is 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 2015/2016, and the procedures used for the adoption and implementation of this policy. The report 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 regards should be noted that the Board of Directors of Damiani S.p.A. of June 12, 2014 confirmed the waiver of fees for the financial year 2014/2015 of Directors Guido Grassi Damiani (President), Giorgio Grassi Damiani (Vice President and C.E.O.) and Silvia Grassi Damiani (Vice President) for a total of Euro 1.3 million. This waiver has already occurred in the previous three financial years. Moreover, the Board of Directors of Damiani S.p.A. of 28 November 2014 has ratified the waiver of fees for the year 2014/2015 also of the other directors of the Company.
The Annual report on Remuneration is 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 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 2014/2015 the total cost for product development was equal to Euro 673 thousands.

Main risks and uncertainties for the Damiani Group

<u>Macroeconomic and market of luxury goods risks and uncertainties</u>

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 purchase of goods outside the domestic borders have an increasing impact on the overall performance of the Group, which over the years has developed a greater international presence and visibility.
Since 2008 the world economic system, however, was marked by a highly volatility with significant impacts on all markets, including the luxury goods.
In 2014 the world economy confirmed the trend of the previous year [2]. World growth was 3.4%, with the GDP of the advanced economies, which increased by 1.8% and that of emerging economies which grew by 4.6%. Within the macro areas, individual countries have, however, recorded a mixed performance that once again confirm their difficulties to start strong and lasting trends. In fact, among the advanced economies, only the United States has confirmed a positive trend of growth (+ 2.4%), while in the Eurozone there are still strong differences between countries and Italy once again closed 2014 with a negative result (-0.4%). Japan also ended the year slightly down (-0.1%), after a 2013 that had recorded a GDP growth of 1.6%, as a result of the increase in taxes that penalized consumption.
In the advanced economies, there were no significant inflationary, while the unemployment rate keeps on worrying levels in some countries (the average rate in the Euro Area was 11.6%, rising to 12.8% in Italy, with peaks in Spain and Greece around or greater than 25%). Consequently the level of domestic consumption was still depressed.
Among the emerging economies, the trend recorded in 2014 showed marked variations between different areas. In the countries of the former Soviet Union, the continuing political conflicts with international sanctions that have hit the core of the exports of the area, made up of the sources of energy, resulting in devaluations, it resulted in a significant slowdown of the local economy. The overall growth rate was reduced to 1% (Russia +0.6%), while still in 2013 was more than double (+2.2%). In Asia, China has recorded a slight slowdown but GDP still grew by 7.4%.
The current macroeconomic conditions seem to show stronger growth in 2015 and further consolidation in 2016. The low cost of raw materials, particularly oil, the favorable exchange rate and policies of massive intervention in the financial markets by the Central European Bank, recently implemented, should lead to a strong push to growth, especially in the Euro Area, both in terms of investments and in consumption, but without increasing inflation. The latest forecasts have therefore estimated GDP growth in the Eurozone of 1.5%

[2] World Economic Outlook of IFM - April 2015.

in 2015, confirmed in 2016 (+1.6%). The further consolidation of the US (+3.1% in 2015), the recovery of Japan (+1% in 2015) and maintaining a high growth rate in Korea (+3.3% in 2015 and +3.5% in 2016) lead to an estimate of GDP growth in mature economies by 2.4% in 2015, confirmed for 2016. Even Italy, after a long period of recession, should return to growth in 2015 (+0.5%) and in 2016 (+1.1%) and slightly reduce the unemployment rate.
Among the emerging economies, the critical issues should persist throughout 2015 in the former Soviet Union (total estimated GDP down 2.6%, with only Russia -3.8%), while China will slow after many years its growth below 7%, both in 2015 and in 2016, replaced as locomotive world from India (+7.5% over two years). In the countries that make up the Greater China (Taiwan and Hong Kong, in particular), the GDP growth in the period 2015-2016 should be between 3-4%, similar rates are expected in Singapore and in the Middle East, while in the countries of Southeast Asia growth is expected to exceed even 5%. Overall, in emerging economies GDP in 2015 is expected to grow by 4.3% and 4.7% the following year.
Even the international trade of goods and services are expected to grow further in the years 2015-2016, from 3.4% in 2014 to 3.7% in 2015 and 4.7% in 2016, when it is also expected a recovery in commodity prices (not just oil).

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, which together cover about 65% of the total market), and in other more recent development (Russia, China and the Arab countries). In the emerging markets growth rates have already subverted positions than until a few years ago seemed immutable. In 2014 the world market for luxury goods reached a total value of about 224 billion euro [(3)], with a further increase from 2013, which was, however, penalized by exchange rate effects, political crises and the government intervention that slowed the consumption in some countries (especially China and Russia). The hard luxury segment, which includes jewelry and watches, worth about 50 billion euro (22% of the total) and grows more slowly than the entire market. In addition, the market for luxury products is undergoing a deep transformation. We are witnessing the gradual emergence of new distribution channels (mono-brand retail, online sales, travel retail) and new consumers, especially from emerging countries, who associate more and more the purchase of goods to other life experiences (holidays, cultural trips, business travel, etc.) spending abroad amounts much higher than those made at home.
The Damiani Group during the financial year 2014/2015 has further increased its presence in international markets and in the retail channel, but still operates in countries and areas mentioned above with a strongly various weight. Its presence is more established in countries with advanced economies. Italy remains the main market, followed by Japan, while among the emerging countries grows the weight of Greater China (China, Hong Kong, Macau and Taiwan), where the Group has focused a significant portion of its investments.
A positive outlook for the luxury market is also planned in 2015, with expected growth of +2/+4% [(3)]. it should be noted, however, that the political turbulence, the trend in exchange rates and anti-corruption government measures recently introduced in some countries affect so sudden and substantial the propensity to consume luxury goods and even the tourism flows to western countries from which, as previously mentioned, originate significant volumes of purchases.
Therefore, the environment and the macroeconomic changes can affect both the short and the medium term, the expected future revenues (and hence profitability) of the Group, particularly in the most dynamic markets and with more potential, current and future, in which the Group has concentrated its investments and represent the main driver of its expected growth.

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, relationships with suppliers (above all regarding the purchase of diamonds) and consequent conditions of supply.
During the year 2014/2015 the average price of gold has remained fairly stable around the monthly average values of 30-31 Euro/gram from April to December 2014, not changing appreciably compared to prices already recorded in previous months starting from October 2013. Since January 2015, the price has begun to rise again beyond the 35 Euro/gram, also as a direct result of the weakening of the Euro against the US dollar, currency by which the international price of gold is fixed. The average of twelve months April 2014-March 2015 was 31.8 Euro/gram, average about the same as that recorded in the previous financial year 2013/2014. In subsequent months (April-May 2015) the price of gold remained at an average of about 35 Euro / gram. This recent increase, if should stabilize, would be negative on production costs, and in the formulation of forecasts of purchase of the raw material, even if it should be activated mechanisms of hedging the risk of price fluctuations and manufacturing process planning (also affected by seasonal events of the market). The risks related to price of raw materials and to the strong and sudden fluctuations are amplified by changes 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 risk 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, 2015 active contracts relating to purchases of gold were 18 for a total quantity of 100 kilograms and an agreed equivalent of Euro 3,346 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.
At March 31, 2015 there were outstanding currency forward contracts entered into by Damiani S.p.A. for a total of Euro 5,770 thousands. At March 31, 2014 contracts were instead equal to a total of Euro 4,689 thousands.

[3] Worldwide Luxury Markets Monitor by Bain & Co. and Fondazione Altagamma - May 2015.

Liquidity risk
As part of the overall financing needs, for the ongoing management and to support its development, the Group uses various forms of financing both in the medium/long term and short term (lines of credit and factoring). The goal is contain the cost and risk of exposure to fluctuations in interest rates and maintain the structure of the sources balanced with the uses.
During the previous financial year 2013/2014, the Group paid particular attention to the rebalance of the sources. It signed a number of medium/long term financing (in part at a fixed rate and at a subsidized rate), that could support development projects in retail sector, both abroad and in Italy, which during the start-up phases are particularly burdensome not only in terms of capital expenditure, but also in working capital (stock). In the financial year 2014/2015 this demand has had full manifestation (while still partial are the related economic benefits), and has consequently generated a temporary increase in the use of sources of short-term from the banking system.
In terms of liquidity risk, the situation does not present a high risk profile, as over a third of the gross debt has a maturity of medium / long term and the Damiani Group at 31 March 2015 has bank credit lines that have not been used for about EUR 20 million (out of a total of Euro 54.7 million).
In relation to the long-term financing in pool, signed by Damiani S.p.A. in November 2013 for a total amount of Euro 11,000 thousands (of which Euro 6,012 thousands provided), at the closing date of the consolidated financial statements at March 31, 2014 (and interim financial statements subsequent, at June 30, 2014, at September 30, 2014 and December 31, 2014) are not fully respected the underlying financial covenants. After the date of approval of the consolidated financial statements for the year 2013/2014 by the Shareholders' Meeting, the Company has provided the statement of compliance to banks, with the terms of the loan agreement. The lending banks have formally communicated on January 8, 2015 their availability to evaluate changes to the initial loan agreement on the basis of the new three-year business plan of the Group (approved by the Board of Directors of Damiani S.p.A. on May 28, 2015). Based on the above and given the validity of the commitment of the significant shareholders to intervene financially to rectify the breach of the covenants, there were no liquidity risks related to a possible request for early repayment of the line of credit by lenders.

Furthermore, under the proper balance between resources generated or absorbed by operating activities the Group 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 the financial year 2014/2015 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 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: i) fixed-rate (bond placed in September 2013 for Euro 5,000 thousands by significant shareholders and financial contribution of Simest S.p.A. in Damiani Hong Kong Ltd in December 2013, for Euro 2,904 thousands), ii) subsidized rate (Simest S.p.A. funding for development programs in China, carried out in several tranches - the last, as of April 30, 2015 - for a total of Euro 3,012 thousands), and iii) variable interest rate (bank loan originally signed by Rocca S.p.A. in April 2013 for Euro 2,000 thousands and the financing loan to Damiani S.p.A. in November 2013 for a credit line of up to Euro 11,000 thousands, at the moment used for Euro 6,012 thousands).
The short lines are floating rate, with values ranging in the different forms of financing, and an average cost, for the financial year 2014/2015, of about 3.4%.
The greater use of short-term financing during the year 2014/2015 has not affected the Group's income statement, because the interest rates of these sources were on average lower by about 1.5 percentage points than those who are paid on the medium-long term during the year.
An increase in the reference rate of the market, which in the current macro-economic international context is not likely to be, could still lead to a negative effect on the economic performance of the Group, with the current structure of the funding sources of it.

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.

Uncertainties
There were no outstanding commitments or liabilities arising from bonds and for which it is probable an outflow of resources which are not already included in the financial statements at March 31, 2015.
With regard to tax audits in progress, it is provided an update at the date of approval of these financial statements.
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.
Damiani International B.V. filed an appeal in the Provincial Tax Commission of Como and 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. Meanwhile, the Provincial Directorate of

Como Tax Agency had notified a notice of assessment on the same subject (non-deductible VAT on lease contracts) with reference to years 2008, 2009 and 2010. On July 28, 2014, the Provincial Tax Commission of Como has filed the first-instance judgment in which it dismissed the appeal for these years. The contradictory nature of the two judgments of first Instance on the same matter is further endorsed by the second-instance judgment of the Tax Court of Milan, that on October 21, 2014, again rejected the appeal of the Office confirming the deductibility of VAT on the lease contract for 2007. On March 13, 2015 an appeal for years 2008, 2009 and 2010 was sent to the Regional Tax Commission of Milan.

On September 5, 2012 the Provincial Directorate II of the Tax Agency in Milan initiated in Rocca S.p.A. (later merged into Damiani 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 July 2, 2014 the Office notified Rocca S.p.A. an assessment notice for formulating a relief for an amount of Euro 277 thousand. The Company filed an appeal to the Provincial Tax Commission and is waiting for setting the date for discussion of the dispute.

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 providing additional documentation required by the Tax Agency until the first days of the month of May 2015. The Company currently has not received yet the report (called “PVC”) from the Tax Agency about this matter.

On 13 February 2015, the tax police – department of Alessandria (Italy) - started an audit for VAT at the Administrative Offices of the former subsidiary Rocca S.p.A., now Damiani S.p.A. following the merger by incorporation into the parent company that took place with a deed dated December 16, 2014. Specifically, the tax audit focused on sales transactions made pursuant to art. 38c of Presidential Decree 633/72 (sales for personal use to persons domiciled and resident outside the European Community), done from Rocca 1794 boutiques in the three years 2010/2011/2012. On May 19, 2015, the financial police drew up the report “PVC” reporting reliefs for Euro 442 thousands. With regard to these reliefs the financial penalties may be imposed by the Tax Agency in Alessandria, responsible about the matter, which at the moment hasn’t sent yet the assessment notice.

Human resources and environment

During the twelve months period closed at March 31, 2015 the average number of employees of the Damiani Group was 591.5 people, an increase of 8 units compared to the previous financial year in which they were equal to 583.5 people, divided as follows by category and by geographic area:

Labour categories	**Financial Year 2014/2015**	**% on total**	**Financial Year 2013/2014**	**% on total**	**Δ**
Executives and Managers	51.5	8.7%	46.5	8.0%	5.0
Clerks	445.7	75.3%	441.0	75.6%	4.7
Workers	94.3	15.9%	96.0	16.5%	-1.7
Total	**591.5**		**583.5**		**8.0**
Employees by geographical area	**Financial Year 2014/2015**	**% on total**	**Financial Year 2013/2014**	**% on total**	**Δ**
Italy	416.5	70.4%	429.0	73.5%	-12.5
Foreign countries	175.0	29.6%	154.5	26.5%	20.5
Total	**591.5**		**583.5**		**8.0**

The workforce at March 31, 2015 was made of 70.8% women (including n. 14 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 2014/2015, 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, 2015	March 31, 2014
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)	58.83%	58.81%
Sparkling Investment S.A. (1)	0.03%	-
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	17.01%	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. 59,120,736) (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 24, 2014 approved the authorization, for the part not executed of the resolution of the Shareholders' Meeting of July 26, 2013, 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, 2015 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., Sparkling Investment S.A. and the treasury shares of Damiani S.p.A..

Consolidated economic/financial data

Main economic data *(in thousands of Euro)*	**Financial Year 2014/2015**	**Financial Year 2013/2014**	**Change**	**Change %**
Revenues from sales and services	**150,421**	**144,241**	**6,180**	**4.3%**
Total revenues	150,452	144,315	6,137	4.3%
Cost of production	(146,413)	(144,064)	(2,349)	1.6%
EBITDA (*)	**4,039**	**251**	**3,788**	**n.m.**
EBITDA %	***2.7%***	***0.2%***		
Amortization, depreciation and write downs	(4,439)	(4,099)	(340)	8.3%
Operating income	**(400)**	**(3,849)**	**3,449**	**89.6%**
Operating income %	***-0.3%***	***-2.7%***		
Net financial incomes (expenses)	(3,171)	(2,571)	(600)	23.3%
Result before taxes	(3,571)	(6,420)	2,849	44.4%
Net result of the Group	(3,454)	(8,557)	5,103	59.6%
Basic Earnings (Losses) per Share	(0.04)	(0.11)		
Personnel cost	(25,051)	(25,502)	451	-1.8%
Average number of employees (**)	591.5	583.5	8	1.4%

(*) 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, 2015**	**Situation at March 31, 2014**	**change**
Fixed Assets	46,213	47,208	(995)
Net working capital	76,298	66,418	9,880
Non current Liabilities	(7,413)	(6,461)	(952)
Net Capital Invested	**115,098**	**107,165**	**7,933**
Shareholders' Equity	64,166	66,395	(2,229)
Net Financial position (*)	50,932	40,770	10,162
Sources of Financing	**115,098**	**107,165**	**7,933**

(*) 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, 2015 and the net equity at March 31, 2015 of the Group parent company with the same figures in the consolidated accounts:

(in thousands of Euro)	**Situation at March 31, 2015**	
Description	**Shareholders' Equity**	**Net Result**
Shareholders' Equity of Damiani S.p.A.	**89,116**	**2,612**
1. Elimination of the book value of consolidated investments:		
- Difference between book value and shareholders' equity	(14,143)	(6,251)
Total	**(14,143)**	**(6,251)**
2. Elimination of the transaction between consolidated companies:		
Infra-group profits included in the value of inventories		
- Gross value	(16,377)	(640)
+ Deferred taxes	3,145	825
Total	**(13,232)**	**185**
Shareholders' equity and net profit belonging to the Group	**61,741**	**(3,454)**
Shareholders' equity and net profit belonging to the Minorities	**2,425**	**(145)**
Shareholders' equity and net profit belonging to the Shareholders	**64,166**	**(3,599)**

Comments on the main economic and financial data of the Group

The consolidated financial statements at March 31, 2015 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. Compared to the previous year, the improvements made in terms of operating performance testify to the correctness of the strategic actions taken to adapt to changing trends of the target market. Their full implementation, reflected in the business plan of the Group foresees a further increase in revenues and a recovery in the margins.
Consolidated revenues from sales and services, equal to Euro 150,452 thousands, have recorded an increase over the previous financial year by 4.3%. Even the operational performance, characterized by careful and continuous cost control, marked a further improvement with EBITDA positive for Euro 4,039 thousands, compared to Euro 251 thousands in 2013/2014. Consequently, even the loss of the Group was in significant decline compared to the previous financial year (the recovery is Euro 5,103 thousands).

The following table shows the consolidated income statement for the financial year 2014/2015 compared to the financial year 2013/2014:

Income statement *(in thousands of Euro)*	**Financial Year 2014/2015**	**Financial Year 2013/2014**	**Change**	**Change %**
Revenues from sales and services	150,421	144,241	6,180	4.3%
Other revenues	31	74	(43)	-58.2%
Total revenues	**150,452**	**144,315**	**6,137**	4.3%
Cost of production	(146,413)	(144,064)	(2,349)	1.6%
EBITDA *	**4,039**	**251**	**3,788**	n.m.
EBITDA %	***2.7%***	***0.2%***		
Depreciation and amortization	(4,439)	(4,099)	(340)	8.3%
Operating income	**(400)**	**(3,849)**	**3,449**	89.6%
Operating income %	***-0.3%***	***-2.7%***		
Net financial incomes (losses)	(3,171)	(2,571)	(600)	23.3%
Result before taxes	**(3,571)**	**(6,420)**	**2,849**	44.4%
Result before taxes %	***-2.4%***	***-4.4%***		
Taxes	(28)	(2,148)	2,120	-98.7%
Net result	**(3,599)**	**(8,568)**	**4,969**	58.0%
Net result %	***-2.4%***	***-5.9%***		
Minorities Interests	(145)	(11)	(134)	n.m.
Net result of the Group	(3,454)	(8,557)	5,103	59.6%
Net result of the Group %	*-2.3%*	*-5.9%*		

(*) 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 2014/2015 increased by Euro 6,180 thousands (+4.3% at current exchange rates; +4.0% at constant exchange rates) compared to the financial year 2013/2014, from Euro 144,241 thousands to Euro 150,421 thousands.

The growth of the consolidated revenues was due to the increase in the retail channel (+7.2% at current exchange rates; +6.5% at constant exchange rates), and in particular the very positive performance recorded by Damiani single-brand boutiques in Italy and abroad (overall +25% at current exchange rates), reflecting the appreciation of our collections by the end consumers. The wholesale channel increased by 2.4% at current exchange rates (the same growth at constant exchange rates).

As a result of these trends, the percentage of total revenues from retail sales results in further growth, reaching approximately 41%. It confirms the correctness of the strategy of the Group in recent years, which is focusing its investments, in Italy and mainly abroad, on this channel, with the aim of increasing the visibility and brand awareness of Damiani and improve the relationship with the final customer.

The table below shows the revenues by sales channel.

Revenues by Sales Channel *(in thousands of Euro)*	**Financial Year 2014/2015**	**Financial Year 2013/2014**	**Change**	**Change %**
Retail	**61,404**	**57,274**	**4,130**	**7.2%**
Percentage on total revenues	*40.8%*	*39.7%*		
Wholesale	**89,017**	**86,967**	**2,050**	**2.4%**
Percentage on total revenues	*59.2%*	*60.3%*		
Total revenues from sales and services	**150,421**	**144,241**	**6,180**	**4.3%**
Percentage on total revenues	*100.0%*	*99.9%*		
Other revenues	**31**	**74**	**(43)**	**-58.1%**
Percentage on total revenues	*0.0%*	*0.1%*		
Total Revenues	**150,452**	**144,315**	**6,137**	**4.3%**

In the fourth quarter (January-March 2015) revenues amounted to Euro 34,978 thousands, an increase by 3.0% compared to the same period of the previous financial year (Euro 33,949 thousands).

Cost of production

Overall the total net costs of production for the financial year ended March 31, 2015 were equal to Euro 146,413 thousands. They showed an increase of Euro 2,349 thousands (+1.6%) compared to the financial year ended March 31, 2014 (Euro 144,064 thousands), as a direct correlation to the increased volume of business of the Group, partially offset by the benefits resulting from the actions of savings implemented.

In detail, the trend of costs in the financial year 2014/2015 was the following:

- Cost of raw materials and other materials, including purchase of finished products, was Euro 82,454 thousands, an increase of 3.5% compared to the twelve months period ended March 31, 2014 (Euro 79,677 thousands). The increase was due to higher revenues recorded in the financial year 2014/2015, 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 41,931 thousands, essentially unchanged compared to the previous financial year (Euro 41,830 thousands). The continuous monitoring of the different components of operating costs resulted in savings, while in presence of a

revenue growth trend it has been continued to devote adequate resources in terms of advertising & promotion, which increased in line with the trend of sales. The higher operating costs for rents are linked to the development of the retail sector.

- Personnel costs amounted to Euro 25,051 thousands, a decrease of 1.8% compared to the previous financial year (Euro 25,502 thousands). Even in the presence of an average staff larger than the previous financial year (+8 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, 2015 the average number of employees of the Group was 591.5 units.
- The Other net operating incomes were Euro 3,023 thousands compared to a net income of Euro 2,945 thousands in the financial year 2013/2014. 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 both years there were non-recurring gains for respectively Euro 570 thousands (FY 2013/2014) and Euro 1,891 thousands (FY 2014/2015), arising from the sale to third parties of leases on directly managed store that were not profitable nor strategic for the Group.

EBITDA

The trend of revenues and costs of production described above results in a positive EBITDA in the financial year ended March 31, 2015 of Euro 4,039 thousands, an improvement compared to the gross operating result of the previous financial year for Euro 3,788 thousands.

Depreciation, amortization and devaluation

In the financial year ended March 31, 2015 the amortization, depreciation and write-downs amounted to Euro 4,439 thousands, an increase by Euro 340 thousands compared to the previous twelve months period (Euro 4,099 thousands). This increase was mainly due to higher write-downs of fixed assets for Euro 251 thousand, relating to non-current assets of the stores directly managed, closed as unprofitable and non-strategic for the Group.

Operating result

In the financial year ended March 31, 2015, due to the factors described above, the operating result was negative for Euro 400 thousands compared to a negative result for Euro 3,849 thousands in the financial year 2013/2014, resulting in an improvement of Euro 3,449 thousands.

Net financial incomes (expenses)

The balance of the financial management in the financial year ended March 31, 2015 was negative for Euro 3,171 thousands, worsening compared to the twelve-months period ended March 31, 2014 (negative balance of Euro 2,571 thousands).
This change was entirely due to the negative net exchange rate effects recorded in the financial year 2014/2015, equal to Euro 462 thousands, compared to the net income from exchange rate in the previous financial year (Euro 127 thousands).

Result before taxes

In the financial year ended March 31, 2015 the result before taxes was negative and amounted to Euro 3,571 thousands. The negative impact of costs from exchange rate variation has affected part of the recovery of the operating result described above. Despite that, the improvement on the previous year was Euro 2,849 thousands.

Current, prepaid and deferred taxes

In the financial year ended March 31, 2015 income taxes have a negative impact on the consolidated result of only Euro 28 thousands, while in the financial year 2013/2014 the negative impact was Euro 2,148 thousands. The higher value of taxes in the previous financial year was 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. This component was less significant in the financial year 2014/2015.

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. It includes its subsidiary 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 2014, and Rocca S.p.A., which has been integrated by merger since April, 1st 2014). From January 1, 2013 has been activated also the regime of Group VAT (Damiani S.p.A., Laboratorio Damiani S.r.l. and Rocca S.p.A., merged in Damiani S.p.A. in the financial year 2014/2015), pursuant to Presidential Decree 633/72 article 73, paragraph 3, DM 13/12/1979. On February 10, 2015 the Group VAT system was renewed for the year 2015.

Net result

Consolidated net result attributable to the Group for the financial year ended March 31, 2015 was a loss of Euro 3,454 thousands, an increase of Euro 5,103 thousands compared to the financial year ended March 31, 2014 (loss of Euro 8,557 thousands).

Balance sheet and financial position

The following table shows the consolidated balance sheet of Damiani Group at March 31, 2015 compared to March 31, 2014.

Balance sheet data *(in thousands of Euro)*	**Situation at March 31, 2015**	**Situation at March 31, 2014**	**change**
Fixed Assets	46,213	47,208	(995)
Net working capital	76,298	66,418	9,880
Non current Liabilities	(7,413)	(6,461)	(952)
Net Capital Invested	**115,098**	**107,165**	**7,933**
Shareholders' Equity	64,166	66,395	(2,229)
Net Financial position (*)	50,932	40,770	10,162
Sources of Financing	**115,098**	**107,165**	**7,933**

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

Fixed assets
At March 31, 2015 the consolidated fixed assets were Euro 46,213 thousands, a decrease compared to March 31, 2014 of Euro 995 thousands. This change was mainly due to the decrease in net tangible assets (the reduction is equal to Euro 1,399 thousands), as amortization (high as a result of investments made in the recent past in the retail segment and totaling Euro 3,612 thousands) more than offset capital expenditure. All other fixed components recorded smaller variations.

Net working capital
At March 31, 2015 the Net working capital amounted to Euro 76,298 thousands, an increase compared to March 31, 2014 of Euro 9,880 thousands. The change was mainly due to the increase in stock, required by the enlargement of the number of stores of the Group with the Damiani brand.

Non-current liabilities
At March 31, 2015 the non-current liabilities amounted to Euro 7,413 thousands, in increase of Euro 952 thousands compared to March 31, 2014. The change was mainly due to the increase in deferred tax liabilities of Euro 726 thousands.

Shareholders' Equity
At March 31, 2015 the Shareholders' Equity amounted to Euro 64,166 thousands, a decrease of Euro 2,229 thousands compared to March 31, 2014. The change was due to the following items:
- Net loss of the financial year for Euro 3,599 thousands (including minorities);
- Increase of stock option reserve for Euro 214 thousands, for the valuation of share-based payment pursuant to IFRS 2;
- Actuarial loss on defined benefit plans for employees recognized in accordance with IAS 19 (2011) for Euro 180 thousands;
- Other positive changes in reserves for a total of Euro 1,336 thousands, mainly due to translation differences.

Net financial position
The following table shows the composition of the net financial position at March 31, 2015 and its evolution in relation to March 31, 2014:

Net Financial Position (*) *(in thousands of Euro)*	**Situation at March 31, 2015**	**Situation at March 31, 2014**	**change**
Current portion of loans and financing	2,705	3,664	(959)
Drawdown of credit lines, short term financing and others	35,009	21,554	13,455
Current portion of loans and financing with related parties	1,031	1,038	(7)
Current financial indebtedness	**38,745**	**26,256**	**12,489**
Non current portion of loans and financing	11,049	12,851	(1,803)
Non current portion of loans and financing with related parties	10,893	12,127	(1,234)
Non current financial indebtedness	**21,941**	**24,978**	**(3,037)**
Total gross financial indebtedness	**60,686**	**51,234**	**9,452**
Cash and cash equivalents	(9,754)	(10,464)	710
Net Financial Position (*)	**50,932**	**40,770**	**10,162**

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

At March 31, 2015 the Group had a net financial debt of Euro 50,932 thousands. Compared to March 31, 2014 the net financial position worsening by Euro 10,162 thousands (the net debt was Euro 40,770 thousands), as a direct result of the growing demand resulting from working capital.
In terms of sources, the debt is adequately balanced, although an increase in short term credit lines to cover the needs of working capital. These short lines, which are also at the moment less expensive than the medium/long term, are only partially used.
It should be noted that the net financial position at March 31, 2015 includes Euro 6,924 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, 2015 the Group carried out capital expenditures (tangible and intangible) of Euro 2,354

thousands compared to Euro 4,246 thousands booked in the previous financial year.
These investments are directed mainly to the retail channel, for renovations and for new stores activated in Italy and abroad.

Key economic data by geographical segments

The Damiani Group operates in a single operating segment in which there are not 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 subsidiary Laboratorio Damiani S.r.l. that operates as manufacturing enterprise;
ii) **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 that distribute the Group's products in their local markets.
The reorganization of the Damiani Group implemented during the financial year 2014/2015 and during the previous financial years resulted in the reallocation and the simplification of operations 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, the information by geographic region data taken from internal management systems of the Group is also considered, in order to allocate properly 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, 2015 and in the previous financial year ended March 31, 2014.

Revenues by Geographical Area *(in thousands of Euro)*	**Financial Year 2014/2015**	**% of total**	**Financial Year 2013/2014**	**% of total**	**change %**
Italy:	**103,983**	69.1%	**99,320**	68.8%	4.7%
- revenues from sales and services	103,956		99,288		
- other revenues	27		32		
Foreign Countries	**46,469**	30.9%	**44,995**	31.2%	3.3%
- revenues from sales and services	46,465		44,953		
- other revenues	4		42		
Total revenues	**150,452**	100.0%	**144,315**	100.0%	4.3%

Compared to the previous financial year the revenues in **Italy** increased by 4.7% and benefit both of a recovery in the wholesale channel and of the strong performance of Damiani retail. The wholesale channel in previous years was strongly affected by the crisis of final consumption that had generated an attitude of jewelers very cautious in purchases. In the Damiani retail channel it's important the weight of foreign customers, whose purchases are driven by the growing international reputation of the brand, which is also due to the enlargement of the number of stores that the Group opened in their countries of origin in recent years, supporting a significant financial commitment.
Revenues in the **Foreign countries** grow by 3.3% at current exchange rates (+2.5% at constant exchange rates), with a very positive performance in the retail channel (+26% at current exchange rates). In Asian countries (including Japan), markets in which the Group's investments are concentrated for the high potential and for appreciation that local consumers show towards luxury products Made in Italy, the increase at current exchange rate was 27%.

The following table shows the EBITDA breakdown by geographical areas in the financial years ended March 31, 2015 and March 31, 2014.

EBITDA by Geographical Area (*) *(in thousands of Euro)*	**Financial Year 2014/2015**	**Financial Year 2013/2014**	**change**
Italy	**6,795**	**2,756**	4,039
Foreign Countries	**(2,756)**	**(2,505)**	(251)
Consolidated EBITDA	**4,039**	**251**	3,788
% on Revenues	*2.7%*	*0.2%*	

(*) 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 terms of EBITDA, **Italy** recorded an increase by Euro 4,039 thousands related to the growth of sales and to a more balanced structure of operating costs.
The gross operating result in the **Foreign countries** was negative and essentially unchanged from the previous year and is still suffering from the start-up phase that are going through some subsidiaries of the Group.

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, 2015 and in the previous financial year are displayed hereunder (for further details see note 32. Transactions with related parties).

(in thousands of Euro)	**Financial Year 2014/2015**		**Balance at March 31, 2015**				
	Net operating costs	Financial expenses	Other current assets	Trade receivables	Financial debts (including	Other current liabilities	Trade payables
Total with related parties	(1,195)	(985)	608	4	(11,924)	(69)	(1,658)
Total Consolidated	(150,852)	(3,363)	8,656	34,198	(60,686)	(5,804)	(51,811)
%age weight	1%	29%	7%	0%	20%	1%	3%

(in thousands of Euro)	**Financial Year 2013/2014**		**Balance at March 31, 2014**			
	Net operating costs	Financial expenses	Other current assets	Financial debts (including	Other current liabilities	Trade payables
Total with related parties	(1,055)	(941)	691	(13,165)	(138)	(4,575)
Total Consolidated	(148,164)	(2,867)	7,322	(51,234)	(6,149)	(49,183)
%age weight	1%	33%	9%	26%	2%	9%

Non-recurring, atypical and/or unusual transactions

In the financial year 2014/2015 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:

- On May 26, 2014, the company Rocca S.p.A. (subsequently merged into the parent company Damiani S.p.A.) sold to third parties the business unit (inclusive of the lease) for a multi-brand store not strategic for the Group. This sale generated a net income for the Group of EUR 1,393 thousands.

Significant events during the financial year

Exclusion from the Star segment of the Italian Stock Exchange
On August 13, 2014 the Board of Directors of Damiani S.p.A. resolved to request Borsa Italiana S.p.A. (Italian Stock Exchange) the exclusion of “STAR” status for the Company's shares, pursuant to Article 2.5.8 of the Rules of the markets organized and managed by the Italian Stock Exchange. The request was also due to the reduction of the "float" below the threshold of 20% of the capital, the minimum required for the presence in the STAR segment. On August 18, 2014 Borsa Italiana S.p.A. ordered the exclusion from the “STAR” status of ordinary shares of Damiani S.p.A. and the consequent transfer of shares on the “MTA” market with effect from August 26, 2014.

Main events of the financial year
On May 28, 2014 were started the activities of the second flagship store in Singapore, located at Marina Bay Sand, the center of the shopping area where there are major international luxury brands. American actress Eva Longoria was the guest of honor of the opening event 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. During the official ceremony of June 9, 2014 at the Foro Italico, in the prestigious setting of the Stadio dei Marmi, in the presence of the former President of the Republic Giorgio Napolitano, Damiani has exhibited the collection created in limited edition to celebrate the 90th anniversary of the maison . It is numbered exclusive jewelry that is inspired by each decade of history of Damiani from 1924 to today.

On June 18, 2014 the temporary exhibition “90 Years of Excellence and Passion of Damiani” was inaugurated at Palazzo Pitti in Florence. In the exhibition, open to the public until September 7, 2014 in the Modern Art Gallery of the historic Florentine Renaissance palace, were exposed 18 works that over the years have been awarded the International Diamond Award, the Oscar of the jewelry, as well as the creations dedicated to the 90 years of the maison and other award winning jewelry. Damiani is the first jeweler in activities to which is dedicated the honor of an exhibition of such prestige and necklace Chakra was donated to the permanent collection of the “Galleria degli Argenti” in Palazzo Pitti. In October and November 2014 the celebrations of the 90th Anniversary of the Damiani Group continued, with exposure jewelry at the headquarters of the Italian Stock Exchange and with an event (November 4) in Taipei, at the Regent Hotel, to present their collections local customers.

In the month of August 2014 Damiani was Presenting Sponsor at 71 ° Italian Open golf, played at the route of the Circolo Golf Torino. Damiani has enhanced its participation in various initiatives and activities on days when they played the races and has made available a set of jewels Juliette worth about $ 350,000 for those who had made the '"Hole in one" and an award for the best Italian ranked.

In September 2014 Damiani was among the sponsors of the event Celebrity Fight Night, which was held in Tuscany, thanks to the famous tenor Andrea Bocelli. The Celebrity Fight Night Foundation have been supported for twenty years the battle of the great boxer Muhammad Ali for research on Parkinson's disease. The event was attended by international stars of the show business.

In the month of October 2014 Damiani, together with former Japanese footballer Nakata, has launched the new Metropolitan Dream collection by H. Nakata with the aim of raising funds to support the project "Home for All", launched in 2011 and directed by the famous architect Toyo Ito. It was made to help victims of the earthquake that hit Japan in March 2011 in the reconstruction of the affected cities and to improve the daily life of the community. In January 2015, the collection was presented to the press in Milan during Men's Fashion Week and in February was also launched in Korea, with an event organized in the prestigious Avenue Lotte World Tower in Seoul.

On November 28, 2014 18 Damiani jewels winners of Diamonds International Awards were exhibited in London at the gallery Contini, in occasion of the opening of the photo exhibition of the famous dancer Mikhail Baryshnikov. The event was attended by actors and artists of international renown.

In December Damiani launched its first e_boutique where it's possible to buy online all the brand's collections. So Damiani strengthens its digital strategy and its image that knows how to be innovative and attentive to the trends and habits of the younger generation. Access to the new service is more immediate with the complete renovation of the new site Damiani, active since February and technologically advanced. In the new version the Korean language is also available. It joins Italian, English, Spanish, Russian, Chinese and Japanese versions.

On December 22, 2014 the new Damiani boutique at the international airport of Milan Malpensa was inaugurated. The new store is part of the strategy of expansion in the travel retail business, which began earlier with the openings at the airport in Moscow and Rome-Fiumicino.

At the beginning of February 2015 and on the Valentine's Day has launched a limited edition ring Gomitolo.925, whose revenues from sales will be donated to the CAF Onlus, which since its founding in 1979 is dedicated to the reception and care of child victims of abuse.

Significant events after the end of the financial year

On April 8, 2015 Silvia Damiani, Vice President of the Group, was named Businesswoman of the year 2015 by *Femmes Chefs d'Entreprises Mondiales* (FCEM) in the category Pioneers Award at the 63rd Annual World Congress of Women Entrepreneurs, held in the Kingdom of Bahrain, attended by over 500 women business leaders and entrepreneurs from around the world. The FCEM is the leading association for business and entrepreneurship that unites women owners of businesses around the world. Established in France in 1945 at the end of World War II, the Association has rapidly spread to the other European countries and, subsequently, to the five continents.

On April 27, 2015 Damiani was awarded the Leonardo Quality Italy, on the occasion of the "Day of Italian Quality", promoted by the Leonardo Committee and dedicated to companies that promote the image, style and excellence of the Made in Italy and of Italy in the world. Guido Damiani, President of the Group, has been awarded in Rome at the Quirinal Palace by Italian President Sergio Mattarella, in the presence of Deputy Minister of Economic Development Carlo Calenda, the President of ICE Agency Riccardo M. Monti, the President of the Leonardo Committee Luisa Todini and numerous ambassadors. The initiative, now in its 20th edition, is promoted by the Leonardo Committee, established in 1993 by the idea shared by Senator Sergio Pininfarina and Senator Gianni Agnelli, and by Confindustria and the National Institute for Foreign Trade (ICE) and a group of entrepreneurs, with the aim of spreading and reinforcing the image of excellence of Italy in the world. Members of the Leonardo Committee - Italian Quality Committee – are companies that enjoy an international indisputable reputation, in terms of product quality and their international projection. Among the members of the committee, in addition to Damiani: Ferrari, Prada, Tod's, Ferrero, Loro Piana, Luxottica, and Marzotto.

In April 2015 the Damiani Ginza Tower project was launched. It consists in the transformation of a nine-floors building, located in the central Chuo-street of the Ginza district in Tokyo. In the building it will be located the new Damiani boutique and a VIP room that will occupy four floors of the building, and the offices of the Japanese subsidiary of the Group. The initiative is part of the strategy to strengthen the brand Damiani abroad, in a country that for years has been shown to appreciate the excellence of Made in Italy. The conclusion of the work of construction and the opening of the boutique is scheduled for the summer.

In early May 2015 the new multi-brand boutique "Rocca 1794" in the central Piazza Duomo in Milan was inaugurated, completely renovated and modernized in the stands. Besides Damiani, the boutique offers five corners dedicated to some of the most famous international brands Haute Horlogerie and jewelry world: Rolex, Cartier, Omega and Jaeger-LeCoultre.

In May Damiani has started a charity, ActionAid alongside, with the aim to raise funds for the people of Nepal affected by the terrible earthquake of April. The transaction will involve the Italian boutique Damiani and Rocca 1794 until the end of June through the sale of selected collections Damiani at a great price. The proceeds will be donated to ActionAid which is already active in the affected area, providing food and medical support in protected areas in the Kathmandu Valley.

At the end of May 2015 Damiani announced its support to the project "Nuvola Rosa", an initiative created to help women to undertake technical and scientific routs, to facilitate entry into the world of work. The project is developed in Milan during the period of EXPO. Damiani joins the ONU and Microsoft for this initiative and in the coming months will organize a special event in Valenza aimed to raise awareness of the goldsmith, with a delegation of university students.

On May 27, 2015 a new mono-brand Damiani store was inaugurated at the Beijing International Airport. The store, managed in franchising, is part of the expansion strategy of the Group in the travel retail segment that is steadily growing in the global luxury market.

On June 3, 2015 at the Belgian pavilion at the international Expo in Milan an agreement between Damiani and HRD Antwerp was signed. HRD Antwerp is an European authority, leader in the certification of diamonds and owner of Diamond Lab, in conformity with the rules of the IDC (International Diamond Council).

On June 9, 2015 Damiani received, from the Polytechnic of Milan, the Ambrogio Lorenzetti award for corporate governance, in relation to listed companies category, awarded by the GC Governance Consulting.

On June 11, 2015 was inaugurated the exhibition in Valenza "Valenza and the art of jewelry: Damiani and the jewelry tradition", in the presence of well-known art critic Vittorio Sgarbi, curator of the project. The exhibition, in which Damiani showed his masterpiece that have characterized the successes of over 90 years of history, is open to the public until August at the charming spaces of Art nouveau Scalcabarozzi Palace, in the Piedmont town, cradle of the best jewelry tradition, internationally recognized .

Business outlook

The Damiani Group in the financial year 2014/2015 consolidated a recovery of operating profit, which had already started in the previous year. Trade actions have made it possible to strengthen the reputation abroad, in areas where the Group has recently facing,

being appreciated more and more by demanding customers who recognize in our products the high quality of manufacturing and of the precious raw materials used. In this market segment, the potential is high and consequently also in the near future are expected returns in terms of increased sales and greater visibility which can be the basis for further expanding in the retail structure of the Group.
Internally, the focus was on initiatives that have made business processes more efficient and generate savings in operating cost structure. The merger of Rocca S.p.A. in the parent company Damiani S.p.A. fully fits into this context. These actions are structural and therefore intended to show their benefits on the income statement of the Group also in the future.
With this solid foundation, also confirmed by the results of the first part of the financial year, the Group expects to further improve in the year 2015/2016 in terms of financial strength, with a better balance between internal and external sources.

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.

Valenza, June 12 2015

For the Board of Directors
CEO
Mr. Giorgio Grassi Damiani

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	Note	March 31, 2015	March 31, 2014
NON-CURRENT ASSETS			
Goodwill	4	4,723	4,737
Other Intangible Assets	5	4,324	4,282
Property, plant and equipment	6	16,048	17,447
Investments	7	167	167
Financial receivables and other non current assets	8	4,658	4,125
Deferred tax assets	9	16,293	16,450
TOTAL NON CURRENT ASSETS		**46,213**	**47,208**
CURRENT ASSETS			
Inventories	10	92,598	85,745
Trade receivables	11	34,198	30,525
of which towards related parties		*4*	-
Tax receivables	12	845	497
Other current assets	13	8,656	7,322
of which towards related parties		*608*	*691*
Cash and cash equivalents	14	9,754	10,464
TOTAL CURRENT ASSETS		**146,051**	**134,553**
TOTAL ASSETS		**192,264**	**181,761**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		28,851	36,154
Group net income (loss) for the period		(3,454)	(8,557)
TOTAL GROUP SHAREHOLDERS' EQUITY		**61,741**	**63,941**
NON CONTROLLING INTEREST			
Non controlling interest share capital and reserves		2,570	2,465
Non controlling interest net income (loss) for the period		(145)	(11)
TOTAL NON CONTROLLING INTEREST		**2,425**	**2,454**
TOTAL SHAREHOLDERS' EQUITY	15	**64,166**	**66,395**
NON CURRENT LIABILITIES			
Long term financial liabilities	16	21,941	24,978
of which towards related parties		*10,893*	*12,127*
Employees Termination Indemnities	17	5,013	5,005
Deferred Tax liabilities	9	1,133	407
Provision for risks and charges	18	764	581
Other non current liabilities	19	503	468
TOTAL NON CURRENT LIABILITIES		**29,354**	**31,439**
CURRENT LIABILITIES			
Current portion of long term financial liabilities	16	3,736	4,702
of which towards related parties		*1,031*	*1,038*
Trade payables	20	51,811	49,183
of which towards related parties		*1,658*	*4,575*
Short term borrowings	21	35,009	21,554
Tax payables	22	2,384	2,340
Other current liabilities	23	5,804	6,149
of which towards related parties		*69*	138
TOTAL CURRENT LIABILITIES		**98,744**	**83,928**
TOTAL LIABILITIES		**128,098**	**115,367**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**192,264**	**181,761**

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)	Note	Financial Year 2014/2015	Financial Year 2013/2014
Revenues from sales and services		150,421	144,241
Other revenues		31	74
TOTAL REVENUES	24	**150,452**	**144,315**
Cost for raw materials and consumables	25	(82,454)	(79,677)
Cost of services	26	(41,931)	(41,830)
of which towards related parties		*(1,210)*	*(1,055)*
Personnel cost	27	(25,051)	(25,502)
Other net operating (charges) incomes	28	3,023	2,945
of which towards related parties		15	-
of which not recurring		*1,891*	*570*
Amortization, depreciation and write downs	29	(4,439)	(4,099)
of which not recurring		(498)	(247)
TOTAL OPERATING EXPENSES		**(150,852)**	**(148,164)**
OPERATING INCOME (LOSS)		**(400)**	**(3,849)**
Financial Expenses	30	(3,363)	(2,867)
of which towards related parties		*(985)*	*(941)*
Financial Incomes	30	192	296
INCOME (LOSS) BEFORE INCOME TAXES		**(3,571)**	**(6,420)**
Income Taxes	31	(28)	(2,148)
NET INCOME (LOSS) FOR THE PERIOD		**(3,599)**	**(8,568)**
Attributable to:			
Equity holders of the parent		(3,454)	(8,557)
Non controlling interests		(145)	(11)
Basic Earnings (Losses) per Share(*)		**(0.04)**	**(0.11)**
Diluted Earnings (Losses) per Share(*)		**(0.04)**	**(0.11)**

(*) 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 2014/2015	Financial Year 2013/2014
Net income (Loss) for the period	**(3,599)**	**(8,568)**
Other gains (losses) that will be reclassified to net income for the period:		
Gain (Losses) on cash flow hedges	0	0
Tax Effect	(0)	(0)
Gain (Losses) on exchange differences on translating foreign operations	3,124	(1,700)
Tax Effect	(1,787)	(64)
Other gains (losses) that will not be reclassified to net income for the period:		
Gain (Losses) on the remeasurement of defined benefit plans	(255)	(766)
Tax effect	75	211
Total Comprehensive Income (loss) for the period	**(2,442)**	**(10,886)**
Equity holders of the parent	(2,413)	(10,758)
Non controlling interests	(29)	(128)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Euro)	Share Capital	Share Premium Reserve	Legal 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**	**8,618**	**455**	**(8,134)**	**(26,775)**	**167**	**(8,390)**	**74,577**	**2,582**	**77,159**
Allocation of the result for the period		(2,069)					(6,321)		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**	**67,789**	**2,434**	**8,618**	**577**	**(8,134)**	**(34,775)**	**(355)**	**(8,557)**	**63,941**	**2,454**	**66,395**

(in thousands of Euro)	Share Capital	Share Premium Reserve	Legal 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, 2014	**36,344**	**67,789**	**2,434**	**8,618**	**577**	**(8,134)**	**(34,775)**	**(355)**	**(8,557)**	**63,941**	**2,454**	**66,395**
Allocation of the result for the period		(2,033)					(6,524)		8,557			
Other comprehensive income(loss)							1,221	(180)	(3,454)	(2,413)	(29)	**(2,442)**
Stock option					214					214		**214**
Balances at March 31, 2015	**36,344**	**65,756**	**2,434**	**8,618**	**791**	**(8,134)**	**(40,078)**	**(535)**	**(3,454)**	**61,741**	**2,425**	**64,166**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	(3,599)	(8,568)
Adjustments to reconcile the income (loss) for the period to the cash flow generated (absorbed) by operating activities:		
Amortization, depreciation and write downs	4,439	4,099
Costs/(revenues) for stock option	214	122
(Gains)/Losses from sale of non current assets	66	47
Accrual (releases) of allowance for doubtful accounts	1,660	881
Accrual (releases) of provision for risks and charges	250	70
Changes in the fair value of financial instruments	(657)	56
Accrual to employees' termination indemnity	353	399
Employees' termination indemnity payments	(345)	(157)
Changes in the deferred tax assets and liabilities	883	1,264
	3,263	(1,787)
Changes on operating assets and liabilities:		
Trade receivables	(5,333)	(6,280)
Inventories	(6,853)	(2,311)
Trade payables	2,628	3,579
Tax receivables	(348)	876
Tax payables	44	347
Provisions for risks and charges	(66)	(785)
Other current assets and current and non current liabilities	(987)	4,032
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	**(7,652)**	**(2,330)**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposal of intangible assets and property, plant and equipment	128	116
Purchase of property, plant and equipment	(1,677)	(4,040)
Purchase of intangible assets	(677)	(206)
Damiani India purchases	-	(4)
Net change in the other non current assets	(533)	224
NET CASH FLOW FROM/(USED) IN INVESTING ACTIVITIES (B)	**(2,759)**	**(3,910)**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of long term loans	(4,906)	(7,231)
Issuance of long-term debt	903	17,606
Net change in short-term financial liabilities	13,455	61
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES (C)	**9,452**	**10,436**
TOTAL CASH FLOW (D=A+B+C)	**(959)**	**4,197**
Effect of exchange rates on cash (E)	249	(1,421)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR (F)	**10,464**	**7,688**
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (G=D+E+F)	**9,754**	**10,464**

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. (attributable to the family Grassi Damiani), which owns 58.83% 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, 2015 in accordance with IAS/IFRS international accounting standards and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of 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 Legislative Decree 38/2005.

Basis of presentation
The consolidated financial statements of the Damiani Group as of and for the year ended March 31, 2015 cover the period April 1, 2014 – March 31, 2015, 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). They were approved by the Board of Directors of Damiani S.p.A. on June 12, 2015.
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, 2014 – March 31, 2015 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, 2015 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 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, 2015 are compared to the figures for the corresponding prior year period. The statement of financial position as of March 31, 2015 is compared to that as of March 31, 2014.
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, 2015:

Company name	Registered office	Currency	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 International S.A.	Lugano, Switzerland	CHF	600,000	Damiani S.p.A.	100.00%	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	45,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani Korea Co. Ltd	Seoul, South Korea	KRW	1,900,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani India Co. Ltd	New Delhi, India	INR	44,285,710	Damiani International B.V.	0.00%	51.00%
Damiani International S.A.	Manno, Switzerland	CHF	250,000	Damiani International B.V.	0.00%	100.00%

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

Compared to the previous year the consolidation area at March 31, 2015 changed as follows:

- On December 16, 2014 the deed of merger by incorporation of Rocca S.p.A. in the parent company Damiani S.p.A. which held 100% of the share capital of the merged company, was signed. This deed has implemented what had been approved by the Boards of Directors of the two companies involved on October 2, 2014. The merger took legal effect as from January 1, 2015, while accounting and tax effects were backdated to April 1, 2014. The transaction did not result in any capital increase in the absorbing company (which booked the merger deficit as a reduction of its equity) or, in accordance with Consob (Stock Exchange Commission) Regulation 17221/10 is subject to the procedure on transactions with related parties. The merger has been designed to provide greater functionality and effectiveness of the Group, generating economic and financial benefits.
- On March 18, 2015, by notarial deed was formed the company Damiani International SA based in Manno (Switzerland), wholly owned by Damiani International BV who has subscribed and paid share capital of 250,000 Swiss francs, consisting of 250 shares with nominal value of 1,000 francs each. On March 26, 2015 the company was entered in the Commercial Register of the Canton Ticino (Switzerland). The company's purpose is the marketing around the world, wholesale and retail of jewelry products, watches, precious items and raw materials, and the provision of services for the Group and the acquisition of holdings. On March 31, 2015 the company was not yet operational.

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, 2015 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, 2015 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	46,792	41	Damiani S.p.A.	0.50%	0.50%

(1) Share capital at December 31, 2013

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, 2015 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, 2014, except as outlined below in relation to the amendments and interpretations applicable from April 1, 2014.

Accounting standards, amendments and interpretations effective from April 1, 2014

Below are the nature and the impact of any new/revised accounting standards:

- IFRS 10 and subsequent amendment – Consolidated financial statements: replaces SIC-12 Consolidation – special purpose company and part of IAS 27 – Consolidated financial statements and separate financial statements which governed the accounting of the consolidated financial statements. IFRS 10 establishes a single control model that applies to all companies, including special purpose entities. It also provides a guide to determine the existence of control where this is difficult to ascertain. IFRS 10 has not impacts on the consolidation of Group's subsidiaries.
- IFRS 11 – Joint Arrangements: it replaces IAS 31 Investments in Joint venture and SIC-13 Jointly controlled entities – *Non-Monetary Contributions* by Venturers. IFRS 11 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. IFRS 11 has not impacts on the Group.
- IFRS 12 e subsequent amendment – Disclosure of Interests in Other Entities. It's a new standard on disclosure requirements for all forms of participation, including those in subsidiaries, jointly controlled arrangements, associates, special purpose entities and other unconsolidated structures. The provisions were previously included in IAS 27, IAS 31 and IAS 28. The new accounting standard has not impacts on the Group.
- IAS 27 – Separate financial statements: as result of the new IFRS 10 and IFRS 12, IAS 27 is limited to accounting for investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment has not impacts on the Group.
- IAS 28 – Investments in associates and joint ventures: as a result of the new IFRS 11 and IFRS 12, IAS 28 describes the application of the equity method for investments in jointly controlled companies, in addition to associates. The amendment has not impacts on the Group.
- IAS 32 – Compensation of financial assets and liabilities (amendment): the amendments clarify the meaning of "currently has a legally right to offset" and the policy of compensation in the case of settlement systems (such as central clearing house) applying mechanisms of non-simultaneous regulation. The amendment has not expected impacts on the Group.
- IAS 36 – Information on the recoverable value of non-financial assets (amendment): The amendments remove the consequences of the disclosures required by IAS 36 unintentionally introduced by IFRS 13. In addition, these changes require information on the recoverable amount of the asset or "CGU" for which in the course of the financial year a reduction in value (impairment losses) has been detected or reversed.
- IAS 39 – Financial Instruments: Recognition and Measurement (amended): these changes allow the continuing of hedge accounting when the novation of a derivative hedging meets certain criteria. The amendment has not expected impacts on the Group.

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

Listed below are the accounting standards, which, at the date of the consolidated financial statements of the Group, were already issued but not yet effective. The Damiani Group intends to adopt these standards when they come into force.

- IFRS 9 – Financial instruments: in July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that reflects all phases of the project relating to financial instruments and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for the classification, measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning from January 1, 2018 or later. Earlier application is permitted. It is required retrospective application of the principle, but it's not required to provide comparative information. It is permitted early application of the previous versions of IFRS 9 (2009, 2010 and 2013) if the date of initial application is earlier than February 1, 2015.
- IAS 19 - Employee benefits: employee contributions (revised). IAS 19 calls for an entity to consider the contributions by employees or third parties when accounting defined benefit plans. When contributions are linked to the performance of the service, they should be attributed to the period of service as a negative benefit. The amendment states that if the amount of the fees is independent of the number of years of service, it's permitted to an entity to recognize these contributions as a reduction of cost of service during the period in which the service is provided, instead of allocating contributions to periods of service. This change is effective for annual periods beginning on or after July 1, 2014.

- IFRS 15 - Revenue from contracts with customers. IFRS was issued in May 2014 and introduces a new model in five stages, which will apply to revenues from contracts with customers. IFRS 15 requires the recognition of revenue for an amount that reflects the compensation which the entity believes to receive in exchange for the transfer of goods or services to the customer. The standard provides a more structured approach to the recognition and measurement of revenue, replacing all current requirements in the other IFRS regarding revenue recognition. IFRS 15 is effective for annual periods beginning from January 1, 2017 onwards, with full retrospective application or modified. Earlier application is permitted.
- Amendments to IAS 1 - Use of judgment in financial reporting: the amendments to IAS 1 clarify some elements perceived as restrictions on the use of judgment from who draft the financial statements, and are effective for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- Amendments to IAS 16 and IAS 38 - Clarification of the allowable methods of depreciation: the changes clarify the principles set out in IAS 16 and IAS 38: revenues reflect a pattern of economic benefits from operating a business, rather than economic benefits that wear out with use of the item. It follows that a method based on sales cannot be used for the depreciation of property, plant and equipment and may be used only in very limited circumstances for the amortization of intangible assets. The changes must be applied prospectively for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- Amendments to IAS 27 - Equity method in the separate financial statements: changes will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements. The entities that are already applying IFRS and decide to change the method of accounting through the equity method in the separate financial statements will have to apply the change retrospectively. In case of first-time adoption of IFRS, the entity that decides to use the equity method in the separate financial statements should apply the change from the date of transition to IFRS. The changes are effective for financial years beginning on January 1, 2016 or later. Earlier application is permitted.
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: the application of the exception to consolidation: the amendment clarifies the problems arising from the application of the exception to consolidation planned for the size of the investment, and effective for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- Amendments to IFRS 10 and IAS 28 - Sale or transfer of an asset between an investor and an associate or joint venture: the amendment is designed to eliminate the conflict between the requirements of IAS 28 and IFRS 10 and clarifies that, in a transaction that involves an associate or joint venture, the extent to which it is possible to detect a gain or loss depends on whether the asset, the subject of the sale or contribution, is a business. The amendment is effective for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- IFRS 11 agreements to joint ventures: acquisition of a share (amendments): The amendments require that a joint operator recognizes that the acquisition of a stake in an agreement to joint control, whose activities represent a business, must apply the relevant principles of IFRS 3 regarding the accounting for business combinations. The changes also clarify that, in the maintenance of joint control, the previously held share in an agreement to joint control is not subject to re-measurement at the acquisition of an additional stake. In addition, it has added an exclusion from the scope of IFRS 11 to clarify that the changes do not apply when the parties sharing control, including the reporting entities are under common control of the same last controlling party. The changes apply both to the acquisition of the initial share of participation in an agreement to joint control and to the acquisition of each additional share in the same agreement to joint control. The changes must be applied prospectively for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- IFRIC 21 - Taxes: clarifies that an entity recognizes a liability for taxes at the earliest when the event (to which the payment is linked) occurs, in accordance with applicable law. For payments that are due only to the passing of a certain minimum threshold, the liability is recognized only when the threshold is reached. It's required retrospective application for IFRIC 21. This interpretation must be applied in financial statements beginning on or after January 1, 2015.
- Annual cycle of improvements IFRS 2010-2012. The improvements are applicable for annual periods beginning on or after July 1, 2014. They include:
  - IFRS 2: definition of "vesting condition".
  - IFRS 3: Recognition of "contingent consideration" in a business combination.
  - IFRS 8: Information on the aggregation of operating segments.
  - IFRS 8: Reconciliation between the total assets of the operating segments with the total assets of the company.
  - IFRS 13: short-term receivables and payables.
  - IAS 16 / IAS 38: revaluation method: proportional restatement of accumulated depreciation.
  - IAS 24: a management company that provides management services with strategic responsibilities should be considered as a related party.
- Annual cycle of improvements IFRS 2011-2013. The improvements are applicable for annual periods beginning on or after July 1, 2014. They include:
  - IFRS 3: it clarifies that the principle does not apply in accounting for the establishment of an agreement to joint control.
  - IFRS 13: changed the scope of the section on portfolio exception.
  - IAS 40: clarifies that, in determining whether a transaction is the purchase of an asset or a business combination must be used IFRS 3 and not the description of ancillary services in IAS 40.
- Annual cycle of improvements IFRS 2012-2014. The improvements are pending homologation. They include:
  - IFRS 5: reclassification guide to methods provisions.
  - IFRS 7: further guidance to service contracts and applicability of IFRS 7 in the interim financial statements.
  - IAS 19: clarification of the discount rate.
  - IAS 34: guidance on the meaning of "in other sections of the interim report".

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 on sales, commercial obsolescence on stocks, to determine the useful life of property, plant and equipment and intangible assets in the calculation of amortization and 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 on sales, 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 of revenues, costs and cash flows 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 goodwill, 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, 2015 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 asset

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 financial statements 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 has 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:
<u>Costs for advertising campaigns and testimonials</u>
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 have incurred.
Costs relating to advertising campaigns and promotional activities have recognized in the income statement for each period the services had 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 are 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, 2015 and for the financial period ending March 31, 2014, 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, July 26, 2013 and July 24, 2014.

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 are not 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 years 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 result. To this end data taken from internal management systems of the Group are also used, in order to allocate properly revenues and operating costs on the relevant areas.

The following tables provide the operating results for the financial year ended March 31, 2015 and March 31, 2014.

Information by geographical areas (financial year ended March 31, 2015)

Financial Year 2014/2015 *(in thousands of Euro)*	**Italy**	**Foreign Countries**	**Consolidated**
Net Sales to third party customers	103,956	46,465	150,421
Other revenues	27	4	31
Total net sales	**103,983**	**46,469**	**150,452**
Operating Costs	**(100,028)**	**(50,824)**	**(150,852)**
Operating profit (loss)	**3,955**	**(4,355)**	**(400)**

Situation at March 31, 2015 *(in thousands of Euro)*	**Italy**	**Foreign Countries**	**Consolidated**
Capex	1,001	1,353	2,354

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 net sales	**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

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, 2015 and 2014:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Goodwill, boutiques	465	479
Goodwill, Alfieri & St.John	4,258	4,258
Total goodwill	**4,723**	**4,737**

This item refers, for Euro 4,258 thousands, to the goodwill recognized in relation to the acquisition, in 1998, of 100% of the shares of Alfieri & St. John S.p.A. (merged in Damiani S.p.A. in 2012/2013) and for Euro 465 thousand to the goodwill paid by the parent company in relation to two directly operated stores. Compared to March 31, 2014, the change was due to the disposal of shop in Portofino, in autumn 2014, which led to the write-off of the corresponding goodwill for Euro 14 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, 2015 and at March 31, 2014, 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 2015-2018 business plans of the Group (which include all the Cash generating units – CGU of the Group). The business plan was approved by the Board of Directors of Damiani S.p.A. on May 28, 2015;
- 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

The expected cash flows used in the impairment test of the CGU Alfieri & St. John have been updated and approved by the Board of Directors of the Company on June 12, 2015, in order to take account of recent commercial developments. The flows of the CGU are discounted at WACC of 6.25% net of the related tax effect, considering an expected growth rate "g" of zero, after the three-year period covered by the business plan. The value in use so determined exceeds the recoverable amount of the CGU. In developing the sensitivity analysis, it was considered that the value in use is sensitive to a change in estimates of expected revenues in respect of those recent developments. Moreover, always in the sensitivity analysis, it should be noted that a reduction of 1.0% in the rate of long-term growth (g) or alternatively an increase of 1.0% in WACC would result a recoverable amount in line with the corresponding book value.
For the boutiques the WACC is 6.28% net of the related tax effect (it was 7.31% in the previous financial year). For the boutiques the expected growth rate "g" used was equal to 1, in line with 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.

5. OTHER INTANGIBLE ASSETS

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Industrial rights and patents	182	259
Key Money	3,429	4,009
Intangible assets under construction	714	14
Total other intangible assets	**4,324**	**4,282**

The item key money decreased by amortization of the financial year, on the basis of the residual duration of the leasing contract and by the devaluation of the portion not yet amortized on the Rocca 1794 boutique that was sold during the year.
The item industrial rights and patents increased for the investment in software of the financial year.
The item Assets under construction increased by the costs incurred for the development of the retail channel, with reference to works not yet completed at year end.
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, 2014	**259**	**4,009**	**14**	**4,282**
Purchases	12	-	665	677
Riclassification	51	-	-	51
Write downs	-	(498)	-	(498)
Amortization	(162)	(143)	-	(305)
Exchange differences	21	61	35	117
Net book value at March 31, 2015	**181**	**3,429**	**714**	**4,324**

6. PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Land and buildings	7,589	8,524
Plant and machinery	432	623
Industrial and commercial equipment	170	264
Other assets	7,852	8,032
Assets under construction	4	4
Total property, plant and equipment	**16,048**	**17,447**

Tangible assets are reduced by a total of Euro 1,399 thousands compared to the previous year, as depreciation, affected by the strong growth in the retail segment recently realized, were higher than investments in the period. The increases for investments in the year 2014/2015, equal to Euro 1,677 thousands, are mainly represented by investments made for the development of the retail channel in Italy and abroad and for the restructuring of some directly operated stores in Italy. Land and buildings item also includes the residual value of properties subject to sale and lease back, which related parties have bought from the Group 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 6,263 thousands at March 31, 2015 and Euro 7,138 thousands at March 31, 2014.
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 financial year 2014/2015.

(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, 2014	**8,524**	**623**	**264**	**8,032**	**4**	**17,447**
Purchases	-	22	74	1,581	-	1,677
Disposals	-	(16)	-	(178)	-	(194)
Write downs	-	(8)	-	-	-	(8)
Reclassification	(27)	-	(63)	94	-	4
Depreciation	(908)	(195)	(105)	(2,404)	-	(3,612)
Exchange differences	-	6	-	727	-	733
Net book value at March 31, 2015	**7,589**	**432**	**170**	**7,852**	**4**	**16,047**

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, 2015 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, 2014. 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, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Guarantee deposits	4,607	3,861
Other receivables	51	264
Total financial receivables and other non-current assets	**4,658**	**4,125**

The increase in guarantee deposits of Euro 746 thousands compared to the previous financial year was mainly due to changes in foreign locations and exchange rate effects.

9. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities for the financial year ended March 31, 2015 and financial year ended March 31, 2014 are detailed in the table below. The descriptions indicate the nature of the temporary differences.

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Deferred tax assets:		
Net Impact of the returns on sales	1,212	1,574
Write off on intercompany gains and inventory margins	6,855	6,337
Exchange loss differences	347	403
Provision for doubtful accounts not deductible	838	916
Write downs of inventories	2,411	2,451
Loss on Barter Receivables	146	146
Provisions on lawsuits	103	55
Financial interests in excess	2,103	1,820
Tax losses	1,956	2,046
Other timing differences of a taxation nature	321	702
Total deferred tax assets	**16,293**	**16,450**
Deferred tax liabilities:		
Exchange differences	897	52
Other timing differences of a taxation nature	211	306
Deferred taxation on capital gains	25	49
Total deferred tax liabilities	**1,133**	**407**

The main differences compared to March 31, 2014 are due to: i) Release of deferred tax assets for the use of the provision for returns on revenues; ii) increase in deferred tax assets relating to the eliminations of margins on intercompany inventory; iii) increase in deferred tax liabilities related to foreign exchange gains on foreign currency items.
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 (Damiani S.p.A. and Laboratorio Damiani s.r.l.) and are deemed recoverable taking into account the benefits resulting from the consolidation and, therefore , the estimate of future taxable income of the company, considering the regime of carrying forward of tax losses (art. 84 of the income Tax Code), made temporally unlimited even if with annual numerical limitations. The amount of deferred tax assets on losses not recognized in the balance sheet is still relevant and cumulatively amounted to Euro 3,380 thousands.

10. INVENTORIES

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Raw materials, semi-finished goods and advance payments	12,911	12,590
Finished products and goods	79,687	73,155
Total inventories	**92,598**	**85,745**

The net value of inventories at March 31, 2015 showed an increase of Euro 6,853 thousands compared to the previous year. Growth in the finished products was due to the increase in stock in DOS to support the sales in the retail channel and more effectively meet the demands of customers. The value of inventories of finished products is net of impairment losses, measured by management, based on the assessments made to identify the component of commercial obsolescence for each type of goods in stock. The assessments carried out have led to detect a risk of obsolescence substantially unchanged as determined at the end of the previous year. Therefore, the total value of the inventory write-down at March 31, 2015 amounted to Euro 10,334 thousands compared to Euro 10,445 thousands at March 31, 2014. It should be noted that at March 31, 2015 the item finished products includes Euro 4,502 thousands (Euro 5,988 thousands at March 31, 2014) 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, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Trade receivables, gross	**47,632**	**47,469**
Provision for doubtful accounts	(4,264)	(4,587)
Fund for returns on sales from customers	(9,164)	(12,339)
Impact of Net Present Value calculation of receivables	(6)	(18)
Total net trade receivables	**34,198**	**30,525**

The increase of net trade receivables of Euro 3,673 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, 2015 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, 2015.

(in thousands of Euro)	**Fund for returns on sales from customers**	**Provision for doubtful accounts**
Book value at March 31, 2014	**(12,339)**	**(4,587)**
Accrual	(3,055)	(1,660)
Utilization	6,230	1,983
Book value at March 31, 2015	**(9,164)**	**(4,264)**

There are no receivables with contractual terms exceeding five years.

12. TAX RECEIVABLES

The balance at March 31, 2015 amounted to Euro 845 thousands compared to Euro 497 thousands at March 31, 2014.The increase compared to the previous year is mainly attributable to a higher down payment for income taxes.

13. OTHER CURRENT ASSETS

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
VAT receivables from the Tax Authorities	2,693	3,839
Prepayments on exchanges of goods	0	28
Deposits to suppliers	1,713	857
Prepayments	2,493	2,065
Receivables from other	1,758	533
Total other current assets	**8,656**	**7,322**

The increase in Other current assets of Euro 1,334 thousands was the result of the following main effects: i) increase in advances to suppliers for services and works of restructuring of stores for a total of Euro 856 thousands; ii) increase in receivables from other for Euro 1,225 thousands, which also includes the amount due from the insurance company for reimbursement of Euro 596 thousands already receipted but not yet collected, and the mark to market valuation of forward contracts for Euro 657 thousands; iii) lower tax credits for VAT for Euro 1,146 thousands.

14. CASH AND CASH EQUIVALENTS

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Bank and post accounts	9,568	10,200
Cash on hand	186	264
Total cash and cash equivalents	**9,754**	**10,464**

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, 2015, 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 2014/2015. On June 12, 2015 the Board of Directors did not propose to the Shareholders' Meeting any dividend payment for the financial year 2014/2015.
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, 2015 was 13,927,522, slightly down compared to March 31, 2014.
The changes in shareholders' equity in the financial year ended March 31, 2015 (and illustrated in details in the statement of changes in equity) were as follows:

- Loss for the financial year of Euro 3,599 thousands (including minorities)
- The positive effects arising from exchange differences on translation of financial statements in currencies other than the Euro for Euro 1,336 thousands
- Actuarial loss on defined benefit plans for employees recognized in accordance with IAS 19 (2011) for Euro 180 thousands
- Increase in the stock option reserve for Euro 214 thousands, for the enhancement of the share-based payments pursuant to 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, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**	**Note**
Non current portion			
Loan A	-	1,500	a
Loan B	2,074	1,690	b
Loan C	58	745	c
Loan D	5,000	5,000	d
Loan E	6,012	6,012	e
Loan F	2,904	2,904	f
Financial Leasing	5,893	7,127	g
Total non current portion of medium/long term financial liabilities	**21,941**	**24,978**	
Current portion			
Loan A	1,500	3,000	a
Loan B	519	-	b
Loan C	687	664	c
Loan D	-	-	d
Loan E	-	-	e
Loan F	-	-	f
Financial Leasing	1,031	1,038	g
Total current portion of medium/long term financial liabilities	**3,736**	**4,702**	
Total medium/long term financial liabilities	**25,677**	**29,680**	

The following is a breakdown of key information relating to loans granted by banks and other lenders to Group's companies and outstanding at March 31, 2015:

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
b) plan based on constant six-monthly installments for the period from December 31, 2010 to June 30, 2015. Therefore, the remaining portion is entirely included in current debts. On this loan interests are paid at a fixed rate of 4.40% per year.
c) Loan B is the down payment of 86% of the total amount of a subsidized loan signed in February 2013 by Damiani S.p.A. to implement development programs in China within 24 months following the signing of the contract. Based on the progress of investments the loan was paid in four separate tranches: the first for Euro 904 thousands in June 2013, the second for Euro 786 thousands in December 2013, the third for Euro 205 thousands in April 2014 and the fourth for Euro 698 thousands in September 2014. The total amount of funding is Euro 3,012 thousands (the last installment was received in April 2015), with repayment of seven years, after the first two-years grace period, in half-yearly installments and at an effective annual rate of 0.5% (the current portion, being redeemed during the period April 2015-March 2016, therefore amounts to Euro 519 thousands).
d) Loan C 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 interest at a three-month Euribor rate 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 was paid at December 31, 2014.

f) 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 operations of the Damiani Group, mainly by financing industrial investments and 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 expenses 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, 2015, 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 statements at 31 March 2014 (and interim financial statements subsequent to June 30, 2014, to September 30, 2014 and December 31, 2014) financial covenants were not fully respected. After the date of approval of the consolidated financial statements for the year 2013/2014 by the Shareholders' Meeting (which took place on July 24, 2014), the Company has provided on September 23, 2014, the statement of compliance, in accordance with the loan agreement, in which it is formally reported the non-compliance with the covenants. It has therefore started a process of renegotiation with the pool of banks, which is still in progress and is also reflected in a letter dated 8 January 2015 sent by the acting bank on behalf of the entire lending pool. In this communication, the lenders have reaffirmed the readiness to consider changes to the initial loan agreement on the basis of the new three-year business plan of the Group (approved by the Board of Directors of Damiani S.p.A. on May 28, 2015).
Waiting to complete the process of revision, the disbursement of the remaining portion of the credit line is suspended. Moreover, with the formal notice of March 11, 2015, the lenders have also given up to apply the commitment fee on the unpaid portion of the credit line, with effect from January, 8, 2015.
Based on the above and in the validity of the financial commitment of significant shareholders to rectify the breach of the covenants, the classification of the debt on the balance sheet was maintained in accordance with contractual maturities.

g) 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 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, paragraph g) presents the leasing debts on buildings for a total of Euro 6,924 thousands that are relative to three contracts for the sale of real estates to related parties, which are accounted as sale and leaseback arrangement under IAS 17. Real estate units are Damiani and Rocca 1794 store locations.

The table below shows the detail of Net financial position at March 31, 2015 and 2014:

Net Financial Position (*) *(in thousands of Euro)*	**Situation at March 31, 2015**	**Situation at March 31, 2014**
Current portion of loans and financing	2,705	3,664
Drawdown of credit lines, short term financing and others	35,009	21,554
Current portion of loans and financing with related parties	1,031	1,038
Current financial indebtedness	**38,745**	**26,256**
Non current portion of loans and financing	11,049	12,851
Non current portion of loans and financing with related parties	10,893	12,127
Non current financial indebtedness	**21,941**	**24,978**
Total gross financial indebtedness	**60,686**	**51,234**
Cash and cash equivalents	(9,754)	(10,464)
Net Financial Position (*)	**50,932**	**40,770**

(*) 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, 2015 the Group had a net financial debt equal to Euro 50,932 thousands, worsening compared to March 31, 2014 that was equal to Euro 40,770 thousands. The change was due to the needs required for the investments to support the retail development, mainly abroad, also in terms of working capital.

17. EMPLOYEES' TERMINATION INDEMNITIES

In the twelve-months period ended March 31, 2015 the following changes took place on Employees' termination indemnities:

(in thousands of Euro)	
Termination Indemnities at March 31, 2014	**5,005**
Cost related to current work performed	24
Financial expenses	74
Paid benefits	(345)
Actuarial Loss (Profit)	255
Termination Indemnities at March 31, 2015	**5,013**

The changes during the period reflect the provisions and the outlays, including advances, implemented during the financial year.
Employees' termination indemnities are part of the defined benefits plans.
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	0.80%
Annual inflation rate	0.60% for year 2015 1.20% for year 2016 1.50% for year 2017 and 2018 2.00% from 2019 onwards

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, 2015 risk reserves amounted to Euro 764 thousands (at March 31, 2014 it was equal to Euro 581 thousands), to cover estimated costs of litigation for Euro 453 thousands and for Euro 311 thousands to reorganization measures in progress at Damiani USA Corp. The value of the fund for litigations increased from Euro 259 thousands at March 31, 2014 to Euro 453 thousands at March 31, 2015, due to: i) provisions for Euro 250 thousands made in the period; ii) use of Euro 56 thousands. The provision for reorganization decreased from Euro 393 thousands at March 31, 2014 to Euro 311 thousands at March 31, 2015, after being used for Euro 82 thousands.

19. OTHER NON CURRENT LIABILITIES

The amount of the costs passed from Euro 468 thousands at March 31, 2014 to Euro 503 thousands at March 31, 2015. The amount is mainly composed of the termination indemnity of directors.

20. TRADE PAYABLES

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Trade payables due in less than 12 months	50,354	47,492
Bill payable, other credit securities and advances	1,457	1,691
Total trade payables	**51,811**	**49,183**

The growth of trade payables by Euro 2,628 thousands was 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

Short-term borrowings at March 31, 2015 amounted to Euro 35,009 thousands, compared to debt of Euro 21,554 thousands at March 31, 2014.
These credit lines are intended for short-term working capital financing. Therefore, the increase was mainly due to the increase in operational requirements during the period. Moreover, the increase was also depended on the partial reimbursement, during the financial year, of the medium / long-term credit lines.
Nevertheless, it is to be noted that the short-term credit lines available are only partially used and are currently less expensive than the medium / long term.

22. TAX PAYABLES

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
VAT payables	(0)	555
Taxes withheld from employees (IRPEF)	266	305
Current income tax payables	1,997	1,437
Other tax payables	122	43
Total tax payables	**2,384**	**2,340**

The increase in current taxes payable was related to the better net result of Damiani SpA.

23. OTHER CURRENT LIABILITIES

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Payables to social security institutions	1,214	1,363
Payables to employees	2,724	2,863
Other liabilities	433	709
Deferred income	1,433	1,214
Total other current liabilities	**5,804**	**6,149**

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, 2015 and the financial year ended March 31, 2014:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Revenues from sales and services	150,421	144,241
Other revenues	31	74
Total revenues	**150,452**	**144,315**

The breakdown of revenues by sales channel is the following:

Revenues by Sales Channel *(in thousands of Euro)*	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Retail	**61,403**	**57,274**
Percentage on total sales	*40.8%*	*39.7%*
Wholesale	**89,017**	**86,967**
Percentage on total sales	*59.2%*	*60.3%*
Total revenues from sales and services	**150,421**	**144,241**
Percentage on total sales	*100.0%*	*99.9%*
Other revenues	31	74
Percentage on total sales	*0.0%*	*0.1%*
Total Revenues	**150,452**	**144,315**

Consolidated revenues for the financial year ended March 31, 2015 amounted to Euro 150,452 thousands, compared to Euro 144,315 thousands in the financial year ended March 31, 2014, an increase equal to Euro 6,137 thousands (+4.3%). The trends are discussed in the Report on Operations.
The following is a breakdown of other revenues for the financial year ended March 31, 2015 and that ended March 31, 2014:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Leases and rentals	26	70
Revenue from sale of advertising material	4	4
Recharge to different companies	1	-
Total other revenues	**31**	**74**

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, 2015 and the financial year ended March 31, 2014:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Purchases	90,001	83,291
Change in inventory of finished products	(7,644)	(4,837)
Change in inventory of raw materials and consumables	98	1,223
Total cost of raw materials and consumables	**82,454**	**79,677**

Cost of raw materials and consumables, including purchases of finished products, in the financial year 2014/2015 amounted for Euro 82,454 thousands, an increase of 3.5% compared to the twelve months period ended March 31, 2014 (Euro 79,677 thousands). The increase was due to higher revenues booked in the financial year 2014/2015, 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, 2015 and the financial year ended March 31, 2014 is the following:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Operating expenses	6,895	7,514
Advertising expenses	10,186	9,842
Other commercial expenses	3,443	3,777
Production costs	3,457	3,230
Consultancies	3,179	3,557
Travel/transport expenses	3,736	3,260
Directors' Fees	667	722
Use of third party assets	10,368	9,928
Total cost of services	**41,931**	**41,830**

The cost of services in the financial year 2014/2015 amounted to Euro 41,931 thousands, substantially unchanged compared to the previous financial year (Euro 41,830 thousands). The breakdown of the various items showed reductions in the components affected by the measures of savings, which have been primarily implemented in the Group's Italian companies.

On the other hand the increase in some items covers the components more directly related to the growth of consolidated turnover (advertising expenses, travel / transport expenses) and the expansion of the retail channel, particularly abroad, which generates higher costs for lease (included in the expenditure for use of third party assets).

27. PERSONNEL COST

The breakdown of the item for the financial year ended March 31, 2015 and the financial year ended March 31, 2014 is the following:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Wages and salaries	19,051	19,222
Social security costs	4,774	5,149
Termination indemnity	927	938
Other personnel costs	299	193
Total personnel cost	**25,051**	**25,502**

The personnel cost in the financial year 2014/2015 amounted to Euro 25,051 thousands a decrease of 1.8% compared to the previous financial year (Euro 25,502 thousands). Even with an average number of employees increasing compared to the previous year (+8 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, 2015 the average number of Group’s employees was 591.5 units.
The table below shows the average number of employees of the Group by categories in the financial year ended March 31, 2015 and in the financial year ended March 31, 2014:

Labour categories	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Executives and Managers	51.5	46.5
Clerks	445.7	441.0
Workers	94.3	96.0
Total	**591.5**	**583.5**

28. OTHER NET OPERATING (CHARGES) INCOMES

The breakdown of the item for the financial year ended March 31, 2015 and the financial year ended March 31, 2014 is the following:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Other operating (charges) incomes	4,704	3,753
Allowance for doubtful accounts	(1,681)	(808)
Total other net operating (charges) incomes	**3,023**	**2,945**

The net balance is positive in both financial years compared, with an increase of Euro 78 thousands. These balances include, in addition to write-downs and losses on receivables shown in the table, the following main components:

In the financial year 2014/2015:
1) the income received from the sale of the business unit relating to a multi-brand Rocca 1794 boutique, which took place in May 2014. The amount was equal to Euro 1,891 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 1,722 thousands.
3) Net insurance reimbursement for Euro 596 thousands, relating to the robbery occurred in February at a Rocca 1794 store. The collection of the reimbursement, which has already been receipted by the insurance company, is expected in July 2015.
4) provisions to cover probable charges in relation to legal disputes for Euro 250 thousands.

In the financial year 2013/2014:
1) The income received for the sale of the lease on a Damiani boutique in Italy, closed in the financial year as unprofitable and non-strategic for the Group. The amount received was equal to Euro 570 thousands.
2) The net effect of the restatement of the fund that cover possible returns on sales 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.

29. AMORTIZATION, DEPRECIATION AND WRITE DOWNS

The breakdown of the item for the financial year ended March 31, 2015 and the financial year ended March 31, 2014 is the following:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Amortization of intangible assets	305	371
Depreciation of property, plant and equipment	3,612	3,452
Write downs of property, plant and equipment and intangible assets	522	276
Total Amortization, depreciation and write downs	**4,439**	**4,099**

In the financial year ended March 31, 2015 the amount of amortization, depreciation and write-downs was Euro 4,439 thousands, an increase of Euro 340 thousands compared to the previous twelve months period (Euro 4,099 thousands). This increase was the result of higher depreciation and amortization for Euro 94 thousands, generated by capex incurred for the development of the retail channel, and higher write-downs of fixed assets of Euro 246 thousands. In both financial years, we proceeded to the write-downs of non-current net assets related to the directly operated stores 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, 2015 and the financial year ended March 31, 2014 is the following:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Net exchange (charges)/incomes	(462)	127
Other financial charges	(2,901)	(2,867)
Other financial revenues	192	169
Total financial (expenses) and incomes	**(3,171)**	**(2,571)**

Deterioration in the balance of Euro 600 thousands compared to the previous financial year was mainly due to higher net charges from exchange rate in 2014/2015 for Euro 462 thousands compared to positive effects from exchange rate for Euro 127 thousands in the previous year. Other net financial expenses were substantially steady.

31. INCOME TAXES

In the financial year ended March 31, 2015 income taxes had a slight impact on the consolidated result of Euro 28 thousands, while in the financial year 2013/2014 the negative impact was of Euro 2,148 thousands. The lowest value of taxes was largely due to the lower reversal of deferred tax assets related to temporary differences between the book amounts of assets and liabilities and corresponding fiscal values.

The current and deferred taxes recognized directly in shareholders' equity are negative and equal to Euro 1,712 thousands.

The reconciliation between taxes from the consolidated financial statements and the theoretical tax calculated on the basis of IRES (income tax) rate applicable to Damiani S.p.A. in the financial year ended March 31, 2015 and in the financial year ended March 31, 2014 is presented below:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Result before taxes	**(3,571)**	**(6,420)**
IRES (Corporate) tax rate for the period	27.5%	27.5%
Theoretical tax burden	982	1,765
Not recoverable subsidiary losses	(3,604)	(2,130)
IRAP (Regional tax on productive activities) effect	(448)	(510)
Differences in tax rates	1,166	85
Reclassification intercompany foreign exchange to Equity	1,787	(845)
Other non deductible costs	89	(513)
Total differences	**(1,010)**	**(3,913)**
Total taxes for Income statements	**(28)**	**(2,148)**
Effective tax rate	0.8%	33.5%

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, 2015 and March 31, 2014, 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 business units).
The following table shows the details of the relationships between the Group companies and the related parties in the financial year ended March 31, 2015.

(in thousands of Euro)	**Financial Year 2014/2015**		**Balance at March 31, 2015**				
	Net operating costs	Financial expenses	Other current assets	Trade receivables	Financial debts (including	Other current liabilities	Trade payables
D.Holding S.A.	(170)	-	-	-	-	-	(1,020)
Imm.re Miralto S.r.l.	(342)	(15)	608	4	(199)	-	0
Caesarea S.A. (Luxembourg)	-	-	-	-	-	-	(201)
Montenapoleone 10 S.r.l.	(414)	(346)	-	-	(1,711)	-	0
Duomo 25 S.r.l.	1	(349)	-	-	(5,014)	-	(234)
Magenta 82 S.r.l.	(79)	-	-	-	-	-	(80)
Majority Shareholders	-	(275)	-	-	(5,000)	(69)	-
Executives with strategic responsabilities	(191)	-	-	-	-	-	(123)
Total with related parties	(1,195)	(985)	608	4	(11,924)	(69)	(1,658)
Total Consolidated	(150,852)	(3,363)	8,656	34,198	(60,686)	(5,804)	(51,811)
%age weight	1%	29%	7%	0%	20%	1%	3%

- 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 this 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 1794 boutique. To this premises refer also the other current assets for the prepaid expense initially paid to the related party in the financial year 2010/2011 when the lease contract related to the Turin boutique was signed (the value at March 31, 2015 is equal to Euro 608 thousands). In addition, in the period financial expenses also arise for Euro 15 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 1794 boutique. The debt outstanding at March 31, 2015 amounted to Euro 199 thousands.
- Trade payables to Cesarea S.A. (in previous financial years 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.
- 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 346 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 outstanding debt at March 31, 2015 amounted to Euro 1,711 thousands.
- The financial expenses to Duomo 25 S.r.l. for Euro 349 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 1794 boutique. The outstanding debt at March 31, 2015 amounted to Euro 5,014 thousands.
- The expenses recorded against the company Magenta 82 S.r.l. refer to the use of space for the organization of meetings and events provided by the related party in the palace of its property.
- 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. On this bond accrues interests at a fixed rate of 5.5% per annum, starting from October 1st, 2013.
- The costs referred to the key executives relate to the provision of services, which fall under the ordinary operations of the Group.

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	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 Consolidated	(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 this 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 1794 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 outstanding debt 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 key executives 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 1794 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. On this bond accrues interest at a fixed rate of 5.5% per annum.

In both periods are also outstanding loans agreements between the Parent company and certain subsidiaries negotiated at market conditions.

33. COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding commitments or liabilities arising from obligations and for which it is likely the use of resources, which are not already included in the financial statements at March 31, 2015.
At the date of approval of the financial statements, at the Damiani Group were some ongoing tax audits, about which the update is provided. The situations described below did not reveal problems such as to generate liabilities classified as "probable" for any company of the Group, and consequently in the financial year 2014/2015 we proceeded to show the necessary information, not being the conditions required by the applicable standards to recognize 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.
Damiani International BV filed an appeal in the Provincial Tax Commission of Como and 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. Meanwhile, the Provincial Directorate of Como Tax Agency had notified a notice of assessment on the same subject (non-deductible VAT on lease contracts) with reference to years 2008, 2009 and 2010. On July 28, 2014, the Provincial Tax Commission of Como has filed the first-instance judgment in which it dismissed the appeal for these years. The contradictory nature of the two judgments of first Instance on the same matter is further endorsed by the second-instance judgment of the Tax Court of Milan, that on October 21, 2014, again rejected the appeal of the Office confirming the deductibility of VAT on the lease contract for the 2007. On March 13, 2015 an appeal for years 2008, 2009 and 2010 was sent to the Regional Tax Commission of Milan.

On September 5, 2012 the Provincial Directorate II of the Tax Agency in Milan initiated in Rocca S.p.A. (later merged into Damiani 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 July 2, 2014 the Office notified Rocca S.p.A. an assessment notice for formulating a relief for an amount of Euro 277 thousand. The Company filed an appeal to the Provincial Tax Commission and it is waiting for setting the date for discussion of the dispute.

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 providing additional documentation required by the Tax Agency until the first days of the month of May 2015. The Company currently has not received yet the report (called "PVC") from the Tax Agency about this matter.

On 13 February 2015, the tax police – department of Alessandria (Italy) - started an audit for VAT at the Administrative Offices of the former subsidiary Rocca S.p.A., now Damiani S.p.A. following the merger by incorporation into the parent company that took place with a deed dated December 16, 2014 . Specifically, the tax audit focused on sales transactions made pursuant to art. 38c of Presidential Decree 633/72 (sales for personal use to persons domiciled and resident outside the European Community) done from Rocca 1794 boutiques in the three years 2010/2011/2012. On May 19, 2015, the financial police drew up the report "PVC" reporting reliefs for Euro 442 thousands. With regard to these reliefs the financial penalties may be imposed by the Tax Agency in Alessandria, responsible about the matter, which at the moment hasn't sent yet the assessment notice.

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

In the financial year 2014/2015 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:

- On May 26, 2014, the company Rocca SpA (subsequently merged into the parent company Damiani SpA) sold to third parties the business unit (inclusive of the lease) for a multi-brand store not strategic for the Group. This sale generated a net income for the Group of EUR 1,393 thousands.

35. EARNINGS (LOSSES) PER SHARE

The basic earnings (losses) per share was calculated dividing the net result 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, July 26, 2013 and July 24, 2014.
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 2014/2015**	**Financial Year 2013/2014**
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	77,475,949	77,547,985
Basic Earnings per Share (amount in Euro)	**(0.04)**	**(0.11)**

Diluted Earnings (Losses) per Share	**Financial Year 2014/2015**	**Financial Year 2013/2014**
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 basic earnings per share	77,475,949	77,547,985
Diluted effects	-	-
Weighted average number of ordinary shares for computation of diluted earnings per share	77,475,949	77,547,985
Diluted Earnings per Share (amount in Euro)	**(0.04)**	**(0.11)**

36. DIRECTORS' FEES

The fees for the financial year 2014/2015 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 2015/2016 and the procedures used for the adoption and implementation of this policy, and contains information concerning the valid plans based on financial instruments pursuant to article 114-bis of Legislative Decree n. 58/1998.
The Report on remuneration 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 approval of 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 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 co-workers, including agents of the Damiani Group, in one or more tranches within five years from the approval of the Meeting. The Plan was amended by the Shareholders' Meeting of July 27, 2011 and has been so far subject to three cycles of implementation approved by: i) the first cycle by the Board of Directors on April 21, 2011 (amended on February 10, 2012) and still valid; ii) the second and the third by the Board of Directors on June 12, 2014. These last two cycles affecting respectively n. 14 beneficiaries for 345,000 options and with maturity March 31, 2015 and n. 23 beneficiaries for 630,000 options and with maturity March 31, 2016.

In addition, the Shareholders' Meeting of July 24, 2014 approved the adoption of two further plans based on financial instruments pursuant to article 114-bis of the Legislative Decree n. 58/1998, that have not yet been implemented.

- Stock Grant Plan 2014-2019 which provides for the free assignment of a maximum of n. 1,000,000 Damiani shares in favor of the beneficiaries to be identified by the Board of Directors of Damiani S.p.A., with the assistance of the Remuneration Committee, between directors, employees and consultants of the Group companies.

- Stock Option Plan 2014-2019 which provides for the sale of options to purchase a maximum of n. 3,500,000 Damiani shares in favor of the beneficiaries to be identified by the Board of Directors of Damiani S.p.A., with the assistance of the Remuneration Committee, between the management of the Group companies.

For more information refer the Report on Remuneration, 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 economic and financial possible conditions, both in terms of cost and time, 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 economic conditions and the targets of its strategic plans.

39. FINANCIAL RISK MANAGEMENT

At March 31, 2015 the Damiani Group had a negative financial position of about Euro 51 millions, increasing by Euro 10 millions compared to March 31, 2014.
This trend is strictly related to the needs for the retail channel (in fixed assets and working capital) on which the strategic projects of the Group are concentrated.
In recent years the group has structured its financial structure so that it appears appropriate to its development plans, in Italy and mainly abroad, with the aim of acquiring a dimensional level and an international recognizability comparable to the major players.
Consciously this strategy has generated an immediate burdening in the Group's financial position that requires a careful and constant monitoring of the related financial risks.
In the following paragraphs are described the main financial risks to which the Damiani Group is exposed, listing them in descending order of importance, and the actions taken or pursued to mitigate the effects.

Liquidity risk

As part of the overall financing needs, for the ongoing management and to support its development, the Group uses various forms of financing both in the medium/long term and short term (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 the uses.
During the previous financial year 2013/2014, the Group paid particular attention to the rebalance of the sources. It signed a number of medium/long term financing (in part at a fixed rate and at a subsidized rate), that could support development projects in retail sector, both abroad and in Italy, which during the start-up phases are particularly burdensome not only in terms of capital expenditure, but also in working capital (stock). In the financial year 2014/2015 this demand has had full manifestation (while still partial are the related economic benefits), and has consequently generated a temporary increase in the use of sources of short-term from the banking system.
In terms of liquidity risk, the situation does not present a high risk profile, as over a third of the gross debt has a maturity of medium / long term and the Damiani Group at March 31, 2015 has bank credit lines that have not been used for about Euro 20 million (out of a total of Euro 54.7 million).
In relation to the long-term financing in pool, signed by Damiani S.p.A. in November 2013 for a total amount of Euro 11,000 thousands (of which Euro 6,012 thousands provided), at the closing date of the consolidated financial statements at March 31, 2014 (and interim financial statements subsequent, at June 30, 2014, at September 30, 2014 and December 31, 2014) are not fully respected the underlying financial covenants. After the date of approval of the consolidated financial statements for the year 2013/2014 by the Shareholders' Meeting, the Company has provided the statement of compliance to banks, with the terms of the loan agreement. The lending banks have formally communicated on January 8, 2015 their availability to evaluate changes to the initial loan agreement on the basis of the new three-year business plan of the Group (approved by the Board of Directors of Damiani S.p.A. on May 28, 2015). Based on the above and given the validity of the commitment of the significant shareholders to intervene financially to rectify the breach of the covenants, there were no liquidity risks related to a possible request for early repayment of the line of credit by lenders.

Furthermore, under the proper balance between resources generated or absorbed by operating activities the Group 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 the financial year 2014/2015 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:

(in thousands of Euro)	Analysis of the due date at March 31, 2015 within 1 year	1 to 5 years	over 5 years	Total
Trade payables	51,811	-	-	51,811
Long term financial debts	2,706	8,143	2,904	13,753
Long term financial debts towards related parties	-	5,000	-	5,000
Debts for financial leasing	1,031	5,610	283	6,924
Short term borrowings	35,009	-	-	35,009
Other current liabilities	8,189	-	-	8,189
Total exposure	**98,746**	**18,753**	**3,187**	**120,686**

(in thousands of Euro)	Analysis of the due date at March 31, 2014 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**

Interest rate risk

Closely related to liquidity risk is the risk of 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 terms loans are at fixed rate (bond signed in September 2013 for Euro 5,000 thousands by relevant shareholders and financial contribution of Simest S.p.A. in Damiani Hong Kong Ltd in December 2013, for Euro 2,904 thousands) and subsidized rate (Simest S.p.A. funding for development programs in China, carried out in several tranches – the last as of April 30, 2015 – for a total of Euro 3,012 thousands). Other loans are at variable interest rate (bank loan originally signed by Rocca S.p.A. in April 2013 for Euro 2,000 thousands and the financing in pool to Damiani S.p.A. on November 2013 for a credit line of maximum Euro 11,000 thousands, at the moment used for Euro 6,012 thousands). The short-term lines are floating rate, with values ranging in the different forms of financing, and an average cost for the financial year 2014/2015 of about 3.4%.
The greater use of short-term financing during the year 2014/2015 has not affected the Group's income statement, because the interest rates of these sources were on average lower by about 1.5 percentage points than those who are paid on the medium-long term during the year.
An increase in the reference rate of the market, which in the current macro-economic international context is not likely to be, could still lead to a negative effect on the economic performance of the Group, with the current structure of the funding sources of it.

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.

The table below shows the maximum potential exposure to the credit risk at March 31, 2015 and at March 31, 2014.

(in thousands of Euro)	March 31, 2015	March 31, 2014
Cash and cash equivalent	9,568	10,200
Trade receivables	34,198	30,525
Other non current assets	4,658	4,125
Other current assets	9,501	7,819
Total maximum exposure to the credit risk	**57,925**	**52,669**

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.

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, relationships with suppliers (above all regarding the purchase of diamonds) and consequent conditions of supply.
During the year 2014/2015 the average price of gold has remained fairly stable around the monthly average values of 30-31 Euro/gram from April to December 2014, not changing appreciably compared to prices already recorded in previous months starting from October 2013. Since January 2015, the price has begun to rise again beyond the 35 Euro/gram, also as a direct result of the weakening of the Euro against the US dollar, currency by which the international price of gold is fixed. The average of twelve months April 2014-March 2015 was 31.8 Euro/gram, average about the same as that recorded in the previous financial year 2013/2014. In subsequent months (April-May 2015) the price of gold remained at an average of about 35 Euro / gram. This recent increase, if should stabilize, would be negative on production costs, and in the formulation of forecasts of purchase of the raw material, even if it should be activated mechanisms of hedging the risk of price fluctuations and manufacturing process planning (also affected by seasonal events of the market). The risks related to price of raw materials and to the strong and sudden fluctuations are amplified by changes 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 risk 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, 2015 active contracts relating to purchases of gold were 18 for a total quantity of 100 kilograms and an agreed equivalent of Euro 3,346 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.
At March 31, 2015 there were outstanding currency forward contracts entered into by Damiani S.p.A. for a total of Euro 5,770 thousands. At March 31, 2014 contracts were instead equal to a total of Euro 4,689 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.

(in thousands of Euro)			**Book value**				**Fair value**	
	Total		current		non current			
	March 31, 2015	**March 31, 2014**	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	**March 31, 2015**	**March 31, 2014**
Cash and cash equivalent	9,754	10,464	9,754	10,464	-	-	9,754	10,464
Trade receivables	34,198	30,525	34,198	30,525	-	-	34,198	30,525
Other financial assets	14,159	11,944	9,501	7,819	4,658	4,125	14,159	11,944
Total financial assets	**58,111**	**52,933**	**53,453**	**48,808**	**4,658**	**4,125**	**58,111**	**52,933**
Trade liabilities	51,811	49,183	51,811	49,183	-	-	51,811	49,183
Financial debts	60,686	51,234	38,745	26,256	21,941	24,978	60,686	51,234
Other liabilities	8,189	8,489	8,189	8,489	-	-	8,189	8,489
Total financial liabilities	**120,686**	**108,906**	**98,745**	**83,928**	**21,941**	**24,978**	**120,686**	**108,906**

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, 2015 are classified at level 2 and during the financial year 2014/2015 there were no transfer from level 1 or 3 to level 2.

40. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

There were no significant events after the end of the financial year.

41. AUDIT COSTS

The following table, compliant to article 149-duodecies of Consob Issuers' Regulation, shows the contractual fees accrued in the financial year ended March 31, 2015 for services provided by the independent audit company and by 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 30, 2014.

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	266
		Parent company	Other expenses	30
Audit	Reconta Ernst & Young S.p.A.	Subsidiaries	Professional fees	84
		Subsidiaries	Other expenses	4
		Total		**384**

42. EXCHANGE RATES

The exchange rates at March 31, 2015 and at March 31, 2014 used for the translation of financial statements in foreign currencies were the following.

Currency	**Average 2014/2015**	**Spot March 31, 2015**	**Average 2013/2014**	**Spot March 31, 2014**
U.S. Dollar	1.268	1.076	1.340	1.379
Japanese Yen	138.654	128.950	134.308	142.420
Swiss franc	1.177	1.046	1.230	1.219
G.B.Pound	0.785	0.727	0.844	0.828
Hong Kong Dollar	9.834	8.342	10.396	10.697
Pataca Macau	10.129	8.593	10.708	11.017
Mexican Peso	17.333	16.512	17.244	18.014
Indian Rupee	77.460	67.273	81.114	82.578
Renminbi China	7.856	6.671	8.199	8.575
Won Republic of Korea	1,342.464	1,192.500	1,461.763	1,465.900

For the Board of Directors
CEO
Giorgio Grassi Damiani

Attestation regarding the Consolidated Financial Statements, pursuant to article 154 bis of the Legislative Decree 58/1998

1. The undersigned Mr. Giorgio Grassi Damiani, 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, paragraph 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, 2015.

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.

Valenza, June 12 2015

Giorgio Grassi Damiani
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 2015 and for the year then ended, comprising 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 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.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 27 June 2014.

3. In our opinion, the consolidated financial statements of the Damiani Group at 31 March 2015 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 of the Report on Operations and the Report on Corporate Governance and the Ownership Structure of Damiani S.p.A. in accordance with the applicable laws and regulations. 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 Ownership Structure of Damiani S.p.A., as required by the 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 Ownership Structure of Damiani S.p.A., are consistent with the consolidated financial statements of the Damiani Group at 31 March 2015.

Milan, 30 June 2015

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.

Reconta Ernst & Young S.p.A.
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A member firm of Ernst & Young Global Limited

Financial statements of Damiani S.p.A. as of and for the year ended March 31, 2015

Prepared in accordance with IAS/IFRS accounting standards

Damiani S.p.A.

Report on operations
as of March 31, 2015

Report on operations [1]

Damiani S.p.A. business activities

Damiani S.p.A. (hereinafter also "Company") is the parent company of the Damiani Group, within which operates both as a holding company that as a distributor, in Italy and abroad, in jewels and watches.
In the financial year 2014/2015 as a result of the merger of the subsidiary Rocca S.p.A. [2], aimed at increasing the efficiency of business processes, the Company's activities were further expanded. In fact, with regard to the distribution throughout the domestic market, Damiani S.p.A. has added to the historical marketing of the Group's brands (Damiani, Salvini, Alfieri & St. John and Bliss) also to prestigious third party brands, particularly watches, through the multi-brand boutiques with signboard Rocca 1794. The multi-brand store directly managed in Italy at March 31, 2015 were 12, located in the major urban centers of the peninsula and in some famous resorts.
In this report on operations and in the notes to the financial statements will consequently provided, where necessary to make easier to compare the performance and the financial results of the Company of the financial year 2014/2015 with the previous year, the restated figures for the financial year 2013/2014, assuming the effects of the merger were recorded retroactively (the restatement is described at note 3. Information on the comparative data as of March 31, 2014).

Damiani S.p.A. markets the products through two distribution channels:
- wholesale channel, made up of multi-brand independent jewelry shops, franchisees, distributors and stockists
- retail channel made up of stores directly managed by the Company. At March 31, 2015 the mono-brand points of sales with the brand Damiani were 11. To them are flanked the 12 multi-brand stores with the signboard Rocca 1794.

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 production of high value and quality craftsmanship jewelry.

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 Damiani S.p.A. was appointed on July 26, 2012 by the Shareholders' Meeting for a three years period, until the approval of the financial statements as of March 31, 2015 of Damiani S.p.A. 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 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 Audit, Risk, Remuneration and Transaction with related parties Committee.
The Board of Directors of Damiani S.p.A. consists of 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.
On February 13, 2015 the Board of Directors of Damiani S.p.A. took note of the will of President Guido Grassi Damiani to focus on activities aimed at strengthening strategic export markets, coordinating directly dedicated resources and therefore to put the powers concerning the operational management of Damiani S.p.A. Consequently, the Board of Directors has granted the Chief Executive Officer - and its powers - in Giorgio Grassi Damiani, former Vice President of the Company.

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 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 28, 2015 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 "SB") of the parent company currently in office was appointed by the Board of Directors on May 29, 2014.
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 SB sitting alone in the person of the Internal Auditor, Francesco Delucchi. To the new SB was allocated an annual budget of

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(1) Damiani S.p.A. ends its financial year on March 31. Therefore, the financial statements at March 31, 2015 cover the period April 1, 2014 – March 31, 2015 (henceforth referred to as financial year ended March 31, 2015 or Financial Year 2014/2015). For comparative purposes are shown also the figures related to the previous period April 1, 2013 – March 31, 2014 (henceforth referred to as financial year ended March 31, 2014 or Financial Year 2013/2014).

(2) On December 16, 2014 the merger by incorporation of Rocca S.p.A. in the parent company Damiani S.p.A. which held 100% of the share capital of the merged company, was signed. This merger had been approved by the respective Boards of Directors on October 2, 2014. The merger took legal effect as from January 1, 2015, while accounting and tax effects were backdated to April 1, 2014.

expenses for the activities and functions conferred to it.
During the financial year 2014/2015 the Supervisory Body, the Audit, Risk, Remuneration and Transaction with related parties Committee and the Board of Statutory Auditors of Damiani S.p.A. met 4 times to share its findings on issues of internal audit.

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 24, 2014 resolved to authorize – subject to revocation for the part non executed of the resolution adopted by the Shareholders' Meeting of July 26, 2013 – 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 24, 2016.
- 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, 2015 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 2014 and March 2015.

Directors' fees

The fees for the financial year 2014/2015 due to the directors, statutory auditors and executives with strategic responsibilities of Damiani S.p.A., also with reference to what has perceived to similar functions performed within other Group companies, are reported in the Annual report on remuneration. This report is 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 2015/2016, and the procedures used for the adoption and implementation of this policy. The report 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 regards should be noted that the Board of Directors of Damiani S.p.A. of June 12, 2014 confirmed the waiver of fees for the financial year 2014/2015 of Directors Guido Grassi Damiani (President), Giorgio Grassi Damiani (Vice President and C.E.O.) and Silvia Grassi Damiani (Vice President) for a total of Euro 1.3 million. This waiver has already occurred in the previous three financial years. Moreover, the Board of Directors of Damiani S.p.A. of 28 November 2014 has ratified the waiver of fees for the year 2014/2015 also of the other directors of the Company.
The Annual report on Remuneration is 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 of 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 products operates with this goal. During the financial year 2014/2015 the total cost for product development was equal to Euro 423 thousands.

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

For the market risks, affecting the Company which operates not only in the domestic market but at international level, and that are strongly related to the current economic environment, characterized by the uncertainties due to the financial crisis in some areas and by political turmoil and government measures in other, see as already indicated 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 please see the report on operations of the consolidated financial statements.

Key data

Share Capital	**March 31, 2015**	**March 31, 2014**
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)	58.83%	58.81%
Sparkling Investment S.A. (1)	0.03%	-
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	17.01%	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. 59,120,736) (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 24, 2014 approved the authorization, for the part not executed of the resolution of the Shareholders' Meeting of July 26, 2013, 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, 2015 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., Sparkling Investment S.A. and the treasury shares of Damiani S.p.A..

Economic/financial data

Main economic data *(in thousands of Euro)*	**Financial Year 2014/2015**	**Financial Year 2013/2014**	**change**	**change %**
Revenues from sales and services	**144,538**	**95,655**	**48,883**	**51.1%**
Total revenues	144,566	95,655	48,911	51.1%
Cost of production	(136,501)	(92,592)	(43,909)	47.4%
EBITDA (*)	**8,065**	**3,063**	**5,002**	**n.m.**
EBITDA %	***5.6%***	***3.2%***		
Depreciation and amortization	(2,738)	(1,426)	(1,312)	92.0%
Operating income	**5,327**	**1,637**	**3,690**	**n.m.**
Operating income %	***3.7%***	***1.7%***		
Net financial incomes (expenses)	(685)	(2,887)	2,202	76.3%
Result before taxes	4,642	(1,250)	5,892	n.m.
Net result	2,612	(2,033)	4,645	n.m.
Average number of employees (**)	336	264	72	27.3%

(*) 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, 2015**	**Situation at March 31, 2014**	change
Fixed assets	70,227	91,857	(21,630)
Net working capital	80,608	43,372	37,236
Non current liabilities	(5,831)	(3,989)	(1,843)
Net capital invested	**145,004**	**131,240**	**13,764**
Shareholders' Equity	89,116	97,670	(8,554)
Net financial position (*)	55,888	33,570	22,318
Sources of financing	**145,004**	**131,240**	**13,764**

(*) 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 economic and financial performance for the financial year ended March 31, 2015 has described below.

The economic performance of the Company was significantly influenced by the change in the scope of activities, resulting in the previously described merger by incorporation of the subsidiary Rocca S.p.A., whose accounting and tax effects from April 1, 2014.

The turnover and profitability, as well as the financial structure of the Company, are varied significantly and the comparison between the historical data for the two financial years appears insignificant.

Therefore, in order to make comparable the results for the financial year 2014/2015 with the previous year, in the report on operations has provided the restated financial results for the financial year 2013/2014 assuming retroactively the effects of the merger, as if it had intervened with effect April 1, 2013. The methods of restatement are described in the note 3. Information on the comparative data as of March 31, 2014.

Main economic data *(in thousands of Euro)*	**Financial Year 2014/2015**	**Financial Year 2013/2014**	**change**	**Restated Financial Year 2013/2014**	**change**
Revenues from sales and services	**144,538**	**95,655**	**48,883**	**136,410**	**8,128**
Total revenues	144,566	95,655	48,911	136,442	8,124
Cost of production	(136,501)	(92,592)	(43,909)	(132,460)	(4,041)
EBITDA (*)	**8,065**	**3,063**	**5,002**	**3,982**	**4,083**
EBITDA %	***5.6%***	***3.2%***		***2.9%***	
Depreciation and amortization	(2,738)	(1,426)	(1,312)	(2,518)	(220)
Operating income	**5,327**	**1,637**	**3,690**	**1,464**	**3,863**
Operating income %	***3.7%***	***1.7%***		***1.1%***	
Net financial incomes (expenses)	(685)	(2,887)	2,202	(4,158)	3,473
Result before taxes	4,642	(1,250)	5,892	(2,694)	7,336
Net result	2,612	(2,033)	4,645	(3,183)	5,795

(*) 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, revenues from sales by channel were as follows:

Revenues by Sales Channel *(in thousands of Euro)*	**Financial Year 2014/2015**	**Financial Year 2013/2014**	**change**	**Restated Financial Year 2013/2014**	**change**
Third parties Wholesale	**80,550**	**58,249**	**22,301**	**75,511**	**5,039**
Percentage on total revenues	*55.7%*	*60.9%*		*55.3%*	
Third parties Retail	**40,178**	**11,460**	**28,718**	**40,415**	**(237)**
Percentage on total revenues	*27.8%*	*12.0%*		*29.6%*	
Total wholesale and retail revenues	**120,728**	**69,709**	**51,019**	**115,926**	**4,802**
Percentage on total revenues	*83.5%*	*72.9%*		*85.0%*	
Intercompany sales	23,810	25,946	(2,136)	20,484	3,326
Percentage on total revenues	*16.5%*	*27.1%*		*15.0%*	
Othe revenues	28	-		32	(4)
Percentage on total revenues	*0.0%*			*0.0%*	
Total Revenues	**144,566**	**95,655**	**48,911**	**136,442**	**8,124**

Compared to the restated financial year 2013/2014, the **Revenues** increased by Euro 8,124 thousands due both to higher sales on the wholesale channel (increase of Euro 5,039 thousands) and to higher intercompany sales (increase of Euro 3,326 thousands) to meet orders from foreign subsidiaries. A slight contraction were revenues on the retail channel (down Euro 237 thousands), due to lower sales of third party brands in multi-brand stores (-10%), not fully compensated by the increase in the revenues of the Group's brands (for Damiani only growth was +12%).

EBITDA in the financial year ended March 31, 2015 was positive for Euro 8,065 thousands, an improvement of Euro 4,083 thousands compared to the restated financial year ended March 31, 2014. The performance improvement was a direct result of the growth of the turnover of the Company, described above.

The **Net result** of the financial year 2014/2015 turned positive for Euro 2,612 thousands, compared to a net loss of Euro 3,183 thousands in the restated previous financial year. To the operational improvement were also added financial benefits due to positive exchange incomes partially offset by a higher tax impact.

Balance sheet

The following table shows the comparisons between the balance sheet at March 31, 2015 and to March 31, 2014, also in the restated version.

Balance sheet data *(in thousands of Euro)*	**Situation at March 31, 2015**	**Situation at March 31, 2014**	change	**Restated Situation at March 31, 2014**	change
Fixed assets	70,227	91,857	(21,630)	82,716	(12,489)
Net working capital	80,608	43,372	37,236	51,713	28,895
Non current liabilities	(5,831)	(3,989)	(1,843)	(4,978)	(853)
Net capital invested	**145,004**	**131,240**	**13,764**	**129,451**	**15,553**
Shareholders' Equity	89,116	97,670	(8,554)	86,526	2,590
Net financial position (*)	55,888	33,570	22,318	42,925	12,963
Sources of financing	**145,004**	**131,240**	**13,764**	**129,451**	**15,553**

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

At March 31, 2015 the **Net invested capital** of Damiani S.p.A. amounted to Euro 145,004 thousands, an increase of Euro 15,553 thousands compared to March 31, 2014 restated. The main changes are attributable to: i) decrease of the financial receivables toward Damiani International B.V.; ii) increase of the trade receivables toward the foreign subsidiary of the Group; iii) increase of inventories of finished goods in the directly managed boutiques.
Due to changes in working capital, the **Net financial position** of Damiani S.p.A. amounted to Euro 55,888 thousands at March 31, 2015, an increase of Euro 12,963 thousands compared to March 31, 2014 restated.

Transactions with related parties

Damiani S.p.A.'s dealings with related parties are commercial (sales of jewelry products of the Group brands), in connection with its core business, real estate transactions (rental of shops and offices) and, starting from the financial year 2013/2014, also financial (the executive Directors and shareholders Damiani Brothers 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

Exclusion from the Star segment of the Italian Stock Exchange
On August 13, 2014 the Board of Directors of Damiani S.p.A. resolved to request Borsa Italiana S.p.A. (Italian Stock Exchange) the exclusion of "STAR" status for the Company's shares, pursuant to Article 2.5.8 of the Rules of the markets organized and managed by the Italian Stock Exchange. The request was also due to the reduction of the "float" below the threshold of 20% of the capital, the minimum required for the presence in the STAR segment. On August 18, 2014 Borsa Italiana S.p.A. ordered the exclusion from the "STAR" status of ordinary shares of Damiani S.p.A. and the consequent transfer of shares on the "MTA" market with effect from August 26, 2014.

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

On June 18, 2014 the temporary exhibition "90 Years of Excellence and Passion of Damiani" was inaugurated at Palazzo Pitti in Florence. In the exhibition, open to the public until September 7, 2014 in the Modern Art Gallery of the historic Florentine Renaissance palace, were exposed 18 works that over the years have been awarded the International Diamond Award, the Oscar of the jewelry, as well as the creations dedicated to the 90 years of the maison and other award winning jewelry. Damiani is the first jeweler in activities to which is dedicated the honor of an exhibition of such prestige and necklace Chakra was donated to the permanent collection of the "Galleria degli Argenti" in Palazzo Pitti.

In the month of August 2014 Damiani was Presenting Sponsor at 71 ° Italian Open golf, played at the route of the Circolo Golf Torino. Damiani has enhanced its participation in various initiatives and activities on days when they played the races and has made available a set of jewels Juliette worth about $ 350,000 for those who had made the '"Hole in one" and an award for the best Italian ranked.

In September Damiani was among the sponsors of the event Celebrity Fight Night, which was held in Tuscany, thanks to the famous tenor Andrea Bocelli. The Celebrity Fight Night Foundation have been supported for twenty years the battle of the great boxer Muhammad Ali for research on Parkinson's disease. The event was attended by international stars of the show business.

In the month of October 2014 Damiani, together with former Japanese footballer Nakata, has launched the new Metropolitan Dream collection by H. Nakata with the aim of raising funds to support the project "Home for All", launched in 2011 and directed by the famous architect Toyo Ito. It was made to help victims of the earthquake that hit Japan in March 2011 in the reconstruction of the affected cities and to improve the daily life of the community. In January 2015, the collection was presented to the press in Milan during Men's Fashion Week.

In December Damiani launched its first e_boutique where it's possible to buy online all the brand's collections. So Damiani strengthens its digital strategy and its image that knows how to be innovative and attentive to the trends and habits of the younger generation. Access to the new service is more immediate with the complete renovation of the new site Damiani, active since February and technologically advanced. In the new version the Korean language is also available. It joins Italian, English, Spanish, Russian, Chinese and Japanese versions.

On December 22, 2014 the new Damiani boutique at the international airport of Milan Malpensa was inaugurated. The new store is part of the strategy of expansion in the travel retail business, which began earlier with the openings at the airport in Moscow and Rome-Fiumicino.

At the beginning of February 2015 and on the Valentine's Day has launched a limited edition ring Gomitolo.925, whose revenues from sales will be donated to the CAF Onlus, which since its founding in 1979 is dedicated to the reception and care of child victims of abuse.

Significant events after the end of the financial year

On April 8, 2015 Silvia Damiani, Vice President of the Group, was named Businesswoman of the year 2015 by Femmes Chefs d'Entreprises Mondiales (FCEM) in the category Pioneers Award at the 63rd Annual World Congress of Women Entrepreneurs, held in the Kingdom of Bahrain, attended by over 500 women business leaders and entrepreneurs from around the world. The FCEM is the leading association for business and entrepreneurship that unites women owners of businesses around the world. Established in France in 1945 at the end of World War II, the Association has rapidly spread to the other European countries and, subsequently, to the five continents.

On April 27, 2015 Damiani was awarded the Leonardo Quality Italy, on the occasion of the "Day of Italian Quality", promoted by the Leonardo Committee and dedicated to companies that promote the image, style and excellence of the Made in Italy and of Italy in the world. Guido Damiani, President of the Group, has been awarded in Rome at the Quirinal Palace by Italian President Sergio Mattarella, in the presence of Deputy Minister of Economic Development Carlo Calenda, the President of ICE Agency Riccardo M. Monti, the President of the Leonardo Committee Luisa Todini and numerous ambassadors. The initiative, now in its 20th edition, is promoted by the Leonardo Committee, established in 1993 by the idea shared by Senator Sergio Pininfarina and Senator Gianni Agnelli, and by Confindustria and the National Institute for Foreign Trade (ICE) and a group of entrepreneurs, with the aim of spreading and reinforcing the image of excellence of Italy in the world. Members of the Leonardo Committee - Italian Quality Committee – are companies that enjoy an international indisputable reputation, in terms of product quality and their international projection. Among the members of the committee, in addition to Damiani: Ferrari, Prada, Tod's, Ferrero, Loro Piana, Luxottica, and Marzotto.

In early May 2015 the new multi-brand boutique Rocca 1794 in the central Piazza Duomo in Milan was inaugurated, completely renovated and modernized in the stands. Besides Damiani, the boutique offers five corners dedicated to some of the most famous international brands Haute Horlogerie and jewelry world: Rolex, Cartier, Omega and Jaeger-LeCoultre.

In May Damiani has started a charity, ActionAid alongside, with the aim to raise funds for the people of Nepal affected by the terrible earthquake of April. The transaction will involve the Italian boutique Damiani and Rocca 1794 until the end of June through the sale of selected collections Damiani at a great price. The proceeds will be donated to ActionAid which is already active in the affected area, providing food and medical support in protected areas in the Kathmandu Valley.

At the end of May 2015 Damiani announced its support to the project "Nuvola Rosa", an initiative created to help women to undertake technical and scientific routs, to facilitate entry into the world of work. The project is developed in Milan during the period of EXPO. Damiani joins the ONU and Microsoft for this initiative and in the coming months will organize a special event in Valenza aimed to raise awareness of the goldsmith, with a delegation of university students.

On June 3, 2015 at the Belgian pavilion at the international Expo in Milan an agreement between Damiani and HRD Antwerp was signed. HRD Antwerp is an European authority, leader in the certification of diamonds and owner of Diamond Lab, in conformity with the rules of the IDC (International Diamond Council).

On June 9, 2015 Damiani received, from the Polytechnic of Milan, the Ambrogio Lorenzetti award for corporate governance, in relation to listed companies category, awarded by the GC Governance Consulting.

On June 11, 2015 was inaugurated the exhibition "Valenza and the art of jewelry: Damiani and the jewelry tradition", in the presence of well-known art critic Vittorio Sgarbi, curator of the project. The exhibition, in which Damiani showed his masterpiece that have characterized the successes of over 90 years of history, is open to the public until August at the charming spaces of Art nouveau Scalcabarozzi Palace, in Valenza, the Piedmont town cradle of the best jewelry tradition, internationally recognized.

Business outlook

With the merger of Rocca S.p.A. in Damiani S.p.A., in the financial year 2014/2015 the reorganization process, started in the previous years, of the Italian production and distribution companies was completed. This reorganization has designed to make more streamlined business processes recovering in terms of efficiency and effectiveness. The benefits on operating cost structure, already visible, are structural and therefore destined to repeat themselves over time.
Consequently, the recovery of profitability, even in terms of net income, recorded in the financial year 2014/2015 after a few years ended negatively, will remain also in the future.
These economic improvements can then also progressively strengthen the capital structure of Damiani S.p.A., which in turns benefits in financial terms.

Proposed resolution on Damiani S.p.A.'s results for the financial year ended March 31, 2015

Shareholders,
to conclude our report, and trusting in your approval of the form and criteria used in preparing the financial statements at March 31, 2015, we propose:

1. To approve the financial statements of Damiani S.p.A. as of March 31, 2015
2. To allocate Euro 130,580 to the legal reserve and Euro 2,481,011 to the extraordinary reserve.

Valenza, June 12 2015

For the Board of Directors
CEO
Giorgio Grassi Damiani

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STATEMENT OF FINANCIAL POSITION

(in Euro)	Note	March 31, 2015	March 31, 2014
NON-CURRENT ASSETS			
Goodwill	4	465,213	479,576
Other intangible assets	5	883,814	813,627
Property, plant and equipment	6	11,187,250	5,839,768
Investments	7	24,591,093	35,020,961
Other investments	7	166,930	166,930
Financial receivables and other non current assets	8	22,867,840	41,796,190
of which towards related parties		*22,595,283*	*41,419,996*
Deferred tax assets	9	10,065,000	7,739,998
TOTAL NON CURRENT ASSETS		**70,227,140**	**91,857,050**
CURRENT ASSETS			
Inventories	10	69,693,360	46,057,813
Trade receivables	11	69,048,744	54,556,192
of which towards related parties		*38,042,529*	*27,074,017*
Tax receivables	12	451,210	291,634
Other current assets	13	5,078,902	2,208,279
of which towards related parties		*1,071,811*	*882,663*
Cash and cash equivalents	14	2,639,550	3,121,235
TOTAL CURRENT ASSETS		**146,911,766**	**106,235,153**
TOTAL ASSETS		**217,138,906**	**198,092,203**
SHAREHOLDERS' EQUITY			
Share capital		36,344,000	36,344,000
Reserves		50,160,700	63,359,643
Net result for the period		2,611,591	(2,033,273)
TOTAL SHAREHOLDERS' EQUITY	15	**89,116,291**	**97,670,370**
NON CURRENT LIABILITIES			
Long term financial liabilities	16	21,940,869	18,945,595
of which towards related parties		*10,892,400*	*6,840,000*
Employees' Termination Indemnities	17	4,354,612	3,762,024
Deferred tax liabilities	9	1,024,129	80,444
Provision for risks and charges	18	452,711	146,268
TOTAL NON CURRENT LIABILITIES		**27,772,321**	**22,934,331**
CURRENT LIABILITIES			
Current portion of long term financial liabilities	16	3,736,249	3,291,165
of which towards related parties		*1,031,100*	*291,165*
Trade payables	19	58,960,134	51,585,976
of which towards related parties		*15,468,400*	*18,625,997*
Short term borrowings	20	32,850,097	14,454,207
Tax payables	21	860,513	893,019
Other current liabilities	22	3,843,301	7,263,135
of which towards related parties		*421,434*	*4,412,256*
TOTAL CURRENT LIABILITIES		**100,250,294**	**77,487,502**
TOTAL LIABILITIES		**128,022,615**	**100,421,833**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**217,138,906**	**198,092,203**

INCOME STATEMENT

(in Euro)	Note	Financial Year 2014/2015	Financial Year 2013/2014
Revenues from sales and services		144,538,235	95,655,077
of which towards related parties		*23,809,579*	*25,945,620*
Other revenues		27,438	-
TOTAL REVENUES	23	**144,565,673**	**95,655,077**
Cost of raw materials and consumables	24	(93,483,872)	(56,124,738)
of which towards related parties		*(16,408,873)*	*(12,444,473)*
Cost of services	25	(30,936,953)	(25,977,997)
of which towards related parties		*(6,204,591)*	*(5,965,798)*
Personnel cost	26	(15,033,926)	(12,604,823)
Other net operating (charges) incomes	27	2,953,554	2,115,494
of which towards related parties		*269,788*	*905,052*
of which operating incomes not recurring		*1,891,790*	*570,000*
Amortization, depreciation and write downs	28	(2,737,961)	(1,426,298)
of which depreciation not recurring		(498,434)	(247,129)
TOTAL OPERATING EXPENSES		**(139,239,158)**	**(94,018,362)**
OPERATING INCOME (LOSS)		**5,326,515**	**1,636,715**
Financial expenses	29	(4,964,282)	(4,284,652)
of which towards related parties		*(3,153,912)*	*(1,461,906)*
Financial incomes	29	4,278,917	1,397,389
of which towards related parties		*644,526*	*1,258,469*
INCOME (LOSS) BEFORE INCOME TAXES		**4,641,150**	**(1,250,548)**
Income taxes	30	(2,029,559)	(782,725)
NET INCOME (LOSS) FOR THE PERIOD		**2,611,591**	**(2,033,273)**

STATEMENT OF COMPREHENSIVE INCOME

(in Euro)	Financial Year 2014/2015	Financial Year 2013/2014
Net income (loss) for the period	**2,611,591**	**(2,033,273)**
Other gains (losses) that will not be reclassified to net income for the period:		
Gain (Losses) on adjustments	(57,976)	-
Tax effect	(15,189)	-
Gain (Losses) on the remeasurement of defined benefit plans	(223,134)	(589,787)
Tax effect	61,362	162,191
Total comprehensive income (loss) for the period	**2,376,654**	**(2,460,869)**

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, 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**

(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, 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**
Allocation of the result for the period		(2,033,273)						2,033,273	
Comprehensive income (loss)		(198,008)				124,843	(161,772)	2,611,591	2,376,654
Stock option				213,855					213,855
Net deficit of merger		(6,743,486)		3,888		(4,404,990)			(11,144,588)
Balances at March 31, 2015	**36,344,000**	**56,564,737**	**2,433,705**	**782,882**	**(8,134,724)**	**(1,048,533)**	**(437,368)**	**2,611,591**	**89,116,291**

STATEMENT OF CASH FLOWS

(in Euro)	Financial Year 2014/2015	Financial Year 2013/2014
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income /(Loss) for the period	2,611,591	(2,033,273)
Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:		
Amortization, depreciation and write downs	4,906,961	1,426,298
Costs/(Revenues) for stock option	213,855	122,271
(Gains)/Losses from disposals	0	(164)
Changes in the fair value of financial instruments	(656,505)	56,107
Accruals (release) of allowance for doubtful accounts	1,658,664	34,741
Accruals to employees for termination indemnities	252,009	246,407
Employees termination indemnities payments	(321,274)	(102,496)
Accruals (release) of provision for risks and charges	179,579	(126,329)
Changes in deferred tax assets and liabilities	1,534,189	294,859
	10,379,069	**(81,579)**
Changes on operating assets and liabilities		
Trade receivables	(21,601,405)	(12,131,717)
Inventories	(5,345,336)	(8,920)
Trade payables	(1,815,182)	13,172,279
Tax receivables	(60,931)	764,388
Tax payables	(153,198)	404,123
Other current assets and current and non current liabilities	(1,119,355)	3,815,819
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	**(19,716,338)**	**5,934,393**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposals of intangible assets and Property, plant and equipment	89,734	164
Purchase of property, plant and equipment	(811,431)	(1,544,384)
Purchase of Intangible assets	(199,800)	(164,970)
(Purchase)/Sale of investments	(1,298,210)	(7,675,057)
Net changes in other non current assets	8,973,710	(3,094,653)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES (B)	**6,754,003**	**(12,478,900)**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Turning loans from third parties	903,179	15,605,595
Repayment of long-term debt	(4,906,539)	(5,870,835)
Net change in short term financial liabilities	13,836,460	(323,108)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES (C)	**9,833,100**	**9,411,652**
TOTAL CASH FLOW (D=A+B+C)	**(3,129,235)**	**2,867,146**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)	**3,121,235**	**254,089**
Cash acquired as a result of the merger	2,647,550	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E)	**2,639,550**	**3,121,235**

EXPLANATORY NOTES

1. COMPANY INFORMATION AND BASIS OF PRESENTATION

Company information

Damiani S.p.A. has been engaged for several years in the production and distribution of jewelry products through both wholesale and retail channels. In particular, the Company offers prestigious jewelry brands, such as Damiani, Salvini, Alfieri & St. John, Bliss.
As a result of the merger of Rocca S.p.A., which took place with a deed dated December 16, 2014, but with accounting and tax effects backdated April 1, 2014, in the financial year 2014/2015 the Company also sold jewelry and watches of third party brands through the multi-brand stores with signboard Rocca 1794.

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 financial statements as of and for the year ended March 31, 2015 in accordance with IAS/IFRS international accounting standards and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of 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 Legislative Decree 38/2005.

Basis of presentation

The financial statements of Damiani S.p.A. as of and for the year ended March 31, 2015 cover the period April 1, 2014 – March 31, 2015, and include 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 explanatory notes (hereafter, the "Financial Statements"). They were approved by the Board of Directors of Damiani S.p.A. on June 12, 2015.
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 statement of cash flows 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 31. Transactions with related parties.
The financial statements were prepared in Euro. All amounts included in the notes 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, 2014 – March 31, 2015 have been prepared in accordance with IFRS as adopted by the European Union.
The financial statements as of and for the year ended March 31, 2015 have been prepared on a going concern basis. The economic improvement over the previous year, resulting also from the integration with the activities of the former subsidiary Rocca S.p.A., which generates synergies and efficiencies in business processes, brings the Directors to believe that there is no uncertainty about the ability of Damiani S.p.A. to continue in operational existence for the foreseeable future.
The income statement, the changes in shareholders' equity and the cash flows for the financial year ended March 31, 2015 are compared to the figures for the corresponding prior year period. The statement of financial position as of March 31, 2015 is compared to that as of March 31, 2014.
Given the change in the scope of activities of Damiani S.p.A. in financial year 2014/2015 as a result of the merger by incorporation of the subsidiary Rocca S.p.A., above described, the comparison with the economic and financial data of the previous financial year ended March 31, 2014 is partial. In note 3. Information on the comparative data as of March 31, 2014, are reported the data for the financial year 2013/2014 restated, assuming the effects of the merger in the event that this had occurred on April 1, 2013.

Accounting standards

Damiani S.p.A. prepared its consolidated financial statements as of and for the year ended March 31, 2015 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).

Accounting standards, amendments and interpretations effective from April 1, 2014

Below are the nature and the impact of any new/revised accounting standards:

- IFRS 10 and subsequent amendment – Consolidated financial statements: replaces SIC-12 Consolidation – special purpose company and part of IAS 27 – Consolidated financial statements and separate financial statements which governed the accounting of the consolidated financial statements. IFRS 10 establishes a single control model that applies to all companies, including special purpose entities. It also provides a guide to determine the existence of control where this is difficult to ascertain. IFRS 10 has not impacts on the financial statements of the Company.
- IFRS 11 – Joint Arrangements: it replaces IAS 31 Investments in Joint venture and SIC-13 Jointly controlled entities – *Non-*

Monetary Contributions by Venturers. IFRS 11 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. IFRS 11 has not impacts on the financial statement of the Company.

- IFRS 12 e subsequent amendment – Disclosure of Interests in Other Entities. It is a new standard on disclosure requirements for all forms of participation, including those in subsidiaries, jointly controlled arrangements, associates, special purpose entities and other unconsolidated structures. The provisions were previously included in IAS 27, IAS 31 and IAS 28. The new accounting standard has not impacts on the financial statements of the Company.
- IAS 27 – Separate financial statements: as result of the new IFRS 10 and IFRS 12, IAS 27 is limited to accounting for investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment has not impacts on the financial statements of the Company.
- IAS 28 – Investments in associates and joint ventures: as a result of the new IFRS 11 and IFRS 12, IAS 28 describes the application of the equity method for investments in jointly controlled companies, in addition to associates. The amendment has not impacts on the financial statements of the Company.
- IAS 32 – Compensation of financial assets and liabilities (amendment): the amendments clarify the meaning of "currently has a legally right to offset" and the policy of compensation in the case of settlement systems (such as central clearing house) applying mechanisms of non-simultaneous regulation. The amendment has not expected impacts on the financial statements of the Company.
- IAS 36 – Information on the recoverable value of non-financial assets (amendment): The amendments remove the consequences of the disclosures required by IAS 36 unintentionally introduced by IFRS 13. In addition, these changes require information on the recoverable amount of the asset or "CGU" for which in the course of the financial year a reduction in value (impairment losses) has been detected or reversed.
- IAS 39 – Financial Instruments: Recognition and Measurement (amended): these changes allow the continuing of hedge accounting when the novation of a derivative hedging meets certain criteria. The amendment has not expected impacts on the financial statements of the Company.

Accounting standards, amendments and interpretations not yet applicable and not early adopted by the Company

Listed below are the accounting standards, which, at the date of the consolidated financial statements of the Group, were already issued but not yet effective. Damiani S.p.A. intends to adopt these standards when they come into force.

- IFRS 9 – Financial instruments: in July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that reflects all phases of the project relating to financial instruments and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for the classification, measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning from January 1, 2018 or later. Earlier application is permitted. It is required retrospective application of the principle, but it's not required to provide comparative information. It is permitted early application of the previous versions of IFRS 9 (2009, 2010 and 2013) if the date of initial application is earlier than February 1, 2015.
- IAS 19 - Employee benefits: employee contributions (revised). IAS 19 calls for an entity to consider the contributions by employees or third parties when accounting defined benefit plans. When contributions are linked to the performance of the service, they should be attributed to the period of service as a negative benefit. The amendment states that if the amount of the fees is independent of the number of years of service, it's permitted to an entity to recognize these contributions as a reduction of cost of service during the period in which the service is provided, instead of allocating contributions to periods of service. This change is effective for annual periods beginning on or after July 1, 2014.
- IFRS 15 - Revenue from contracts with customers. IFRS was issued in May 2014 and introduces a new model in five stages, which will apply to revenues from contracts with customers. IFRS 15 requires the recognition of revenue for an amount that reflects the compensation which the entity believes to receive in exchange for the transfer of goods or services to the customer. The standard provides a more structured approach to the recognition and measurement of revenue, replacing all current requirements in the other IFRS regarding revenue recognition. IFRS 15 is effective for annual periods beginning from January 1, 2017 onwards, with full retrospective application or modified. Earlier application is permitted.
- Amendments to IAS 1 - Use of judgment in financial reporting: the amendments to IAS 1 clarify some elements perceived as restrictions on the use of judgment from who draft the financial statements, and are effective for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- Amendments to IAS 16 and IAS 38 - Clarification of the allowable methods of depreciation: the changes clarify the principles set out in IAS 16 and IAS 38: revenues reflect a pattern of economic benefits from operating a business, rather than economic benefits that wear out with use of the item. It follows that a method based on sales cannot be used for the depreciation of property, plant and equipment and may be used only in very limited circumstances for the amortization of intangible assets. The changes must be applied prospectively for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- Amendments to IAS 27 - Equity method in the separate financial statements: changes will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements. The entities that are already applying IFRS and decide to change the method of accounting through the equity method in the separate financial statements will have to apply the change retrospectively. In case of first-time adoption of IFRS, the entity that decides to use the equity method in the separate financial statements should apply the change from the date of transition to IFRS. The changes are effective for financial years beginning on January 1, 2016 or later. Earlier application is permitted.
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: the application of the exception to consolidation: the amendment clarifies the problems arising from the application of the exception to consolidation planned for the size of the investment, and effective for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- Amendments to IFRS 10 and IAS 28 - Sale or transfer of an asset between an investor and an associate or joint venture: the amendment is designed to eliminate the conflict between the requirements of IAS 28 and IFRS 10 and clarifies that, in a transaction that involves an associate or joint venture, the extent to which it is possible to detect a gain or loss depends on whether the asset, the subject of the sale or contribution, is a business. The amendment is effective for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- IFRS 11 agreements to joint ventures: acquisition of a share (amendments): The amendments require that a joint operator recognizes that the acquisition of a stake in an agreement to joint control, whose activities represent a business, must apply the relevant principles of IFRS 3 regarding the accounting for business combinations. The changes also clarify that, in the maintenance of joint control, the previously held share in an agreement to joint control is not subject to re-measurement at the acquisition of an

additional stake. In addition, it has added an exclusion from the scope of IFRS 11 to clarify that the changes do not apply when the parties sharing control, including the reporting entities are under common control of the same last controlling party. The changes apply both to the acquisition of the initial share of participation in an agreement to joint control and to the acquisition of each additional share in the same agreement to joint control. The changes must be applied prospectively for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.

- IFRIC 21 - Taxes: clarifies that an entity recognizes a liability for taxes at the earliest when the event (to which the payment is linked) occurs, in accordance with applicable law. For payments that are due only to the passing of a certain minimum threshold, the liability is recognized only when the threshold is reached. It’s required retrospective application for IFRIC 21. This interpretation must be applied in financial statements beginning on or after January 1, 2015.
- Annual cycle of improvements IFRS 2010-2012. The improvements are applicable for annual periods beginning on or after July 1, 2014. They include:
  - IFRS 2: definition of "vesting condition".
  - IFRS 3: Recognition of "contingent consideration" in a business combination.
  - IFRS 8: Information on the aggregation of operating segments.
  - IFRS 8: Reconciliation between the total assets of the operating segments with the total assets of the company.
  - IFRS 13: short-term receivables and payables.
  - IAS 16 / IAS 38: revaluation method: proportional restatement of accumulated depreciation.
  - IAS 24: a management company that provides management services with strategic responsibilities should be considered as a related party.
- Annual cycle of improvements IFRS 2011-2013. The improvements are applicable for annual periods beginning on or after July 1, 2014. They include:
  - IFRS 3: it clarifies that the principle does not apply in accounting for the establishment of an agreement to joint control.
  - IFRS 13: changed the scope of the section on portfolio exception.
  - IAS 40: clarifies that, in determining whether a transaction is the purchase of an asset or a business combination must be used IFRS 3 and not the description of ancillary services in IAS 40.
- Annual cycle of improvements IFRS 2012-2014. The improvements are pending homologation. They include:
  - IFRS 5: reclassification guide to methods provisions.
  - IFRS 7: further guidance to service contracts and applicability of IFRS 7 in the interim financial statements.
  - IAS 19: clarification of the discount rate.
  - IAS 34: guidance on the meaning of "in other sections of the interim report".

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 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 on sales, commercial obsolescence on stocks, to determine the useful life of property, plant and equipment and intangible assets in the calculation of amortization and depreciation, asset impairments, employee benefits and 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 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 on sales, 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 of revenues, costs and cash flows 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 goodwill, 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 Company 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
Software licences	20%
Key Money (Indemnities paid for renewal of shop rental contracts)	Duration of contract

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 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 recognized as previously described for intangible fixed assets with a finite useful life.
As of March 31, 2015 there are no capitalized development costs.

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	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

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 recorded 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, its leased assets and investments. 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. The other assets with definite useful lives are subjected to impairment test in the presence of indicators of impairment.

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 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 Company 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.

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 asset

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 financial statements 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 Company 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 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 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.

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 the Company 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 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 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 has 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 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 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:
<u>Costs for advertising campaigns and testimonials</u>
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 have incurred.
Costs relating to advertising campaigns and promotional activities have recognized in the income statement for each period the services had 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

<u>Current taxes</u>
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.

<u>Deferred and prepaid taxes</u>
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.

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. It includes its subsidiary 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 2014, and Rocca S.p.A., which has been integrated by merger since April, 1st 2014). From January 1, 2013 has been activated also the regime of Group VAT (Damiani S.p.A., Laboratorio Damiani S.r.l. and Rocca S.p.A., merged in Damiani S.p.A. in the financial year 2014/2015), pursuant to Presidential Decree 633/72 article 73, paragraph 3, DM 13/12/1979. On February 10, 2015 the Group VAT system was renewed for the year 2015.

Foreign currency translation

Damiani S.p.A. 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 are shown as changes in shareholders' equity.

3. INFORMATION ON THE COMPARATIVE DATA AS OF MARCH 31, 2014

On December 16, 2014 was formalized by notarial deed, the merger of the company Rocca S.p.A. in the parent company Damiani S.p.A., which owned 100% of the share capital of the merged company. The merger took effect to third parties on January 1, 2015, while the accounting and tax effects were backdated to April 1, 2014.

The proposed merger, in accordance with the regulations of corporate and tax law, was initiated on August 5, 2014 by resolution of the merger plan by the Board of Directors of Damiani S.p.A. Subsequently, on October 2, 2014 the Board of Directors of the merging Damiani S.p.A. and the merged Rocca S.p.A. respectively approved the merger pursuant to article 2502 of the Civil Code. This merger did not result in any capital increase of the merging company nor has been subject to the procedure on transactions with related parties pursuant to Consob regulation 17221/2010.

The merger is aimed at ensuring greater functionality of the Group, both in terms of internal processes and in the overall economic and financial profile, and is part of the reorganization already largely implemented in previous years.

In order to make comparable the figures of the financial statements at March 31, 2015 with them of the previous financial year, in this note are presented also the restated financial data at March 31, 2014, assuming the retroactive effects of the merger as if it had intervened with effect from April 1, 2013. This restatement is not required by the applicable accounting standards. For this purpose are used the financial statements of the two companies involved in the merger, that are both subject to audit: the merging Damiani S.p.A. (financial statements prepared in accordance with IAS/IFRS) and the merged Rocca S.p.A. (prepared in accordance with Italian GAAP) and the accounting entries made on a consolidated basis to homogenize the two financial statements, in terms of accounting standards.

The table shows the original financial statements at March 31, 2014, the records made at central level and the eliminations related to intercompany transactions between the two companies.

Main economic data *(in Euro)*	Financial year 2013/2014 Damiani S.p.A. IAS IFRS	Rocca S.p.A. ITAGAAP	Rocca S.p.A. IAS Adjustments	Eliminations	Damiani S.p.A. Restaded	Financial year 2014/2015 Damiani S.p.A.	Change
Revenues from sales and services	95,655,077	47,665,381	0	(6,910,041)	136,410,417	144,538,235	8,127,818
Other revenues	0	33,631	0	(1,825)	31,806	27,438	(4,368)
TOTAL REVENUES	**95,655,077**	**47,699,012**	**0**	**(6,911,866)**	**136,442,223**	**144,565,673**	**8,123,450**
Cost of raw materials and consumables	(56,124,738)	(37,731,108)	0	6,532,072	(87,323,774)	(93,483,872)	(6,160,098)
Cost of services	(25,977,997)	(6,937,588)	1,179,357	686,498	(31,049,730)	(30,936,953)	112,777
Personnel cost	(12,604,823)	(3,553,068)	13,288	0	(16,144,603)	(15,033,926)	1,110,677
Other net operating (charges) incomes	2,115,494	632,243	0	(689,172)	2,058,565	2,953,554	894,989
Amortization and depreciation	(1,426,298)	(596,059)	(495,870)	0	(2,518,227)	(2,737,961)	(219,734)
TOTAL OPERATING EXPENSES	**(94,018,362)**	**(48,185,580)**	**696,775**	**6,529,398**	**(134,977,769)**	**(139,239,158)**	**(4,261,389)**
OPERATING INCOME (LOSS)	**1,636,715**	**(486,568)**	**696,775**	**(382,468)**	**1,464,454**	**5,326,515**	**3,862,061**
Net financial incomes (expenses)	(2,887,263)	(839,514)	(431,669)	0	(4,158,446)	(685,365)	3,473,081
INCOME (LOSS) BEFORE INCOME TAXES	**(1,250,548)**	**(1,326,082)**	**265,106**	**(382,468)**	**(2,693,992)**	**4,641,150**	**7,335,142**
Income taxes	(782,725)	273,300	(99,560)	120,095	(488,890)	(2,029,559)	(1,540,669)
NET INCOME (LOSS) FOR THE PERIOD	**(2,033,273)**	**(1,052,782)**	**165,546**	**(262,373)**	**(3,182,882)**	**2,611,591**	**5,794,473**

Statement of financial position *(in Euro)*	Financial year 2013/2014 Damiani S.p.A. IAS IFRS	Rocca S.p.A. ITAGAAP	Rocca S.p.A. IAS Adjustments	Eliminations	Damiani S.p.A. Restaded	Financial year 2014/2015 Damiani S.p.A.	Change
Fixed assets	91,857,050	8,212,597	5,631,105	(22,984,868)	82,715,884	70,227,140	(12,488,744)
Net working capital	43,371,788	13,074,161	(94,811)	(4,638,110)	51,713,028	80,608,268	28,895,240
Non current liabilities	(3,988,736)	(765,687)	(223,377)	0	(4,977,800)	(5,831,452)	(853,652)
Net capital invested	**131,240,102**	**20,521,071**	**5,312,917**	**(27,622,978)**	**129,451,112**	**145,003,956**	**15,552,844**
Shareholders' Equity	97,670,370	5,199,706	(721,316)	(15,622,978)	86,525,782	89,116,291	2,590,509
Net financial position	33,569,732	15,321,365	6,034,233	(12,000,000)	42,925,330	55,887,665	12,962,335
Sources of financing	**131,240,102**	**20,521,071**	**5,312,917**	**(27,622,978)**	**129,451,112**	**145,003,956**	**15,552,844**

The eliminations in the table mainly refer to:

- In the income statement the intercompany sales of finished products with the Group's brands with whom Damiani S.p.A. has fueled in the period the multi-brand network with the signboard Rocca 1794.
- Always in the income statement is included the recharge of the expenses for the services centrally provided by Damiani S.p.A. for the benefit of the subsidiary Rocca S.p.A., governed by specific agreement signed between the parties.
- Among the assets eliminations refer mainly to: i) the amount of the investment recorded in the financial statements of the parent company for Euro 11,943 thousands; ii) intercompany loan of Euro 12,000 thousands granted by Damiani S.p.A.; iii) elimination of margins on sales to Rocca S.p.A. and yet in stock for Euro 4,638 thousands.

NOTES ON ITEMS OF THE FINANCIAL STATEMENTS

The individual items of statement of financial position and income statement are explained below.

4. GOODWILL

At March 31, 2015 goodwill amounted to Euro 465 thousands and decreased by Euro 14 thousands compared to March 31, 2014 due to the closure of the point of sale directly managed in Portofino. This store was not profitable nor strategic for the Company, which wrote off the related goodwill paid at the time of the availability of this commercial space.

The residual value refers to the goodwill paid by Damiani S.p.A. for two boutiques 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 ended March 31, 2015 and March 31, 2014, it was subject to an impairment test.
Impairment test is carried out at least once a year on the cash generating unit (CGU) 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, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Industrial rights and patents	78	123
Intang.fix.ass.in process of formation	214	-
Key money	591	691
Total other intangible assets	**883**	**814**

The item "key money" refers to the amounts paid for the purchases of two leasing contracts in Naples and Turin for the directly managed boutiques. Such amounts are amortized on the basis of the residual duration of the leasing contracts.
The Industrial rights and patents refer to software licenses.
In the financial year 2014/2015 the changes in intangible assets, including the effect related to the merger of the subsidiary Rocca S.p.A., were the following:

(in thousands of Euro)	**Industrial rights and patents**	**Intang.fix.ass.in process of formation**	**Key money**	**Total**
Net book value at March 31, 2014	**123**	**-**	**691**	**814**
Values resulting from the merger	89	14	509	612
Purchases	-	200	-	200
Write downs	-	-	(498)	(498)
Amortization	(134)	-	(111)	(245)
Net book value at March 31, 2015	**78**	**214**	**591**	**883**

6. PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Land and buildings	7,587	2,912
Plant and machinery	240	253
Industrial and commercial equipments	68	36
Leasehold improvements	1,232	864
Other assets	2,060	1,775
Total property, plant and equipment	**11,187**	**5,840**

The Land and buildings item also includes the residual value of three properties subject to sale and lease back, that related parties have bought from Damiani S.p.A. and from the merged Rocca S.p.A. in previous financial years and then re-leased to the same companies. The value of these properties amounted to Euro 6,263 thousands at March 31, 2015 and include also the value of the two buildings previously booked in Rocca S.p.A., while at March 31, 2014 the amount was Euro 1,554 thousands and referred only to the property of Damiani S.p.A., located in Milan and home to the flagship store Damiani.
The Other assets item mainly includes furniture, furnishings, office equipment and vehicles.
In the financial year 2014/2015 the changes in property, plant and equipment, including the effect related to the merger of the subsidiary Rocca S.p.A., were the following:

(in thousands of Euro)	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipments**	**Leasehold improvements**	**Other assets**	**Total**
Historical cost	7,830	2,067	492	1,007	15,184	26,580
Depreciation reserve at March 31 2014	(4,918)	(1,814)	(456)	(143)	(13,409)	(20,740)
Net book value at March 31, 2014	**2,912**	**253**	**36**	**864**	**1,775**	**5,840**
Values resulting from the merger	5,584	151	-	299	572	6,606
Purchases	-	1	69	373	369	812
Disposals	-	(17)	-	(56)	(18)	(91)
Write downs	-	(8)	-	-	-	(8)
Depreciation	(909)	(140)	(37)	(248)	(638)	(1,972)
Net book value at March 31, 2015	**7,587**	**240**	**68**	**1,232**	**2,060**	**11,187**

The increase in these assets mainly consist of equipment/renovations of stores. The values resulting from the incorporation of Rocca S.p.A., in addition to real estates for sale and lease back, consist mainly of assets located in Italian multi-brand stores with signboard Rocca 1794.
Property, plant and equipment do not include assets subject to revaluation, as per the special laws contained in article 10 of Law 72/1983.

7. INVESTMENTS

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Investments in subsidiaries	24,591	35,021
Investments in other companies	167	167
Total investments	**24,758**	**35,188**

The changes in Investments in subsidiaries were due to:

i) Cancellation of the value of investment in Rocca S.p.A. for Euro 11,943 thousands as a result of the merger of the subsidiary, occurred with a deed on December 16, 2014 and whose accounting and tax effects were backdated to April 1, 2014. As a result of this merger Damiani S.p.A. owns now 100% of the share capital of the Swiss subsidiary Rocca International S.A., formerly controlled by Rocca S.p.A. The book value of this investment is Euro 2,384 thousands.

ii) Write-down of the investment in the subsidiary Damiani Hong Kong Ltd. for Euro 2,169 thousands, as a result of the impairment test which determined a recoverable amount less than the value of the investment (for details on the methodology used in the impairment test, see the next paragraph).

iii) Capital increase in the subsidiaries Damiani Shanghai Trading Co. Ltd (for Euro 309 thousands) and Damiani Korea Co. Ltd (for Euro 989 thousands) to support their commercial development in Greater China and in South Korea, currently in a start-up phase.

The table below provides details of investments in subsidiaries at March 31, 2015.

(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	832	(1)	99%	824	330	1)
Damiani International B.V.	Amsterdam (Netherlands)	194	17,182	(1,465)	100%	17,182	9,894	1)
Damiani Hong Kong Ltd.	Hong Kong	8,691	2,042	(1,167)	96%	1,960	4,608	1)
Laboratorio Damiani S.r.l.	Valenza (Italy)	850	3,859	502	51%	1,968	467	1)
Damiani Mexico S.A.	Mexico D.F. (Mexico)	182	(58)	(165)	10%	(6)	29	1)
Damiani Shanghai Trading Ltd	Shanghai (China)	6,746	250	(3,167)	100%	250	5,536	1)
Damiani Korea Co. Ltd	Seoul (South Korea)	1,593	884	(485)	100%	884	1,343	1)
Rocca International S.A.	Lugano (Switzerland)	573	1,698	504	100%	1,698	2,384	1)
Total							**24,591**	

Impairment test carried out on investments

Investments, constituting Cash generating units (CGU), are subject to impairment tests, with particular attention on those whose carrying value is higher than the share of equity.
The recoverable value was calculated using the value in use, which in turns 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 as 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 made the following assumptions:

- The financial data were taken from the 2015-2018 business plan of the Group (including each Cash generating unit. The business plan was approved by the Board of Directors of Damiani S.p.A. on May 28, 2015.
- The cash flow was calculated for each CGU from the EBITDA minus the capital expenditure and the changes in net working capital.
- The cash flow was discounted at WACC, net of tax expenses, calculating according to the following benchmarks:
  - risk free rate: yield on ten-years emissions in the countries in which the CGUs operate
  - beta: determined as the average ratio debt/equity in a panel
  - 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
  - average debt rate: cost related to sources of financing by third parties of the CGU.

The cash flows were discounted using a WACC specific to each direct and indirect investment (from 6.25% to 9.60%), net of tax effect, consistent with the individual parameters listed above and related to each CGU. In the previous financial year the WACCs ranged from 6.06% to 8.39%.
In particular, the expected growth rate "g", after the three years covered by the business plan, to be used for the calculation of the terminal value, was assumed to be zero, except for CGUs operating in the retail channel (Damiani boutiques in Italy). In this case the "g" rate is 1%, in line with the curve of the projections of its business plan and lower than the growth rate of the market. The same approach was also held in the previous financial year.
For the sub-holding Damiani International B.V. the impairment test considers beside the value in use of its assets also the sum of the recoverable values of each subsidiary directly owned.
The impairment tests performed showed recoverable value in excess compared to the book value in the financial statements of Damiani S.p.A., with the exception of Damiani Hong Kong Ltd, for which it has recorded a permanent impairment that resulted in a write-down of Euro 2,169 thousands.

The following table details the investment in other companies.

(in thousands of Euro)	**March 31, 2015**
Fin-Or-Val S.r.l.	126
Banca d'Alba	41
Total investments in other companies	**167**

No change was made to the value at March 31, 2014.
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, 2015 and 2014:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Receivables towards subsidiaries	22,595	41,420
Receivables towards others	273	376
Total financial receivables and other non-current assets	**22,868**	**41,796**

Financial receivables towards subsidiaries decreased by Euro 18,928 thousands in the financial year 2014/2015. This change was mainly due to: i) cancellation of the loan for Euro 12,000 thousands disbursed in previous years to Rocca S.p.A., as a result of the already described merger. Following the incorporation Damiani S.p.A. has a loan of Euro 731 thousands toward Rocca International S.A., initially provided by Rocca S.p.A.; ii) contraction of receivables toward Damiani International B.V., which stemmed from previous commercial supplies whose payment terms exceeded the normal commercial deferral and therefore were reclassified as financial fixed assets and on which interest income matured; iii) increase in loans to the subsidiaries Damiani Shanghai Trading Ltd and Damiani Korea Co. Ltd (overall for Euro 2,405 thousands), to cover the financial needs generated by current operations of the two companies in their start-up.
At March 31, 2015 receivables towards subsidiaries were as follows:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Damiani International B.V.	14,182	23,932
Damiani Hong Kong Ltd	807	635
Laboratorio Damiani S.r.l.	3,030	3,413
Rocca S.p.A.	-	12,000
Rocca International S.A.	731	-
Damiani Macau Ltd	350	350
Damiani Shanghai Trading Ltd	3,375	1,090
Damiani Korea Co. Ltd	120	-
Total	**22,595**	**41,420**

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

9. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Deferred tax assets		
Net impact of the returns reserve	1,212	1,574
Write-off on intercompany inventory margins	650	-
Financial interests in excess	2,103	910
Fiscal losses	1,852	1,275
Provision for doubtful accounts not deductible	838	916
Provisions on lawsuits	103	41
Write downs of inventories	2,411	2,151
Foreign exchange rate loss	347	403
Loss on barter receivables	146	146
Other timing differences of a taxation nature	403	324
Total deferred tax assets	**10,065**	**7,740**

(in thousands of Euro)	March 31, 2015	March 31, 2014
Deferred tax liabilities		
Exchange differences	897	52
Other timing differences of a taxation nature	127	28
Total deferred tax liabilities	**1,024**	**80**

The change in deferred tax assets compared to March 31, 2014 was mainly due to the incorporation of the subsidiary Rocca S.p.A.
Deferred tax assets on tax losses and financial charges exceeding, booked in previous financial 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 Law 98/2011 which introduced the new system of carry forward tax losses, making them temporally unlimited albeit with quantitative limitation on an annual basis.
The increase of deferred tax liabilities was related to the temporary difference between book value and tax value of the foreign exchange gains.

10. INVENTORIES

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Raw materials, semi-finished goods and advance payments	9,889	10,244
Finished products and goods	59,804	35,814
Total inventories	**69,693**	**46,058**

The amount of inventories in finished products and goods at March 31, 2015 increased by Euro 23,635 thousands compared to the previous financial year. This change was due to the integration of the stock of finished goods of Rocca S.p.A., that at March 31, 2014 amounted to Euro 18,290 thousands.
Besides, the amount of inventories at March 31, 2015 includes Euro 4,022 thousands (Euro 5,140 thousands at March 31, 2014) of finished products delivered to customers but for which the conditions for the recognition of the revenues were not met. The decrease is related to the partial release of the fund for returns on sales that, according to the assessment made at March 31, 2015, was in surplus given the dynamics of returns booked in the financial year.
At March 31, 2015 the inventories have been wrote-down for Euro 9,455 thousands (Euro 7,822 thousands at March 31, 2014) to cover the commercial obsolescence in the stock of finished goods. The risk has been calculated by the Company's management, also considering Group and third parties products resulting from the integration with Rocca S.p.A. The merged company had already assessed its obsolescence risk at March 31, 2014. It has therefore recalculated the fund at the end of the financial year with regard to the composition and length of training in total inventories.
This new estimate was substantially in line with the sum of the two funds calculated on Damiani S.p.A. and Rocca S.p.A. at the end of the previous financial year, so no need for any further allocation to March 31, 2015.

11. TRADE RECEIVABLES

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Trade receivables towards clients	42,498	41,637
Trade receivables towards subsidiaries	38,040	27,074
Trade receivables, gross	**80,538**	**68,711**
Provision for doubtful accounts	(3,263)	(3,540)
Fund for returns on sales	(8,220)	(10,597)
Net present value calculation of receivables	(6)	(18)
Total trade receivables	**69,049**	**54,556**

Trade receivables is 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, 2015	March 31, 2014
Damiani International B.V.	1,773	752
Damiani Japan K.K.	16,038	9,654
Damiani Usa Corp.	4,425	3,973
Damiani Hong Kong Ltd	5,465	622
Laboratorio Damiani S.r.l.	1,302	815
Damiani France S.A.	2,245	826
Rocca S.p.A.	-	7,076
Rocca International S.A.	1,092	488
Damiani Macau Ltd	1,027	350
Damiani Mexico S.A. de C.V.	1,246	388
Damiani India Co. Ltd	200	200
Damiani Shanghai Trading Co. Ltd	2,314	1,562
Damiani korea Co. Ltd	913	368
Total	**38,040**	**27,074**

The increase in trade receivables towards subsidiaries compared to March 31, 2014 was due to the balance of these effects: i) increase of receivables towards foreign subsidiaries directly supplied by Damiani S.p.A. for a total of Euro 17,555 thousands; ii) cancellation of receivables towards the merged company Rocca S.p.A., that at the end of the previous financial year were Euro 7,076 thousands; iii) increase of receivables towards the manufacturing subsidiary Laboratorio Damiani S.r.l. for Euro 487 thousands.
The following table shows the changes in the fund for returns on sales and the provision for doubtful accounts happened during the financial year ended March 31, 2015.

(in thousands of Euro)	Fund for returns on sales	Provision for doubtful accounts
Book value at March 31, 2014	**10,597**	**3,540**
Accrual	2,379	1,659
Utilization	(4,756)	(1,936)
Book value at March 31, 2015	**8,220**	**3,263**

There are no trade receivables with a duration of more than five years. At March 31, 2015 the composition of gross trade receivables from customers by maturity was 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	28,693	3,150	635	2,216	7,804	42,498

12. TAX RECEIVABLES

The tax receivables increased from Euro 292 thousands at March 31, 2014 to Euro 451 thousands at March 31, 2015 due to higher advances on income taxes.

13. OTHER CURRENT ASSETS

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Prepayments	1,421	672
Accrued income towards subsidiaries	461	846
Prepayments towards susidiaries	-	28
Advances to suppliers	1,713	515
Receivables from others	1,484	147
Total other current assets	**5,079**	**2,208**

The increase in the item for Euro 2,871 thousands was due to: i) increase in the advances to suppliers for services and for works of restructuring of outlets for a total of Euro 1,198 thousands; ii) increase in receivables from others for Euro 1,337 thousands, which also include an amount payable by the insurance company for reimbursement of Euro 596 thousands already receipted but not yet collected, and the mark to market valuation of forward contracts for Euro 657 thousands; iii) higher prepayments for Euro 749 thousands on leased premises of multi-brand boutiques with signboard Rocca 1794.

14. CASH AND CASH EQUIVALENTS

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Bank and post accounts	2,539	3,099
Cash on hand	101	22
Total cash and cash equivalents	**2,640**	**3,121**

The balance represents the existing cash on bank 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, 2015, amounted to Euro 36,344 thousands, gross of treasury shares, and was made up of 82,600,000 shares with a par value of Euro 0.44 each.
It should be noted that no dividends were paid during the financial year. The Board of Directors on June 12, 2015 did not propose to the Shareholders' Meeting any dividend payment for the financial year 2014/2015.
The number of treasury shares held in the portfolio amounted to 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 13,927,522, are in slight decrease compared to March 31, 2014.
The changes in equity in the financial year ended March 31, 2015 were as follows:

- Positive net result for Euro 2,612 thousands
- Increase in the stock option reserve for Euro 214 thousands
- Actuarial loss on defined benefit plans for employees recognized in accordance with IAS 19 (2011) for Euro 162 thousands
- Adjustments resulting from the merger of Rocca S.p.A. directly booked to equity for Euro 73 thousands
- Effects arising from the registration of deficit of merger for the incorporation of the subsidiary Rocca S.p.A. for Euro 11,144 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	Usage in the three previous financial years for other uses
Share capital	36,344				
Share premium reserve	56,565	1) 2) 3)	56,565 (*)	4,102	6,941
Legal reserve	2,434	2)			
Other reserves:					
FTA reserve	2,776	1) 2) 3)	2,776		
extraordinary reserve	(4,262)	1) 2) 3)		7,131	3,680
stock option and stock grant reserve	783	1) 2)			
treasury shares	(8,135)				
Total	**86,505**		**59,341**	**11,233**	**10,621**

Note
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 Euro 51,730 thousands

16. FINANCIAL LIABILITIES: CURRENT AND NON-CURRENT PORTION

The current and non-current portion of financial liabilities at March 31, 2015 and March 31, 2014 were made up as follows:

(in thousands of Euro)	March 31, 2015	March 31, 2014	Note
Non current portion			
Loan A	-	1,500	a
Loan B	2,074	1,690	b
Loan C	5,000	5,000	c
Loan D	6,012	6,012	d
Loan E	2,904	2,904	e
Loan F	58	-	f
Financial leasing	5,893	1,840	g
Total non current portion of medium/long term financial liabilities	**21,941**	**18,946**	
Current portion			
Loan A	1,500	3,000	a
Loan B	519	-	b
Loan F	687	-	f
Financial leasing	1,030	291	g
Total current portion of medium/long term financial liabilities	**3,736**	**3,291**	
Total medium/long term financial liabilities	**25,677**	**22,237**	

The following is a breakdown of key information relating to loans granted by banks and other lenders to Damiani S.p.A.:

a) Loan A was originally granted 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. Therefore, the remaining portion is entirely included in current liabilities. On this loan interests are paid at a fixed rate of 4.40% per year.

b) Loan B is the down payment of 86% of the total amount of a subsidized loan signed in February 2013 by Damiani S.p.A. to implement development programs in China within 24 months following the signing of the contract. Based on the progress of investments the loan was paid in four separate tranches: the first for Euro 904 thousands in June 2013, the second for Euro 786 thousands in December 2013, the third for Euro 205 thousands in April 2014 and the fourth for Euro 698 thousands in September 2014. The total amount of funding is Euro 3,012 thousands (the last installment was received in April 2015), with repayment of seven years, after the first two-years grace period, in half-yearly installments and at an effective annual rate of 0.5% (the current portion, being redeemed during the period April 2015-March 2016, therefore amounts to Euro 519 thousands).

c) 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 was paid at December 31, 2014.

d) The medium-term loan D 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 operations of the Damiani Group, mainly by financing industrial investments and 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 expenses 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, 2015, 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 statements at 31 March 2014 financial covenants were not fully respected. After the date of approval of the consolidated financial statements for the year 2013/2014 by the Shareholders' Meeting (which took place on July 24, 2014), the Company has provided on September 23, 2014, the statement of compliance, in accordance with the loan

agreement, in which it is formally reported the non-compliance with the covenants. It has therefore started a process of renegotiation with the pool of banks, which is still in progress and is also reflected in a letter dated 8 January 2015 sent by the acting bank on behalf of the entire lending pool. In this communication, the lenders have reaffirmed the readiness to consider changes to the initial loan agreement on the basis of the new three-year business plan of the Group (approved by the Board of Directors of Damiani S.p.A. on May 28, 2015).
Waiting to complete the process of revision, the disbursement of the remaining portion of the credit line is suspended. Moreover, with the formal notice of March 11, 2015, the lenders have also given up to apply the commitment fee on the unpaid portion of the credit line, with effect from January, 8, 2015.
Based on the above and in the validity of the financial commitment of significant shareholders to rectify the breach of the covenants, the classification of the debt on the balance sheet was maintained in accordance with contractual maturities.

e) Loan E 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 Italian 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 (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.
f) Loan F was granted in April 2013 to Rocca S.p.A. (merged in Damiani S.p.A. in the financial year 2014/2015) 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 interest at a three-month Euribor rate plus a spread 3%

Furthermore, paragraph g) presents the leasing debts that are relative to three contracts for the sale of real estates to related parties, which are accounted as sale and leaseback arrangement under IAS 17. Real estate units are Damiani and Rocca 1794 store locations.

The following table shows the details of the net financial position at March 31, 2015 and at March 31, 2014:

Net financial position (*) *(in thousands of Euro)*	**March 31, 2015**	**March 31, 2014**
Current portion of loans and financing	2,705	3,000
Current portion of loans and financing with related parties	1,031	291
Short term borrowings	32,850	14,454
Current financial indebtedness	**36,586**	**17,745**
Non current portion of loans and financing	11,048	17,106
Non current portion of loans and financing with related parties	10,893	1,840
Non Current financial indebtedness	**21,941**	**18,946**
Total gross financial indebtedness	**58,527**	**36,691**
Bank and post accounts	(2,539)	(3,099)
Cash on hand	(101)	(22)
Net financial position (*)	**55,888**	**33,570**

(*) 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, 2015 had a negative balance for Euro 55,888 thousands, in worsening of Euro 22,318 thousands compared to the end of the previous financial year (Euro 33,570 thousands).
The change was mainly due to the incorporation of Rocca S.p.A. and to the need of working capital generated during the year to support the development of the Group.

17. EMPLOYEES’ TERMINATION INDEMNITIES

In the financial year ended March 31, 2015 the following changes took place on Employees’ termination indemnities (TFR):

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Employees' termination indemnities at the beginning of the period	**3,762**	**3,191**
Values resulting from the merger	645	-
Financial expenses	64	114
Paid benefits	(321)	(102)
Actuarial Loss (Profit)	205	559
Employees' termination indemnities at the end of the period	**4,355**	**3,762**

The changes during the period reflect the provisions and the outlays, including advances, implemented during the financial year, as well as the amount arising from the merger of Rocca S.p.A.
Employees’ termination indemnities are part of the defined benefits plans.
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	0.80%
Annual inflation rate	0.60% for year 2015 1.20% for year 2016 1.50% for year 2017 and 2018 2.00% from 2019 onwards

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

The provision is recognized to cover legal disputes. The value of the provisions is changed from Euro 146 thousands in the financial year ended March 31, 2014 to Euro 453 thousands in the financial year ended March 31, 2015 effect of: i) uses for Euro 48 thousands for litigation; ii) provisions of Euro 250 thousands to cover current legal proceedings for which at March 31, 2015 there were already likely obligations incurred by the Company; iii) absorption of the risks of Rocca S.p.A. due to the merger for Euro 104 thousands.

19. TRADE PAYABLES

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Trade payables due in less than 12 months	43,214	34,103
Trade payables towards subsidiaries within 12 months	15,154	17,280
Bill payable, other credit securities and advances	592	203
Total trade payables	**58,960**	**51,586**

The increase of trade payables towards third parties for Euro 9,111 thousands was directly related to the wider activities of the Company compared to the previous financial year, as a result of the merger of Rocca S.p.A.
The trade payables towards subsidiaries mainly decreased for the closing of the debt to the US subsidiary Damiani Usa Corp. which was accounted at the end of the previous financial year when intra-group returns on sales were booked.
Details of trade payables towards subsidiaries were as follows:

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Damiani International B.V.	3,314	3,585
Damiani Japan K.K.	87	45
Damiani Usa Corp.	-	3,908
Casa Damiani Espana S.L.	721	721
Damiani Hong Kong Ltd	1,902	472
Laboratorio Damiani S.r.l.	8,459	7,754
Damiani France S.A.	438	432
Rocca S.p.A.	-	354
Rocca International S.A.	132	-
Damiani Macau Ltd	97	5
Damiani Mexico S.A. de C.V.	4	4
Total	**15,154**	**17,280**

20. SHORT TERM BORROWINGS

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Current debts towards banks	32,458	14,018
Accrued expenses related to interest on loans	392	436
Total short term borrowings	**32,850**	**14,454**

The increase of current debts towards banks was directly related to the merger of Rocca S.p.A. and to the needs related to the operating working capital to support the development of the Company and the foreign subsidiaries.

21. TAX PAYABLES

At March 31, 2015 the item amounted to Euro 861 thousands compared to Euro 893 thousands at March 31, 2014 and it refers mainly to the debt towards the Tax Authority for VAT and income taxes (IRES and IRAP).

22. OTHER CURRENT LIABILITIES

The following table provides a breakdown as of March 31, 2015 and 2014:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Payables to social security institutions	966	928
Payables to employees	2,238	1,862
Other liabilities towards subsidiaries	353	4,274
Other liabilities	286	199
Total other current liabilities	**3,843**	**7,263**

Payables to employees include liabilities for vacation and permissions not enjoyed as well as the amount accrued and not yet paid by 13-th and 14-th monthly.
The amount of liabilities towards subsidiaries was as follows:

(in thousands of Euro)	March 31, 2015	March 31, 2014
Damiani International BV	-	252
Laboratorio Damiani S.r.l.	353	418
Rocca S.p.A.	-	3,604
Total	**353**	**4,274**

The reduction is directly related to the merger of Rocca S.p.A. and consequently the cancellation of the debt towards the subsidiary. It referred to the transfer of VAT receivables from the Tax Authority that had the merged company (such a transfer had taken place as part of the activation of the system of Group VAT from January 2013, pursuant to Presidential Decree 633/72 article 73, paragraph 3, Ministry Decree 13/12/1979).

23. REVENUES

In the financial year 2014/2015 total revenues amounted to Euro 144,538 thousands and recorded an increase for Euro 48,884 thousands (+51%) compared to the previous financial year. The change was mainly due to the different scope of activities of the Company, as a result of the incorporation of the Rocca S.p.A.'s activity as described in the report on operations and in note 3. Information on the comparative data.
The following table shows breakdown by sales channels.

Revenues by Sales Channel *(in thousands of Euro)*	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Third parties Wholesale	**80,550**	**58,249**
Percentage on total revenues	*55.7%*	*60.9%*
Third parties Retail	**40,178**	**11,460**
Percentage on total revenues	*27.8%*	*12.0%*
Total wholesale and retail revenues	**120,728**	**69,709**
Percentage on total revenues	*83.5%*	*72.9%*
Intercompany sales	23,810	25,946
Percentage on total revenues	*16.5%*	*27.1%*
Total Revenues	**144,538**	**95,655**

The Other revenues were Euro 27 thousands and mainly refer to rental income.

24. COST OF RAW MATERIALS AND CONSUMABLES

In the financial year 2014/2015 the cost of raw materials and consumables (including purchases of finished goods) amounted to Euro 93,484 thousands, an increase by Euro 37,359 thousands compared to the financial year ended March 31, 2014 (Euro 56,125 thousands).
The increase was directly related to the growth in sales, generated both on channels traditionally covered by Damiani S.p.A. and in the multi-brand boutiques with signboard Rocca 1794 included in the scope of activity of the Company as a result of the aforementioned

merger. In those boutiques the sales of products of third parties brands, mainly watches, generate a smaller margin.

25. COST OF SERVICES

The following table shows the cost of services in the financial year ended March 31, 2015 and in the financial year ended March 31, 2014:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Functional expenses	8,279	6,836
Advertising expenses	7,991	6,591
Other commercial expenses	3,245	3,159
Production costs	2,720	3,157
Consultancy	1,593	1,679
Travel/transport expenses	2,385	1,607
Directors' fees	52	134
Use of third parties assets	4,672	2,815
Total cost of services	**30,937**	**25,978**

The cost of services showed an increase by Euro 4,959 thousands compared to the previous financial year, due to the wider activities of the Company as a result of the merger of Rocca S.p.A. Inter alia, the functional expenses and the cost for the use of third parties assets increased, due to the multi-brand boutiques with signboard Rocca 1794. The increase of the advertising expenses was directly related to the growth of revenues, but the percentage on them was down, confirming the constant attention to these expenses in order to increase their effectiveness.

26. PERSONNEL COSTS

The following table shows the details of the item in the financial year ended March 31, 2015 and in the financial year ended March 31, 2014:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Wages and salaries	10,665	8,952
Social security costs	3,335	2,863
Termination indemnity	781	627
Other personnel costs	253	163
Total personnel cost	**15,034**	**12,605**

The personnel costs increased by Euro 2,429 thousands as a result of the incorporation of the Rocca S.p.A.'s staff. The increase by 19% of the costs was lower than the average increase in staff employed during the year (+27%, as per the table below), as a result of internal reorganization, even temporarily resorting to social safety nets, which have gradually created a streamlining of internal processes. These benefits will continue to occur even in the next financial years.

Labour category	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Executives and managers	33	29
Clerks	279	217
Workers	24	18
Total	**336**	**264**

27. OTHER NET OPERATING (CHARGES) INCOMES

The following table shows the details of the item in the financial year ended March 31, 2015 and in the financial year ended March 31, 2014:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Other operating (charges) incomes	4,862	3,016
Allowance for doubtful accounts	(1,659)	(875)
Provision for lawsuits	(250)	(26)
Total other net operating (charges)incomes	**2,953**	**2,115**

The balance was positive in both periods compared and increased by Euro 838 thousands. In the financial year 2014/2015 we proceeded to make higher provisions for doubtful accounts for Euro 784 thousands in order to face the risk of insolvency of some expired receivables for which according to the trend of recovery actions the risk is estimated high.
The Other operating incomes in both periods compared include non-recurring incomes related to real estate operations, which involved

some directly managed stores that were sold to third parties, as not profitable for the Company. The incomes accounted were respectively Euro 1,891 thousands in the financial year 2014/2015 and Euro 570 thousands in the financial year 2013/2014.
The Other operating incomes also include the effects of the partial release of the fund for returns on sales, accounted in the previous financial years and considered in surplus at March 31, 2015, given the revised estimates as a result of the contraction of returns by customers. That positive effect was Euro 1,153 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, 2015 were Euro 2,738 thousands, an increase by Euro 1,312 thousands compared to the previous financial year (Euro 1,426 thousands). The change was due to the higher value of depreciable assets for the incorporation of fixed assets of the merged company Rocca S.p.A. and for the higher write-off of the net book value of the assets of the boutique sold during the financial year 2014/2015 compared to the similar operation performed in the financial year 2013/2014 (see previous note 27).

29. FINANCIAL (EXPENSES) AND INCOMES

The following table shows the financial expenses and incomes in the financial year ended March 31, 2015 and in the prior financial year ended March 31, 2014.

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Exchange differences	3,458	(1,671)
Loss on disposal of investment in subsiadiary	-	(930)
Write down in subsidiary	(2,169)	-
(Financial charges)	(2,795)	(1,683)
Financial incomes	821	1,397
Total financial (expenses) and incomes	**(685)**	**(2,887)**

In the financial year 2014/2015 the balance was negative for Euro 685 thousands, compared to a negative balance for Euro 2,887 thousands in the previous financial year. The change was attributable to the following factors: i) positive significant currency effect resulting primarily from intercompany foreign currency items, which are affected by the depreciation of the Euro; ii) write-down of the investment in Damiani Hong Kong Ltd for Euro 2,169 thousands, resulting from the impairment test carried out (see previous note 7. Investments). In the financial year 2013/2014 had instead been accounted a loss for Euro 930 thousands from the sale to Damiani Manufacturing S.r.l. of the direct investment in the subsidiary Laboratorio Damiani S.r.l. (in the same financial year the two companies were then merged, through a reverse merger); iii) net financial charges increased for Euro 1,688 thousands due to the higher average debt for the period.

30. INCOME TAXES

The following table shows the details of the item in the financial year ended March 31, 2015 and in the financial year ended March 31, 2014:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Current taxes	452	326
Deferred tax (assets)/liabilities	1,578	457
Total income taxes	**2,030**	**783**

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. in the financial year ended March 31, 2015 and in the previous financial year was as follows:

(in thousands of Euro)	**Financial Year 2014/2015**	**Financial Year 2013/2014**
Result before taxes	4,641	(1,251)
IRES (Corporate) tax rate for the period	27.5%	27.5%
Theoretical tax burden	**(1,276)**	**344**
IRAP (Regional tax on productive activities) effect	(353)	(326)
Other non deductible costs	(400)	(801)
Total differences	**(753)**	**(1,127)**
Total taxes for income statements	**(2,030)**	**(783)**
Effective tax rate	43.7%	-62.6%

31. TRANSACTIONS WITH RELATED PARTIES

This note describes the relationships between Damiani S.p.A., subsidiaries and related parties during the financial year ended March 31, 2015 and the prior financial year, highlighting their impact on economic and financial values of the Company.

Such relationships are mainly of real estate nature (rents, sale and lease back transactions, rental of business units) and of commercial nature (sale of jewelry products, cooperation agreements), with the different subsidiaries of the Group which distribute the products in their areas of competence.
The following table shows the details of these relationships in the financial year ended March 31, 2015.

(in Euro)	Financial Year 2014/2015						Balance at March 31, 2015					
	Revenues	Other operating incomes (charges)	Financial incomes	Costs of raw materials	Costs of services	Financial adjustments and expenses	Financial receivables	Trade receivables	Other current assets	Financial debt (including leasing)	Trade payables	Other current liabilities
Damiani International B.V.	581,212	-	349,738	0	(3,313,866)	-	14,182,056	1,772,671	322,909	-	(3,313,866)	0
Damiani Japan K.K.	7,712,333	0	-	-	(414,029)	-	-	16,037,890	-	-	(87,337)	-
Damiani Usa Corp.	1,476,549	17,309	-	-	-	0	-	4,425,374	-	-	0	-
Casa Damiani Espana S.L.	-	-	-	-	-	-	-	-	-	-	(721,480)	-
Damiani Hong Kong Ltd	1,656,370	-	8,000	(1,735,507)	-	(2,169,000)	807,332	5,465,312	10,410	-	(1,902,295)	-
Laboratorio Damiani S.r.l.	7,646,646	252,051	169,565	(14,673,366)	(1,467,098)	0	3,030,001	1,301,705	-	-	(8,459,383)	(352,684)
Damiani France S.A.	741,428	-	-	-	-	-	-	2,245,245	-	-	(437,529)	-
Rocca International S.A.	1,666,258	(14,562)	13,309	-	-	-	731,388	1,091,968	-	-	(131,667)	-
Damiani Macau Ltd	349,476	-	20,939	-	-	-	350,000	1,026,833	31,231	-	(96,795)	-
Damiani Mexico S.A. de C.V.	287,714	-	-	-	-	-	-	1,245,819	-	-	(4,053)	-
Damiani India Co. Ltd	-	-	-	-	-	-	-	199,702	-	-	-	-
Damiani Shanghai Trading Co. Ltd	738,520	-	81,628	-	(129,403)	-	3,374,506	2,313,696	98,123	-	-	-
Damiani Korea Co. Ltd	953,073	-	1,347	-	(40,441)	-	120,000	912,632	1,347	-	-	-
Imm.re Miralto S.r.l.	-	3,018	-	-	(344,959)	(15,130)	-	3,682	607,791	(199,432)	0	-
Montenapoleone 10 S.r.l.	-	1,005	-	-	(414,795)	(346,000)	-	-	-	(1,710,515)	-	-
Magenta 82 S.r.l.	-	1,005	-	-	(80,000)	-	-	-	-	-	(80,000)	-
Duomo 25 S.r.l.	-	1,005	-	-	-	(348,970)	-	-	-	(5,013,553)	(233,995)	-
Majority Shareholders	-	-	-	-	-	(274,812)	-	-	-	(5,000,000)	-	(68,750)
Executives with strategic responsabilities	-	8,957	-	-	-	-	-	-	-	-	-	-
Total with related parties	23,809,579	269,788	644,526	(16,408,873)	(6,204,591)	(3,153,912)	22,595,283	38,042,529	1,071,811	(11,923,500)	(15,468,400)	(421,434)
Total from financial statements	144,538,235	2,953,554	4,278,917	(93,483,872)	(30,936,953)	(4,964,282)	22,867,840	69,048,744	5,078,902	(58,527,215)	(58,960,134)	(3,843,301)
%age weight	16%	n.m.	15%	18%	20%	64%	99%	55%	21%	20%	26%	11%

- Revenues (shown net of any returns of merchandise) to subsidiaries include jewelry sales of the Group's brands and raw materials (to which correspond to trade receivables).
- The other operating incomes towards the subsidiaries Damiani Usa Corp. and Laboratorio Damiani S.r.l. include the re-charge, according to the existing agreements between the parties, of services drawn up centrally and enjoyed by the subsidiaries and the re-charge of seconded staff. The other lower amounts towards related parties refer to services punctually re-charged or to contingent.
- The financial incomes towards the subsidiaries Damiani International B.V., Laboratorio Damiani S.r.l., Rocca International S.A., Damiani Hong Kong Ltd, Damiani Macau Ltd, Damiani Shanghai Trading Co. Ltd and Damiani Korea Co. Ltd are related to the interest rates paid on the financings to those companies.
- Costs from subsidiaries Damiani Hong Kong Ltd and Laboratorio Damiani S.r.l. are related to the purchases of goods and services (repairs, production costs) to which correspond the trade payables. The costs for services from Damiani International B.V. include the royalties and the commissions accrued on foreign sales done during the financial year 2014/2015. The costs for services to Damiani Japan K.K., Damiani Shanghai Trading Co. Ltd and Damiani Korea Co. Ltd refer to contributions for advertising & promotion paid to the foreign subsidiaries on the basis of their turnover done in the financial year.
- The costs for services to Immobiliare Miralto s.r.l., Montenapoleone 10 S.r.l. and Magenta 82 s.r.l. refer to rental fees for office and boutique premises. Moreover, there are financial charges to Immobiliare Miralto s.r.l., Montenapoleone 10 s.r.l. and di Duomo 25 s.r.l. for a total of Euro 710 thousands corresponding to the interest portion for the repayment of debt for three sale and lease back transactions. These transactions refer to buildings in Milan and Padua, where directly managed stores are located. The outstanding debt at March 31, 2015 amounted to Euro 6,924 thousands.
- The financial items also include the write-down of the investment in Damiani Hong Kong Ltd of Euro 2,169 thousands resulting from the impairment test carried out at the end of the financial year (see note 7. Investments).
- The financial debt of Euro 5,000 thousands from the majority shareholders refers to the reserved bond issued by the Company 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 Grassi Damiani. On the bond accrues interest at a fixed rate of 5.5% per annum.
- 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, 2014.

(in Euro)	Financial Year 2013/2014						Balance at March 31, 2014					
	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 Hong 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%	n.m.	90%	22%	23%	34%	99%	50%	40%	19%	36%	61%

- Revenues (shown net of any returns of merchandise) to subsidiaries include jewelry sales of the Group's brands and raw materials (to which correspond to trade receivables).
- The other operating incomes towards the 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 existing agreements between the parties, of services drawn up centrally and enjoyed by the subsidiaries and the re-charge of seconded staff.
- The financial incomes towards the 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. Ltd are related to the interest rates paid on the financings to those companies.
- Costs from subsidiaries Damiani Hong Kong Ltd and Laboratorio Damiani S.r.l. are related to the purchases of goods and services

(repairs, production costs) to which correspond the trade payables. The costs for services from Damiani International B.V. include the royalties and the commissions accrued on foreign sales done during the financial year 2013/2014.

- The costs for services to Montenapoleone 10 S.r.l. refer to rental fees for premises in Milan. Moreover, there are financial charges for Euro 392 thousands corresponding to the interest portion for the repayment of debt for a sale and lease back transaction. This transaction refers to a building in Milan, where a directly managed Damiani boutique is located. The outstanding debt at March 31, 2014 amounted to Euro 2,131 thousands.
- The financial items also include the loss on disposal of Euro 930 thousands resulting from the sell to Damiani Manufacturing S.r.l. of the direct investment in Laboratorio Damiani S.r.l. (9.35% of the share capital). The sale price was determined according to the proportional value of the net equity of the subsidiary at the time of the transaction (equal to Euro 320 thousands) that so has generated the loss compared to the carrying value of the investment (Euro 1,250 thousands).
- The financial debt of Euro 5,000 thousands from the majority shareholders refers to the reserved bond issued by the Company 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 Grassi Damiani. On the bond accrues interest at a fixed rate of 5.5% per annum.
- 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 markets conditions and described in the previous notes.

32. COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding commitments or liabilities arising from obligations and for which it is likely the use of resources, which are not already included in the financial statements at March 31, 2015.
At the date of approval of the financial statements, at the Company there were some ongoing tax audits, about which the update is provided. The situations described below did not reveal problems such as to generate liabilities classified as "probable" for the Company, and consequently in the financial year 2014/2015 we proceeded to show the necessary information, not being the conditions required by the applicable standards to recognize a liability.

On September 5, 2012 the Provincial Directorate II of the Tax Agency in Milan initiated in Rocca S.p.A. (merged into Damiani S.p.A. on December 16, 2014) a tax audit on IRES and IRAP (income taxes) for the period 2009/2010 and for VAT purposes for the year 2009. On July 2, 2014 the Office notified Rocca S.p.A. an assessment notice for formulating a relief for an amount of Euro 277 thousand. The Company filed an appeal to the Provincial Tax Commission and it is waiting for setting the date for discussion of the dispute.

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 providing additional documentation required by the Tax Agency until the first days of the month of May 2015. The Company currently has not received yet the report (called "PVC") from the Tax Agency about this matter.

On 13 February 2015, the tax police – department of Alessandria (Italy) - started an audit for VAT at the Administrative Offices of the former subsidiary Rocca S.p.A., now Damiani S.p.A. Specifically, the tax audit focused on sales transactions made pursuant to art. 38c of Presidential Decree 633/72 (sales for personal use to persons domiciled and resident outside the European Community) done from Rocca 1794 boutiques in the three years 2010/2011/2012. On May 19, 2015, the financial police drew up the report "PVC" reporting reliefs for Euro 442 thousands. With regard to these reliefs the financial penalties may be imposed by the Tax Agency in Alessandria, responsible about the matter, which at the moment hasn't sent yet the assessment notice.

33. ATYPICAL AND/OR UNUSUAL AND NON-RECURRING TRANSACTONS

In the financial year 2014/2015 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:

- On May 26, 2014, the company Rocca SpA (subsequently merged into the parent company Damiani SpA) sold to third parties the business unit (inclusive of the lease) for a multi-brand store not strategic for the Group. This sale generated a net income for the Group of EUR 1,393 thousands.

34. CAPITAL MANAGEMENT

The primary objective of Damiani S.p.A., parent company of Damiani Group, is to guarantee the best possible balance between assets and liabilities (solvency ratio), both at the Company level and at the level of the entire Group. On this basis, the Company acts, although in a context of complex financial market and limited availability of credit, to identify the sources necessary to support the growth plans of the Group in the medium term. These sources must be found to the best market conditions, both in terms of cost and time, with the overall objective of maintaining the capital structure to an appropriate level of solidity.
Damiani S.p.A. manages its capital structure and changes it according to the economic conditions and the targets of its strategic plans.

35. FINANCIAL RISK MANAGEMENT

At March 31, 2015 Damiani S.p.A. had a negative net financial position of about Euro 56 million, in worsening of Euro 22 million compared to March 31, 2014 as a result both of the merger of Rocca S.p.A. (at March 31, 2014 the subsidiary had a net debt of more than Euro 15 million) and for the needs to support the development of the entire Group.
In the following paragraphs are described the main financial risks to which the Company is exposed and that are part of the wider management at Group level (described in the consolidated report on operations and in the notes of the consolidated financial statements) constantly monitored in order to identify appropriate actions to mitigate them.

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. 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 Company shall conduct timely assessment of risks in the closing of the financial year.
With regard to trade and financial receivables towards the subsidiaries, the Company monitors the results of those subsidiaries and believes that these receivables are recoverable according to their business plans.
The table below shows the maximum potential exposure to the credit risk at March 31, 2015 and at March 31, 2014.

(in thousands of Euro)	**March 31, 2015**	**March 31, 2014**
Deposits	2,539	3,099
Trade receivables	69,049	54,556
Financial receivables towards subsidiaries	22,595	41,420
Other non current assets	273	376
Other current assets	5,530	2,500
Total maximum exposure to the credit risk	**99,986**	**101,951**

Liquidity risk

As part of the overall financing needs, for the ongoing management and to support its development, the Company as financial holding uses various forms of financing both in the medium/long term and short term (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 the uses.
During the previous financial year 2013/2014, the Company paid particular attention to the rebalance of the sources. It signed a number of medium/long term financing (in part at a fixed rate and at a subsidized rate), that could support development projects in retail sector, both abroad and in Italy, which during the start-up phases are particularly burdensome not only in terms of capital expenditure, but also in working capital (stock). In the financial year 2014/2015 this demand has had full manifestation (while still partial are the related economic benefits), and has consequently generated a temporary increase in the use of sources of short-term from the banking system.
In terms of liquidity risk, the situation does not present a high risk profile, as over a third of the gross debt has a maturity of medium / long term and Damiani S.p.A. at March 31, 2015 has bank credit lines that have not been used for about Euro 19.5 million (out of a total of Euro 52.4 million).
In relation to the long-term financing in pool, signed by Damiani S.p.A. in November 2013 for a total amount of Euro 11,000 thousands (of which Euro 6,012 thousands provided), at the closing date of the consolidated financial statements at March 31, 2014 (and interim financial statements subsequent, at June 30, 2014, at September 30, 2014 and December 31, 2014) were not fully respected the underlying financial covenants. After the date of approval of the consolidated financial statements for the year 2013/2014 by the Shareholders' Meeting, the Company has provided the statement of compliance to banks, with the terms of the loan agreement. The lending banks have formally communicated on January 8, 2015 their availability to evaluate changes to the initial loan agreement on the basis of the new three-year business plan of the Group (approved by the Board of Directors of Damiani S.p.A. on May 28, 2015). Based on the above and given the validity of the commitment of the significant shareholders to intervene financially to rectify the breach of the covenants, there were no liquidity risks related to a possible request for early repayment of the line of credit by lenders.

Furthermore, under the proper balance between resources generated or absorbed by operating activities the Company 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 Company can carry out different types of interventions that can be: i) fusion of the finished product with recovery of valuable raw materials (in the financial year 2014/2015 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:

(in thousands of Euro)	Analysis of the due date at March 31, 2015 within 1 year	1 to 5 years	over 5 years	Total
Trade payables	58,960	-	-	58,960
Long term financial debts to banks and other lenders	2,706	8,143	2,904	13,753
Long term financial debts towards related parties	-	5,000	-	5,000
Long term financial debt to leasing	1,031	5,611	282	6,924
Short term borrowings	32,850	-	-	32,850
Other current liabilities	4,704	-	-	4,704
Total exposure	**100,251**	**18,754**	**3,186**	**122,191**

(in thousands of Euro)	Analysis of the due date at March 31, 2014 within 1 year	1 to 5 years	over 5 years	Total
Trade payables	51,586	-	-	51,586
Long term financial debts to banks	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**

Interest rate risk

Closely related to liquidity risk is the risk of 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 terms loans are at fixed rate (bond signed in September 2013 for Euro 5,000 thousands by relevant shareholders) and subsidized rate (Simest S.p.A. funding for development programs in China, carried out in several tranches – the last as of April 30, 2015 – for a total of Euro 3,012 thousands). Other loans are at variable interest rate (bank loan originally signed by Rocca S.p.A. in April 2013 for Euro 2,000 thousands and the financing in pool to Damiani S.p.A. on November 2013 for a credit line of maximum Euro 11,000 thousands, at the moment used for Euro 6,012 thousands). The short-term lines are floating rate, with values ranging in the different forms of financing, and an average cost for the financial year 2014/2015 of about 3.4%.
The greater use of short-term financing during the year 2014/2015 has not affected the Company's income statement, because the interest rates of these sources were on average lower by about 1.5 percentage points than those who are paid on the medium-long term during the year.
An increase in the reference rate of the market, which in the current macro-economic international context is not likely to be, could still lead to a negative effect on the economic performance of the Company, with the current structure of the funding sources of it.

Price fluctuations' risk and raw materials' availability

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 year 2014/2015 the average price of gold has remained fairly stable around the monthly average values of 30-31 Euro/gram from April to December 2014, not changing appreciably compared to prices already recorded in previous months starting from October 2013. Since January 2015, the price has begun to rise again beyond the 35 Euro/gram, also as a direct result of the weakening of the Euro against the US dollar, currency by which the international price of gold is fixed. The average of twelve months April 2014-March 2015 was 31.8 Euro/gram, average about the same as that recorded in the previous financial year 2013/2014. In subsequent months (April-May 2015) the price of gold remained at an average of about 35 Euro/gram. This recent increase, if should stabilize, would be negative on production costs, and in the formulation of forecasts of purchase of the raw material, even if it should be activated mechanisms of hedging the risk of price fluctuations and manufacturing process planning (also affected by seasonal events of the market). The risks related to price of raw materials and to the strong and sudden fluctuations are amplified by changes 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 risk 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, 2015 active contracts relating to purchases of gold were 18 for a total quantity of 100 kilograms and an agreed equivalent of Euro 3,346 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 Company makes some purchases of raw materials and finished products in US Dollar and Japanese Yen, which exposes it to the consequent exchange rate risk. If this risk is considered significant, specific currency forward contracts are signed, for the purpose of hedging the exchange rate risk.
At March 31, 2015 there were outstanding currency forward contracts entered into by Damiani S.p.A. for a total of Euro 5,770 thousands. At March 31, 2014 contracts were instead equal to a total of Euro 4,689 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 thousands of Euro)	**March 31, 2015**	**March 31, 2014**	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	**March 31, 2015**	**March 31, 2014**
Cash and cash equivalent	2,640	3,121	2,640	3,121	-	-	2,640	3,121
Trade receivables	69,049	54,556	69,049	54,556	-	-	69,049	54,556
Other financial assets	5,803	2,876	5,530	2,500	273	376	5,803	2,876
Financial receivables to subsidiaries	22,595	41,420	22,595	41,420	-	-	22,595	41,420
Total financial assets	**100,087**	**101,973**	**99,815**	**101,597**	**273**	**376**	**100,087**	**101,973**
Trade liabilities	58,960	51,586	58,960	51,586	-	-	58,960	51,586
Financial debts	58,527	36,691	36,586	17,745	21,941	18,946	58,527	36,691
Other liabilities	4,704	8,156	4,704	8,156	-	-	4,704	8,156
Total financial liabilities	**122,191**	**96,433**	**100,250**	**77,487**	**21,941**	**18,946**	**122,191**	**96,433**

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, 2015 are classified at level 2 and during the financial year 2014/2015 there were no transfer from level 1 or 3 to level 2.

36. SIGNIFICANT EVENTS AFTRER THE END OF THE FINANCIAL YEAR

There are no significant events to report after the close of the financial year.

37. AUDIT COSTS

The following table, compliant to article 149-duodecies of Consob Issuers' Regulation, shows the contractual fees accrued in the financial year ended March 31, 2015 for services provided by the independent audit company and by 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	266
		Other expenses	30
	Total		**296**

For the Board of Directors
CEO
Giorgio Grassi Damiani

ANNEX 1

Key data of subsidiaries

Damiani International S.A.	
Registered office	Manno, Switzerland
Key figures (in thousands of Euro)	FY closed at March 31, 2015
Share capital	250
Revenues from sales and services	0
Operating result	(81)
Net result	(82)
Total assets	235
Shareholders' equity	153
Total liabilities	82
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, 2015
Share capital	850
Revenues from sales and services	16,070
Operating result	987
Net result	502
Total assets	13,014
Shareholders' equity	3,859
Total liabilities	9,154
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, 2015
Share capital	194
Revenues from sales and services	4,375
Operating result	2,145
Net result	(1,465)
Total assets	45,555
Shareholders' equity	17,182
Total liabilities	28,373
Financial report according to local GAAP	

Damiani Japan K.K.	
Registered office	Tokio, Japan
Key figures (in millions of Jpy)	FY closed at March 31, 2015
Share capital	495,000
Revenues from sales and services	1,805,745
Operating result	(259,579)
Net result	(265,811)
Total assets	3,158,517
Shareholders' equity	568,500
Total liabilities	2,590,017
Average exchange rate 2014/2015	*Euro/Jpy 138.6537*
Exchange rate at March 31, 2015	*Euro/Jpy 128.95*
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, 2015
Share capital	900
Revenues from sales and services	5,978
Operating result	233
Net result	(75)
Total assets	7,127
Shareholders' equity	(6,668)
Total liabilities	13,795
Average exchange rate 2014/2015	*Euro/Usd 1.2683*
Exchange rate at March 31, 2015	*Euro/Usd 1.0759*
Financial report according to local GAAP	

Casa Damiani Espana S.L.	
Registered office	Valencia, Spain
Key figures (in thousands of Euro)	FY closed at March 31, 2015
Share capital	721
Revenues from sales and services	-
Operating result	(1)
Net result	(1)
Total assets	832
Shareholders' equity	832
Total liabilities	-
Financial report according to local GAAP	

Damiani Hong Kong L.t.d.	
Registered office	Hong Kong, Hong Kong
Key figures (in thousands of Hkd)	FY closed at March 31, 2015
Share capital	72,500
Revenues from sales and services	69,109
Operating result	(9,665)
Net result	(9,731)
Total assets	69,503
Shareholders' equity	17,035
Total liabilities	52,468
Average exchange rate 2014/2015	*Euro/Hkd 9.8341*
Exchange rate at March 31, 2015	*Euro/Hkd 8.3422*
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, 2015
Share capital	39
Revenues from sales and services	1,113
Operating result	(263)
Net result	(267)
Total assets	3,064
Shareholders' equity	696
Total liabilities	2,368
Financial report according to local GAAP	

Damiani Macau	
Registered office	Macau
Key figures (in thousands of Pataca)	FY closed at March 31, 2015
Share capital	22,500
Revenues from sales and services	6,826
Operating result	(6,377)
Net result	(6,656)
Total assets	24,253
Shareholders' equity	7,568
Total liabilities	16,685
Average exchange rate 2014/2015	*Euro/Pataca 10.1289*
Exchange rate at March 31, 2015	*Euro/Pataca 8.5933*
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, 2015
Share capital	3,000
Revenues from sales and services	5,382
Operating result	(2,721)
Net result	(2,719)
Total assets	19,164
Shareholders' equity	(960)
Total liabilities	20,123
Average exchange rate 2014/2015	*Euro/Mxn 17.3328*
Exchange rate at March 31, 2015	*Euro/Mxn 16.5120*
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, 2015
Share capital	45,000
Revenues from sales and services	14,848
Operating result	(20,615)
Net result	(21,128)
Total assets	48,092
Shareholders' equity	1,665
Total liabilities	46,427
Average exchange rate 2014/2015	*Euro/Cny 7.8560*
Exchange rate at March 31, 2015	*Euro/Cny 6.6710*
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, 2015
Share capital	1,900,000
Revenues from sales and services	1,397,735
Operating result	(583,991)
Net result	(578,220)
Total assets	3,083,076
Shareholders' equity	1,054,447
Total liabilities	2,028,629
Average exchange rate 2014/2015	*Euro/Krw 1,342.4635*
Exchange rate at March 31, 2015	*Euro/Krw 1,192.50*
Financial report according to local GAAP	

Damiani India Co. Ltd	
Registered office	New Delhi, India
Key figures (in thousands of Inr)	FY closed at March 31, 2015
Share capital	44,286
Revenues from sales and services	3,799
Operating result	(15,578)
Net result	(11,206)
Total assets	22,550
Shareholders' equity	1,684
Total liabilities	20,866
Average exchange rate 2014/2015	*Euro/Inr 77.4597*
Exchange rate at March 31, 2015	*Euro/Inr 67.2730*
Financial report according to local GAAP	

Rocca International S.A.	
Registered office	Lugano, Switzerland
Key figures (in thousands of Chf)	FY closed at March 31, 2015
Share capital	600
Revenues from sales and services	3,729
Operating result	338
Net result	527
Total assets	4,312
Shareholders' equity	1,776
Total liabilities	2,536
Average exchange rate 2014/2015	*Euro/Chf 1.1772*
Exchange rate at March 31, 2015	*Euro/Chf 1.0463*
Financial report according to local GAAP	

For the Board of Directors
CEO
Giorgio Grassi Damiani

Attestation regarding the Financial Statements of Damiani S.p.A., pursuant to article 154 bis of the Legislative Decree 58/1998

1. The undersigned Mr. Giorgio Grassi Damiani, 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, paragraph 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, 2015.

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.

Valenza, June 12 2015

Giorgio Grassi Damiani
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 2015

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 and until the approval of the 31 March 2016 financial statement, in the composition of Gianluca Bolelli (Chairman), Simone Cavalli and Milena Motta (Standing Auditors).

Pursuant to the resignation of Milena Motta, with effect from 15 January 2015, Paola Mignani, already engaged as Substitute Auditor of the Company, took over the position of Standing Auditor. Therefore, during the Shareholders' meeting you are called to appoint a Standing Auditor and a Substitute Auditor.

In the financial year closed at 31 March 2015, 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;

- no complaints under article 2408 of the Italian Civil Code were received during the financial year;
- no reports from third parties were received during the financial year;
- the information received from the Independent Auditors indicates that, in the financial year, Damiani S.p.A. did not confer to them or to other subjects belonging to the "network" other appointments in addition to those pertaining to the auditing of the financial statements;
- we received from the independent auditors information regarding work hours and invoiced amounts;
- we have received notice confirming the independence of the Independent Auditors responsible for the statutory audit according to article 17, paragraph 9, letter a), of the Legislative Decree no. 39/2010. We did not found situation that have compromised the independence or the occurrence of incompatibility. In addition, we 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 30 June 2015, 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 30 June 2015 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 7 times, 2 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 2014 - March 31st 2015 that is available in the forms provided;

- 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 2015 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, 30 June 2015

The Board of Statutory Auditors

Gianluca Bolelli - Chairman

Simone Cavalli – Active Statutory Auditor

Paola Mignani – Active Statutory Auditor

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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 2015 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.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 27 June 2014.

3. In our opinion, the financial statements of Damiani S.p.A. at 31 March 2015 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.

4. The Directors of Damiani S.p.A. are responsible for the preparation of the Report on Operations and the Report on Corporate Governance and the Ownership Structure of Damiani S.p.A. in accordance with the applicable laws and regulations. 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 Ownership Structure of Damiani S.p.A., as required by the 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 Ownership Structure of Damiani S.p.A., are consistent with the financial statements of Damiani S.p.A. at 31 March 2015.

Milan, 30 June 2015

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.

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DAMIANI

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 2014-31 March 2015
Report approved by the Board of Directors of the company on 12 June 2015

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/Code of Conduct: The Code of Conduct of listed companies approved in July 2014 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 2014–31 March 2015 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 Regulations: The Regulations 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.

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 compliance 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 (excluding only what is reserved to the Shareholders' Meeting by the law), including the authority 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 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, with consultative and proactive roles, have been set up within the sphere of the Board of Directors; as illustrated in greater detail below, the Committee on Control, Risks, Remuneration and Operations with Related Parties was set up with effect from 28 November 2014, which has been attributed with the function and competencies of the preceding Committees on Control, Risks and Operations with Related Parties, and Remuneration. 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 (now the Committee on Control, Risks, Remuneration 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 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 responsibility 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, in particular, the Board of Auditors supervises 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 2015 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)

All the Damiani S.p.A. share capital consists of ordinary shares with voting rights, listed on the screen-based Stock Exchange 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 four plans based on financial instruments in progress at the date of approval of this Report. In detail:

- 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 2015), 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 Grant Plan 2014-2019***', approved by the Shareholders' Meeting on 24 July 2014, which sets out the free assignment of a maximum 1,000,000 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. To date, this Plan has not been implemented. The description of the Plan is given in the '*Information document prepared pursuant to Art. 84 bis, sub-para.*

1 of CONSOB regulation 11971/99 and subsequent amendments' in the Management Report of Damiani S.p.A. dated 23 June 2014 and available in the 'I*nvestors Relations/ Shareholders/Shareholders Meeting*' section of the website www.damiani.com;

- the '***Stock Option Plan 2014-2019***', approved by the Shareholders' Meeting on 24 July 2014, which sets out the sale of options for the purchase of a maximum 3,500,000 Damiani shares (in the measure of one share per option assigned) to beneficiaries identified by the Board of Directors, with the aid of the Remuneration Committee, within 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. To date, this Plan has not been implemented. The description of the Plan is given in the '*Information document prepared pursuant to Art. 84 bis, sub-para. 1 of CONSOB regulation 11971/99 and subsequent amendments*' in the Management Report of Damiani S.p.A. dated 23 June 2014 and available in the 'I*nvestors Relations/ Shareholders/Shareholders Meeting*' section 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 Committee, resolved to recommend approval of the following new plan, the '***Stock Option Plan 2015-2020***', concerning the free assignment of a maximum 3,500,000 options (in the measure of one share per option assigned) to beneficiaries identified by the Board of Directors, with the aid of the Committee on Control, Risks, Remuneration and Operations with Related Parties (or, if necessary, the independent directors on the Board), among executive directors, senior managers, middle managers, other employees, consultants and co-workers, including the agents of the company and companies in the Damiani group. 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 document 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 www.damiani.com ('*Investor Relations/ Shareholders/Shareholders' Meeting*' section) and the authorised storage mechanism NIS-Storage at www.emarketstorage.com.
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 more 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. The Articles of Association of the company do not provide for shares with increased or multiple voting rights.

(E) Employee share ownership – mechanism for the exercise of 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 lately 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 businesses 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 with Rolex Italia S.p.A., Patek Philippe S.A., Richemont Italia S.p.A. and Bulgari Italia S.p.A. relating to Rocca points of sale 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 depart 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 2013 as not used, the General Shareholders' Meeting of 24 July 2014 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 not amounting to more than one-fifth of the share capital, and thus a maximum of 16,520,000 (sixteen million five hundred and twenty thousand) ordinary shares with a nominal value of Euro 0.44 each (for the purpose also taking account 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 24 January 2016.
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 24 July 2014, 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 24 July 2014, 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; in special cases, this price limit can be derogated in the interest of the company, such as, 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 fulfilment of any plan adopted pursuant to Art. 114-*bis* of the TUF and programmes of free assignment of shares to shareholders.

Disposals 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 58.829% 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 the collective examination and exclusive approval of the Board of Directors of the Issuer, in which – as recently checked on 12 June 2015 – 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.

***

Please note:

(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 2015 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*, SUB-PARA. 2(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. Subsequently, 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 principles in 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 http://www.borsaitaliana.it/Committee-corporate-governance/codice/2014clean.pdf. 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 most 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 be informed that, following the merger through acquisition of the strategically relevant subsidiary Rocca S.p.A. with Damiani S.p.A., the company does not control any strategically relevant company at today's date; similarly, it is specified that the company is 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. 19139 of 22 April 2015**.

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 do 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 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 set 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 of at least 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 authority 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, and also the experience, skill and age of the current executive directors involved in the management of the company, does not at present consider it necessary to adopt a specific plan for the succession of the executive directors.
Please note that, in the event of early termination of a director with respect to the ordinary expiry of the position, the discipline legal of co-option set out by Art. 2386 of the Civil Code applies, always respecting the composition criteria of the Board of Directors set out by the law and Art. 16 of the Articles of Association.

4.2 COMPOSITION (*EX* ART. 123-*BIS*, SUB-PARA. 1 (D) TUF).

The 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 next Meeting convened to approve the balance sheet of the financial year to 31 March 2015 on 23-27 July 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**, Chairman of the company, joined in 1994, being concerned 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, an honours degree in Organisation and Company Relations, 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.
Since taking over management of the company in 1996, he has introduced new marketing strategies and led the development of the brands and group. The first Damiani single-brand shops, which now total 59 counting both the directly managed and franchising ones, in addition to the 13 Rocca shops, were opened under his guidance. He has opened the branches abroad (in Japan, USA, Mexico, China, Korea and Hong Kong) to lead the internationalisation of the group. He has extended the brand portfolio with the acquisition of Alfieri & St. John, Rocca and Calderoni, and personally led the listing on the Milan Stock Exchange in 2007. He has taken the group from a turnover of Euro 58 million in 1995, with about 200 employees, to more than Euro 150 million at 31.03.15, with about 600 staff in 2015.
He is a member of the *Committee Leonardo*, an association arising from an initiative of Confindustria and the *Istituto Nazionale per il Commercio Estero* (Overseas Trade Institute), which promotes the image of Italy as an economic system. He received the 'America 2013' award from the Fondazione Italia USA. The foundation makes the award to the top personalities distinguished for the contribution with their work to reinforcing relations between Italy and the United States of America.
This year, Guido Damiani has also received the *Premio Leonardo Qualità Italia* at 'Italian Quality Day', promoted by the Committee Leonardo and for companies promoting the image, style and excellence of *Made in Italy* and Italy around the world.

2) **GIORGIO ANDREA GRASSI DAMIANI**, Deputy Chairman and Managing Director of the Damiani group with responsibility for the purchase of raw materials (precious stones, pearls and gold), product development and trade relations. He joined the family company immediately after obtaining the High School diploma in 1990. He was trained in the different areas of the company, studying in particular the techniques of the valuation and purchase of precious components. 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, personally adopting international testimonials representing the aims of the different brands of the group. In 1996, she won a *Diamonds International Award*. She obtained diplomas in Business Management and Gemmology at the IGI. She started working in the family company in 1985, gaining considerable experience in the purchase of pearls and long practice with the creative staff. She lived in Los Angeles from 2010-2013. Currently, she follows communication and the group advertising campaigns and manages the work connected with the testimonials.

4) **Fabrizio Redaelli**, non-executive and independent director; appointed 'Lead Independent Director' of the company by the Board of Directors 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 magazines 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 company 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 founding partner and managing director of DGPA SGR S.p.A., a company managing the private equity fund DGPA Capital, which has collected 106 million invested in small and medium-sized companies in quality Italian products, with special focus on fashion and Italian lifestyle, since March 2005. She has been actively involved in the management of the fund and its associates since then. In

particular, she was a member of the Board of Directors of Light Force S.p.A. (a company producing and marketing women's clothing with the Twin Set brand) in 2008-2012 and managing director of Dipros S.r.l. (a company producing and marketing natural cosmetic products with the Planter's brand) in 2008-2014.
Today, in addition to being majority shareholder and Managing Director of DGPA SGR S.p.A., she is Managing Director of Kickoff S.p.A. (a company producing and marketing beachwear with the Sundek brand), Managing Director of Golden Goose S.r.l. (a company producing and marketing men's/women's shoes, clothing and accessories with the Golden Goose brand), member of the Board of Directors of Vetrerie Riunite S.p.A. (a group specialised in the industrial processing of technical glass) and member of the Board of Directors of Production S.p.A. (a group specialised in components for rail transport).

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 2015, 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 are 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 the Report, (a) the Board of Directors did not consider it either necessary or opportune to establish general criteria to set the maximum number of positions as director or auditor that can be considered compatible with effective performance of the position of director of the Issuer; (b) the lack of determination of a maximum number of positions essentially lies in the multiplicity of abstractly possible situations, which differ according to the features of each director, type, size and complexity and specific nature of the area of business of the companies in which the other positions are held, and also the specific role covered (executive, non-executive, or independent director, membership of committees, regular auditor or chairperson of the board of auditors, etc.), (c) the aforementioned decision was taken by the Board of Directors at the Framework Resolution of 26 July 2012, and subsequently confirmed in the context of the annual self assessment procedures, after which the Board has, to date, confirmed the reasons described in the (b) above, (d) as an alternative to setting a maximum number of positions, the Board of Directors considered it preferable to opt for an assessment of the individual cases, in relation, *inter alia*, to the features of each director (experience, features of the positions held, etc.) from which to infer the compatibility of the positions held with the assumption of the position on the Board of Directors of the Issuer. It is understood that the administrative body to be appointed by the Shareholders' Meeting called can adopt different resolutions where considered opportune.

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 and 20 (twenty) minutes.

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 not sitting on 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.

Further, in relation to application criteria 1.C.1 and 7.C.1 of the Code of Conduct, the Board of Directors decided, with the cited Framework Resolution dated 26 July 2012, 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) examination and approval of the strategic, industrial and financial plans of the company and group, periodically monitoring the implementation; definition of the corporate governance system of the company and the structure of the group;

b) definition of 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, identification of the subsidiary companies with strategic relevance; assessment of the adequacy of the organisational, administrative and general accounting structure of the company as well as its subsidiaries with strategic relevance, with particular reference to the internal control system and the management of risks;

d) establishment of 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) assessment of 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) deliberation 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 of appointment (the so-called 'self assessment'*)*;

h) before the appointment of the new Board, give the shareholders the orientations 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) at the proposal of the Managing Director or Chairman of the Board of Directors, adopt a procedure for the internal management and external communication of documents and information on the company, with particular reference to privileged information;

k) designation of an independent director as Lead Independent Director;

l) identification of *(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 (now the Committee on Control, Risks, Remuneration 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.*' (most recently amended in the Board meeting of 8 February):

m) definition of 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, assessment of 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, approval of 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) approval of the strategies and policies for the management of the main risks of the Issuer and the Gruppo Damiani S.p.A.;

q) description of 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 is 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 on the Control of Risks and Operations with Related Parties (now the Committee on Control, Risks, Remuneration 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 on the Control of Risks 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 of the Issuer, most recently in the meeting of 12 June 2015 for the approval of the annual financial report to 31 March 2015. In particular, this assessment was adopted with the aid of the Committee on Control, Risks, Remuneration 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;

(D) once more on 12 June 2015, assessed the general trend in management on the basis of the information received from the delegated bodies, comparing the results achieved with those budgeted;

(E) again on 12 June 2015, made the assessment of the size, composition and operation of the Board and its committee (the so-called self-assessment), acknowledging that the current Board consists of 7 directors of whom 4 non-executive and 2 independent, pursuant to the law and 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, 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 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 2015, the Board of Directors examined the outcome of the self-assessment process considering, on one hand, the congruity of a Board consisting of seven (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 requirement for every reasonable and informed Board decision.
Similarly, the Board of Directors expressed its favourable opinion on the operation of the Board and Committee, 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.
It should also be noted that, in consideration of the approaching expiry of the mandate of the current directors, respecting Application Criterion 1.C.1 (h) of the Code, and taking account of the outcome of

the self-assessment process carried out in the meeting of 12 June 2015, the current Board recommended the following to shareholders who intend to present a list:

(i) the inclusion of a congruous number of candidates with adequate experience, also managerial, and skills in economic, accounting, legal and financial matters and/or remuneration policies;

(ii) in lists with three or more candidates the inclusion of candidates of both genders so that the composition of the Board of Directors ensures gender balance to the extent set out by Art. 2 of Law 120/11 (the least represented gender should have a quota of at least one fifth of the elected directors);

(iii) the inclusion in the lists of a sufficient number of candidates with the requisites of independence to permit respect for Art. 147-*ter*, last sub-para., of the TUF.

These recommendations can be found in the Report on the subjects on the Agenda drafted pursuant to Art. 125-*ter* of the TUF, available from 12 June 2015 at the registered office, the authorised storage mechanism *NIS-Storage* at www.emarketstorage.com and on the web site of the company www.damiani.com (*'Investor Relations/Shareholders/Shareholders' Meeting' section*).

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;
- two deputy chairpersons, one of whom, with effect from 13 February 2015, covers the position of managing director.

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 company 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 health and safety 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, requires 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; and also ***(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 worlds, also through the organisation and promotion of events and other promotional initiatives, supporting the dedicated company areas;

- to the other **DEPUTY CHAIRPERSON**, 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 worlds, 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 co-ordination with the specific 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.

Subsequently, **on 13 February 2015**, in consideration of his direct involvement in the internationalisation process of the Damiani group, which requires constant attendance in foreign markets and attention focused on their management and development, the Chairman of the Board of Directors tendered his resignation from the powers conferred on him in the meeting of 26 July 2012 to the Board.
Also on 13 February 2015, the Board thus resolved to appoint the Deputy Chairman Mr **Giorgio Grassi Damiani** as **Managing Director** of the company, conferring on him all the powers necessary to perform all the acts related to the management of the company and aimed at the achievement of the company purpose, except for those reserved to the jurisdiction of the Shareholders' Meeting or 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, with the right to appoint and revoke representatives and proxies for individual acts or categories of acts, to move legal action or petitions, also for revocation and Cassation sentences, and also appoint lawyers and attorneys of record for every type or level of justice or proceedings, and with the power to sign and represent before third parties and in judgement.
In greater detail, merely by way of example and not limited to, the following powers were attributed to the Managing Director, with a single signature and the right to sub-delegate:

- representation of the company before states, ministers, regions, provinces, municipalities, public authorities, organisations, Italian, foreign, international and supranational bodies, administrations and financial and tax offices, central and peripheral, tax litigation bodies, etc., in any place and level, and with third parties, assuming the legal representation of the company for the purpose to issue and subscribe to any type of application, request and petition and similarly issuing certificates and notifications in the name of the company;
- representation of the company in any type and level of justice, before any judiciary or arbitrator, freely or formally testifying, managing, mediating and settling disputes, also with the right to appoint and revoke representatives and proxies for individual acts or categories of acts, to move legal action or petitions, also for revocation and Cassation sentences and arbitration proceedings, and also appoint lawyers and attorneys of record, accept and stipulate arbitration and compromise clauses, appointing individual arbitrators and arbitration panels, whether statutory or equitable, also in equity, with any renunciation of appeal against the respective awards;

- representation of the company in Customs offices, Chambers of Commerce, transport and shipping companies, railways and post offices in relation to all the clearance operations, collection and despatch of material and goods, ensuring all compliance in relation to import and export operations, also with the right to sign and endorse invoices, movement certificates, certificates of origin, CITES, ATA carnets and any other relevant administrative act or document;
- representation of the company with the Ministry of Employment and the Regional Offices, the Employment Inspectorate, National Social Security Institute (INPS), the Health and Safety Executive (INAIL) and generally any body or welfare or social security institute, represent the company with trade unions for workers and employers;
- sign the notifications to the Financial and Tax Administration, Revenue Office and finance offices in general, ensuring respect for all the administrative and tax laws and requirements of the company, with the right to sign, inter alia, the periodic and annual statements for VAT purposes, the Unified Tax Return, form 770, tax payment forms, taxes, withholding taxes and contributions and also every statement, certification or deed in relation to the above;
- employ and dismiss employees, both fixed-term and open-ended, amend the relative economic and contractual conditions, to the fullest extent permitted by the law, including that of agreeing to settlements with the employee;
- recover claims, collect and withdraw money due to the company from anyone as a result of the business carried out, sign the correspondence with customers, make protests and apply for injunctions, carry out any preventive and enforcement measures including registrations, subordinations, subrogations, cancellations, recordings of mortgages and privileges for the company to the fullest extent permitted by the law, sign notifications/quittances intended for the cancellation of protests on debt instruments and, in general, confirmation that payment of the debt has been made by the customer, request and have statements of bankruptcy declared and move insolvency proceedings in general, with all the relevant rights, represent the company in bankruptcy proceedings, liquidation and settlements of debtor customers and also sign the deeds relating to proceedings for the judicial recovery of company debts with the right to accept or reject offers from debtors and the bodies in the proceedings, as well as make waivers and settlements;
- negotiate and sign deeds of purchase and sale concession of use of moveable property, including financial leasing contracts, negotiate and sign leasing contracts, rental or purchase agreements for companies or branches of companies, amending agreements of the aforesaid contracts, and any termination or resolution of them;
- purchase raw materials, components and finished jewellery, watchmaking and general products pertinent to the company business, also in the sphere of the production and development of new products;
- negotiate and sign contracts connected with the management of the company business for the purchase of goods and performance of services (including, by way of example, financial leasing contracts for moveable property, rental of software and hardware, POS equipment, convention for credit card circuits, financial services, etc.), tenders, professional appointments, insurance contracts and policies;
- sign all the administrative files necessary for the management of company business, such as, for example, notifications for the performance of work to municipal authorities, Archaeological Office, Local

Health Authority, etc., municipal declarations of the start and finish of work, refuse tax, vehicle entrances, administrative declarations and authorisation to empty, issue of SIAE (Italian Royalties Collection Society) authorisations, appointment of delegated persons and payment of the relative fees;

- represent the company (also via electronic means-internet) as the nominated person of the Public Safety Licence for trade in precious articles set out by the Consolidated Public Safety Law and relative implementing regulations, issued to the company for the main office at Piazza D. Grassi Damiani 1, Valenza (AL), assuming full responsibility for it with third parties; arrange for the application for the authorisation of the opening of branches and secondary offices with the relative appointment and revocation of the persons responsible for all the branches and secondary offices of the company and, in general, sign the correspondence and any act relative to the subject in question;
- stipulate, amend and terminate agency and/or business procurement contracts; carry out all the operations necessary to obtain licences and authorising acts in general for agents with Public Administrations, including the law enforcement authority and also their amendment or return;
- negotiate and conclude sales operation with customers and also sign commercial contracts, agreeing terms and conditions, looking after and requiring compliance, collect moneys and issue quittances, sign the relative correspondence for customers;
- negotiate and conclude purchases for any reason, assignment, conferment and in general any act of disposal of shares, securities or interests in companies constituted or to be constituted and/or in joint ventures, also performed outside the consolidation perimeter of the Damiani group, carried out for the pursuit of the company purpose;
- negotiate and conclude contracts in the spheres of marketing, communications and Public Relations of the company, including contracts with testimonials and/or for accessorising famous people, also through the organisation and promotion of public events;
- open and close current accounts with banks and credit institutes, make credits and deposits, issue instructions for the current accounts of the company and carry out all operations related to them within the limits of the credit lines granted;
- effect assignments of credit with or without recourse, carry out actions such as hedges for foreign exchanges risks, negotiate and sign contracts for opening credit and loans of any type and durations, sign sureties and guarantees in general to cover the commitments assumed by the company or group companies;
- manage all relationships with banks, payment institutes, insurances, leasing or factoring companies and any other intermediary or body operating in the financial sector with the right to fulfil, negotiate, manage and resolve any financial, insurance and banking operation, receivable and payable, with all the widest powers, including that of issue liens and other guarantees, and without limitation of amount, similarly implementing any activity considered necessary or also simply opportune to formalise and manage the contracts (also financing ones), guarantees, third party undertakings (also of equity commitment), commissions letters, *hedging* contracts and any other document over time, exercising the rights and powers set out for the company and implementing them, with the right to negotiate, agree and sign every deed, declaration, document or certificate mentioned, required, connected, relative or also only ancillary to the contract (including, by way of example, requests for use and waiver);
- appoint proxies for individual acts or categories of acts in general.

On the same date, the Board of Directors then resolved:

1) to identify Mr Giorgio 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;

2) to attribute on Mr Giorgio Grassi Damiani, as 'Employer', pursuant to and by effect of Legislative Decree 81 of 9 April 2008, the widest decision-making powers, with the consequent unlimited power of expenses and with the widest power to sub-delegate, for the implementation of the work on the health and safety of the workers listed below by way of example:

- designate the Prevention and Protection Service Manager;
- 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;
- still in co-operation with the Prevention and Protection Service Manager, prepare the 'Risk Assessment' document on the place of work;
- appoint the company doctor;
- 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 health and safety of the workers in the sphere of the place of work;
- create the preventive and protective measures whether individual or collective;
- purchase appliances, equipment and devices and the materials necessary to guarantee the correct fulfilment of the mandate;
- implement the health supervision of the workers and check the implementation of the protocol on the health supervision of the workers;
- prepare the information and training programmes of the workers;
- if necessary, make use of resources external to the company with specific professional knowledge;
- 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;
- represent the company before the judicial and administrative authorities;

3) to confer on Mr Giorgio Grassi Damiani, for all the offices and operational units in which the business of the company is developed in Italy, the widest powers of functions so that, in the name and on behalf of the company, he is responsible for compliance with every obligation imposed by the rules and regulations on the protection of the environment and land, including, in particular, Legislative Decree 152/2006 and subsequent amendments (the so-called 'Environment Code'), with the widest powers, also of expenses, with reference to the functions of management, organisation, leadership, supervision and control, with the widest powers to sub-delegate.

By way of example, Mr Giorgio Grassi Damiani will be responsible for the following, with the most extensive managerial independence and without the requirement to obtain prior or expense authorisations, with the power to sub-delegate:

- the application of the environmental legislation and, in particular, Legislative Decree 152/2006 and subsequent amendments, in all branches, offices, business units and places pertaining to the company;
- the identification of the work or situations which, in the sphere of the company or the work in the workshops, require the planning of operations (presentation of statements, applications for authorisations, technical operations by persons skilled in the subject, etc.);
- representation of the company before state administration, public and private bodies, the relevant judicial and administrative authorities and any other public authority with jurisdiction pursuant to the law, with the relative power to sign requests, appeals and applications aimed at the compliance set out and to receive the deeds of the same authorities in the name and on behalf of the company;
- the identification of company functions in the company and external bodies which, because of their professional technical skills and specific preparation, can aid it in the compliance with its obligations; for this purpose, he can give all directives, service orders, attribution of responsibilities and powers to the company functions found and conclude consultancy contracts and/or performance of services with external bodies;
- the information and training of managers of business units about the tasks entrusted to them for compliance with the obligations arising from the environmental legislation, including Legislative Decree 152/2006 and subsequent amendments;
- the supervision of compliance with the obligations set out by the cited Legislative Decree 152/2006 and subsequent amendments and the organisational and technical directives given for the purpose by each delegate, also through company functions or third parties as per (4);
- the completely independent adoption and with a single signature of all the decisions for expenses necessary for the correct application of Legislative Decree 152/2006 in the company and the environmental legislation in general;
- the suspension and/or interruption of any work, for the period considered absolutely necessary for the purposes of preventing significant risks not otherwise avoidable.

Still on 13 February 2015, the Board lastly resolved to:
- set out that, in any case, the operations referring to the disposal of treasury shares of the company and the assignment of the brands owned by the company are reserved to the exclusive jurisdiction of the Board of Directors (in addition to all the matters specifically reserved for its jurisdiction by the law, Articles of Association, company procedures or the same Board of Directors in compliance with the applicable principles, also of the Code of Conduct);
- confirm Giorgio Grassi Damiani, Managing Director, in the position of Director Responsible for the Internal Control and Risk Management System, with 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.

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 covered the position of Chief Executive Officer until 13 February 2015. The Board of Directors therefore 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) that the Board 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 (with special reference to the internationalisation process of the Damiani group) and so essential for the best trend of the company and group.

It should be recalled that the position of Managing Director has been covered by the Deputy Chairman Giorgio Grassi Damiani since 13 February 2015.

Information to the Board

At least once a quarter, the managing director and the other executive directors:

- must report to the Board of Directors on the operations carried out in the exercise of the powers, both for ordinary operations and the atypical and unusual ones;
- give full information on the performance of the operations with related parties to the Board of Directors and Board of Auditors at least every quarter;
- 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*', last updated by the Board of Directors on 11 February 2011 (following the specific approval of the procedure aimed at ordering the operations of the group with related parties).

As already referred, in relation to the application of 1.C.1 of the Code of Conduct, the Board reaffirmed, also formally in the Framework resolution on 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 provisions and those of the Articles of Association.

4.5 OTHER EXECUTIVE DIRECTORS

With reference to the directors currently in office, Mr Guido Roberto Grassi Damiani, Chairman (in consideration of his direct involvement in the internationalisation process of the group), Mr Giorgio Andrea Grassi Damiani, Deputy Chairman and Managing Director, and Silvia Maria Grassi Damiani, Deputy Chairperson with powers, 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.

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, during the financial year, and most recently on 12 June 2015. 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 procedures 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 2015, at the convocation of the Lead Independent Director to assess the recent recommendations of the Code of Conduct on the remuneration of executive directors and senior managers with strategic responsibilities introduced in July 2014.

Please note that all the current independent directors have qualified as having the requisites of independence, also in the sphere of the lists deposited for the appointment of the Board of Directors at the Shareholders' Meeting on 26 July 2012 and, although without a specific undertaking, have maintained their independence during the entire mandate.

4.7 LEAD INDEPENDENT DIRECTOR

As specified above, considering that the Chairman of the Board of Directors is the controlling shareholder of the Issuer, and also that he held the position of Chief Executive Officer of the company until 13 February 2015, 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-operate 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. PROCESSING 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 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.
Further, 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 approve 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) on 26 July 2012;
- the **Remuneration Committee**.

As anticipated, fully respecting Application Criterion 4.C.1, (c), on 28 November 2014, the Board of Directors resolved to attribute the functions and competences of the Committee on Control, Risks and Operations with Related Parties and the Remuneration Committee to a single committee called '**Committee on Control, Risks, Remuneration and Operations with Related Parties**' (or, as necessary, 'Committee', 'Remuneration Committee' or 'Control and Risks Committee'), also considering the composition of the above committees was the same.

The principles and operational criteria of the Committee are the following:

a) the Committee consists of not less than 3 independent directors; alternatively, it 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 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; further, one of the members of the Committee 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 Committee as attributed with the cited Framework Resolution of 26 July 2012;

c) the meetings of the Committee must be minuted;

d) the Committee has the right to access the information and company functions necessary for the fulfilment of their tasks 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, the 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 Committee, 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;

g) the meetings of the Committee are chaired by the Chairman; in the event of the Chairman's absence, or however the unanimous decision of its members, the meetings of the 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 Committee; 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 of the meeting 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.

Up to the date of approval of this Report, the Board of Directors had not considered it opportune to set up an Appointments Committee within it, considering, *inter alia*, the current structure of the body of shareholders and taking into account that, as specifically set out in the comment to Art. 5 of the Code, "*the institution of the Appointments Committee arose historically in systems featuring a high level of dispersion of the shareholding ... and that, in particular, when there are widespread ownership structures, it carries out a function of special importance in finding candidates for the position of director*".

The principles of the Code of Conduct acknowledged by the company require that proposals for appointment to the position of director, accompanied, *inter alia*, by adequate information on the personal and professional features of the candidates, with indication of their suitability to be qualified as independent pursuant to Art. 3 of the Code, are deposited in the headquarters in the terms set out by the rules and regulations, in force each time, and published in a timely manner on the company web site. It should also be recalled that the self-assessment procedure was instituted by the Chairman of the Committee through the use of special questionnaires submitted to all directors, and that the Board identified the composition considered optimal of the administrative body at the outcome of this procedure.

7. COMMITTEE ON CONTROL, RISKS, REMUNERATION AND OPERATIONS WITH RELATED PARTIES

As mentioned, the Board of Directors resolved to set up within it the committees indicated below in the Board meeting of 26 July 2012, subject to the check on the requisites of not being executive and independence in compliance with the Application Criteria of the Code of Conduct:

- the Remuneration Committee consisting of the directors Fabrizio Redaelli (Chairman), Giancarlo Malerba and Roberta Benaglia;
- the Committee on Control, Risks and Operations with Related Parties, consisting of the Fabrizio Redaelli (Chairman), Giancarlo Malerba and Roberta Benaglia.

Subsequently, on 28 November 2014, fully respecting Application Criterion 4.C.1 (c), the Board of Directors, resolved to attribute the functions and competences of the Committee on Control, Risks and Operations with Related Parties and the Remuneration Committee to a single committee called '**Committee on Control, Risks, Remuneration and Operations with Related Parties**' (or, as necessary, 'Committee', 'Remuneration Committee' or 'Control and Risks Committee'), also considering the composition of the above committees was the same.

Composition and operation of the Committee on Control, Risks, Remuneration and Operations with Related Parties (*ex* art. 123-*bis*, sub-para. 2, *(d)*, TUF)

The Committee on Control, Risks, Remuneration and Operations with Related Parties 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 Remuneration Committee, co-ordinated by its chairman, met once up to 28 November 2014; the meeting lasted one hour (the percentage of participation of each member is indicated in Table 2 shown in the Appendix);
- the Committee on Control, Risks and Operations with Related Parties, co-ordinated by its chairman, met 4 (four) times up to 28 November 2014; the meetings of the Committee held during the financial year lasted on average one hour and were attended assiduously by the members (the percentage of participation of each member at the meetings in the same period is indicated in Table 2 shown in the Appendix);
- since 28 November 2014, the Committee on Control, Risks, Remuneration and Operations with Related Parties, co-ordinated by its chairman, has met once; the meeting lasted about 30 minutes (the percentage of participation of each member is indicated in Table 2 shown in the Appendix).
Please note that, in the current financial year, the Committee has met on (two) occasions and another 3 (three) meetings are planned.

***

During the financial year, the Committee (and, until 28 November 2014, the preceding Committees) consisted of three non-executive directors, the majority of whom independent, and its chairman was chosen from the independent members; in addition, 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 and also in accounting and financial matters or risk management.
In compliance with Application Criterion 6.C.6 of the Code of Conduct, directors do not take part in the meetings of the Committee if proposals relating to their remuneration are formulated.
At the invitation of the Committee, and in relation to individual subjects on the Agenda, persons who are not members took part in the meeting of the Committee held during the financial year, in particular, the members of the Board of Auditors, the Internal Audit manager, the single-person Supervisory Body, the Director Responsible for the Internal Control and Risk Management system and the senior manager responsible for drafting the corporate accounting documents, and also representatives of the independent auditors.

Functions of the Committee on Control, Risks, Remuneration and Operations with Related Parties
The following functions and tasks are the responsibility of the Committee on Control, Risks, Remuneration and Operations with Related Parties, previously attributed to the Committee on Control, Risks and Operations with Related Parties and the Remuneration Committee.

Tasks and functions on remuneration

In compliance with the current '*Remuneration Policies and procedures for their implementation of Damiani S.p.A.*', as updated on 12 June 2015, the Committee has the following tasks:

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 on remuneration adopted by the Board of Directors, assessing, among other items, the effective achievement of the performance targets; assess, where necessary, any application of the claw-back mechanisms;
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 (or, if necessary, by the independent directors on the Board) before the relative position is conferred.

<u>Tasks and functions on Internal Control and Operations with Related Parties</u>

In compliance with the provisions of the Code of Conduct, and as better detailed in the '*Guidelines for the Internal Control and Risk Management System of Gruppo Damiani S.p.A.*', and also the '*Procedure on Operations with Related Parties of Damiani S.p.A.*', the Committee is responsible for the following consultative and propositional functions:

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 after discussion with the independent auditors and Board of 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, are 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 referring to all the operations with related parties were assigned to the Committee.

During the financial year:

- until 28 November 2014, the Remuneration Committee, *inter alia*, formulated proposals to the Board of Directors on *(i)* the remuneration of directors with special responsibilities pursuant to Art. 2389, sub-para. 3, of the Civil Code, taking account of the renunciations made by the Chairman and Deputy Chairpersons with powers to payments that would have been made in their favour pursuant to Art. 2389, sub-para. 3, of the Civil Code for the 2014/2015 financial year; *(ii)* the check on the conditions of maturation of the options with vesting period until 21 April 2014 assigned in the sphere of the first implementation cycle of the 'Stock Option Plan 2010'; *(iii)* the implementation of two additional cycles of the 'Stock Option Plan 2010'; *(iv)* the submission to the Shareholders' Meeting of the proposal to adopt two new plans (the 'Stock Grant Plan 2014-2019' and the 'Stock Option Plan 2014-2019'), and also assessed *(v)* the adequacy of the company Remuneration Policy with reference to the 2014/2015 financial year, and *(vi)* its real application in the 2013/2014 financial year;

- until 28 November 2014, the Committee on Control, Risks and Operations with Related Parties *inter alia*, *(i)* examined the periodic reports of the Internal Audit Manager in order to monitor the adequacy of the internal controls system with the due constancy and intervene, where necessary, to fill any lacunae; *(ii)* examined the correct use of the accounting principles and their homogeneity for the purposes of drafting the consolidated balance sheet with the independent auditors; *(iii)* expressed their opinion to the Board in relation to the work plan prepared by the Internal Audit Manager; *(iv)* gave their favourable opinion on the adequacy of the Internal Control and Risk Management System, with respect to the features of the business and the risk profile assumed, and also its effectiveness;

- after 28 November 2014, the Committee examined the periodic report of the Internal Audit Manager and also the criteria for assessing the strategic relevance of subsidiaries of Damiani S.p.A. and, on this point, after noting the merger through acquisition of Rocca S.p.A., the subsidiary with strategic relevance, noted that, to date, there are no subsidiaries with strategic relevance in the Damiani group.

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The Chairman of the Board of Auditors took part in the meetings of the Remuneration Committee, the Committee on Control, Risks and Operations with Related Parties and the Committee on Control, Risks, Remuneration and Operations with Related Parties held during the financial year, as could the other auditors. Also in the light of Legislative Decree 39/2010, the Board of Auditors then sat in a joint session

with the Committee on Control, Risks and Operations with Related Parties to ensure efficient co-ordination of the work and detailed and complete exchange of information.
The meetings of the Remuneration Committee, Committee on Control, Risks and Operations with Related Parties and the Committee on Control, Risks, Remuneration and Operations with Related Parties were duly minuted.
Please note that the Board of Directors has not allocated an ad hoc budget to the Committee and that, from time to time, the company makes the resources necessary for the fulfilment of its functions available to it, without prejudice to the provisions on operations with related parties.
The Committee has the right to access the information and company functions necessary for the fulfilment of its tasks as well as make use of external consultants, subject to authorisation by the Board of Directors, in relation to the tasks to be completed.

8. DIRECTORS' REMUNERATION

At 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. The Remuneration Policies and Procedures were subsequently updated on 12 June 2015 to take account of the recommendations on remuneration introduced by the latest edition of the Code of Conduct (July 2014). This document defines the guidelines that all corporate bodies involved have to respect in determining the remuneration of directors, especially executive directors and others with particular 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 (criteria that must be respected in the definition of remunerations) levels.
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 NIS-Storage at www.emarketstorage.com, in accordance with the law, to which reference should be made in full for all information not in this Report.
Please also 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 illustrates the remuneration policy adopted by the company and the procedures used for its adoption and implementation.

Remuneration plans based on 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 documents drawn up pursuant to Art. 84-*bis* of the Issuers' Regulations available at www.damiani.com, to which this section refers 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/revocation without just cause or termination of the relationship following a take-over bid.

9. 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. 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 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 size, 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;
- ensuring 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;

- facilitating 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;
- establishing controls at every operational level and clearly identifying tasks and responsibilities, in particular in the stages of supervision, intervention and correction of the irregularities detected;
- ensuring reliable information systems and appropriate reporting processes at the various levels to which control functions are attributed;
- guaranteeing that the anomalies found are brought to the knowledge of adequate levels of the company in a timely manner;
- allowing 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 2015, 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, 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, assessed that the Internal Control and Risk Management System of the Damiani group 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 notification 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 operations 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 Regulations 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 enabled identification of the only group company with strategic relevance on the basis of quantitative and qualitative parameters (Rocca S.p.A., subsequently incorporated by the Issuer) and the main company processes supplying the balance sheet and consolidated documents of the companies. 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 was defined.

The real balance sheet items and connected company processes supplying them are selected for any company identified as having strategic relevance so that the specific controls to perform can be identified to guarantee the typical objectives the Internal Control System must pursue 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, reliability 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 group 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 Board of Directors, gives 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 recently assessed the adequacy of the organisational, administrative and general accounting structure of the Issuer during the session of 12 June 2015; 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 the opinion of the Committee 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.

Still on 12 June 2015, the Board of Directors, subject to the opinion of the Committee, positively evaluated the status of the Internal Control System, considering it adequate overall.

9.1 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. On 29 November 2013, the Board of Directors of the company appointed **Giorgio Grassi Damiani** (the current Managing Director), Deputy Chairman with powers, as Director Responsible for the Internal Control and Risk Management System, on whom 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, and particularly those of:

a) taking care of the identification of the main company risks, taking account of the features of the business carried out by the Issuer and its subsidiaries, with particular attention to the companies with strategic relevance, and submitting 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, usually at (or before) the meeting of the Board of Directors for the approval of 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, 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, 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 them the appropriate means to perform the duties entrusted to them 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 2015, he explained his assessment and proposals on the identification of and the company risk management policy (the so-called risk assessment) to the 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 2015, as referred above.

9.2 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 **Francesco 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 any 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) the Board meetings to approve the annual financial and interim reports, 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, Board of Directors 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 2014/2015 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 2015;

3) had access to all the information useful for the performance of the office;

4) submitted the Audit Plan for the 2014/2015 financial year to the attention of the Committee on Control, Risks, Remuneration and Operations with Related Parties, subsequently approved by the Board of Directors after hearing the opinion of the Board of Auditors and the director responsible for the internal control and risk management system, with the favourable opinion of the aforesaid Committee;

5) checked the reliability of the information systems in the sphere of the Audit Plan, including the systems of 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, in the sphere of Audit work, they particularly concerned, *inter alia*:

- compliance audits concerning the Issuer and also the other companies in the group;
- training on compliance aimed at ensuring understanding and the consequent implementation of the contents and objectives of the procedures by company functions;
- review of the company procedures of the Issuer and group companies.

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.

9.3 ORGANISATIONAL MODEL EX LEGISLATIVE DECREE 231/2001

In order to be aligned with the internal control systems set out by Legislative Decree 231/2001, 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, most recently amended by the Board of Directors of the company on 28 May 2015, 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 and self-laundering, *(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 28 May 2015, 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. In the session of 29 May 2014, the Board of Directors of the company appointed a single person Supervisory Board, in the person of **Francesco Delucchi**, Internal Audit Manager of the company, who has the requisites of independence and is not responsible for 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 web site www.damiani.com.

9.4 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.

9.5 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, with reference to both 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.

9.6 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 the areas of operation and analysis of each body, starting from the company processes set out in the Audit Plan prepared by the Internal Audit Manager, 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 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 Chairpersons of the Board of Auditors, Committee and 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 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.

10. 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.

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*').

11. APPOINTMENT OF THE AUDITORS

The appointment of the auditors and the Chairman of the Board of Auditors of the company is, as is known, the responsibility 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 19139 of 22 April 2015**) – 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 positions 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 who obtains 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 replaces 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.

12. 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 election took place on the basis of **two lists** presented by the majority shareholder **Leading Jewels S.A.** and the minority shareholder **DGPA S.G.R. S.p.A.** respectively.

The list presented by the shareholder Leading Jewels S.A. contained the following, in order, among the candidates: Messrs Simone Cavalli, Milena Motta and Stefano Rusconi as Regular Auditors and Paola Mignani and Pietro Sportelli as Alternate Auditors. The Regular Auditors Simone Cavalli and Milena Motta, and the Alternate Auditor Paola Mignani obtained a percentage of votes in favour of 93.1483% of the share capital represented in the Shareholders' Meeting.

The list presented by the minority shareholder DGPA S.G.R. S.p.A., which proposed Gianluca Bolelli as candidate Regular Auditor and Fabio Massimo Micaludi as candidate Alternate Auditor. The Chairman of the Board of Auditors, Gianluca Bolelli, and the Alternate Auditor Fabio Massimo Micaludi were obtained with a percentage of votes in favour of 6.5553% of the share capital represented in the Shareholders' Meeting.

Please note that, following the resignation tendered by the Regular Auditor Milena Motta (appointed by the Shareholders' Meeting of 26 July 2013 among the candidates of the list presented by the majority shareholder Leading Jewels S.A.) during the financial year, Paola Mignani, already Alternate Auditor of the company (appointed by the Shareholders' Meeting of 26 July 2013, once again among the candidates of the list presented by the majority shareholder), took over in the position of Regular Auditor of the Board of Auditors.

The current composition is, therefore, as follows:

1. **Gianluca Bolelli** (Chairman);
2. **Simone Cavalli** (Regular auditor);
3. **Paola Mignani** (Regular auditor, formerly Alternate auditor);
4. **Fabio Massimo Micaludi** (Alternate auditor).

The Board of Auditors met 7 (seven) times, of which 2 (two) in joint session with the Committee on Control, Risks and Operations with Related Parties, during the financial year. Five (5) meetings, of which 2 (two) have already taken place, are planned for the current financial year.

The meetings of the Board of Auditors held during the financial year lasted for an average of 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 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.

PAOLA MIGNANI – REGULAR 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 as 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 a partner in *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 checked the independence of its members after their appointment during the financial year and, most recently, on 12 June 2015.

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 (now unified in the Committee on Control, Risks, Remuneration and Operations with Related Parties) 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, in whose meetings the Chairman of the Board of Auditors, or another auditor designated by him, takes part.

13. 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 Application Criterion 9.C.1 of the Code of Conduct, the company has added a professionally qualified person (*Investor Relator*) to its organisational structure who has, *inter alia*, the responsibility for managing relations with professional investors and the other shareholders. The references enabling contact with the Investor Relations Officer of the Issuer, managed by Paola Burzi, are the following:

Telephone: 02/46716340

e-mail address: paolaburzi@damiani.it

It should also be noted that the company complies with the information requirements set out by the rules and regulations in force in a precise and timely manner, and has structured its web site (www.damiani.com) so that access to the information concerning the Issuer by the public is easy.

14. 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, attribute 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.

Please note that, at the date of approval of this Report, the existence of shares with multiple votes is not provided for nor has the company, to date, introduced the institution of the supplement of the vote set out by Art. 127-*quinquies* of the TUF.

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At the Shareholders' Meeting of 26 July 2013 which, *inter alia*, renewed the Board of Auditors, it was recalled 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.

Further, as recalled above, in consideration of the approaching expiry of the mandate of the current directors, in compliance with Application Criterion 1.C.1 (h) of the Code, the current Board, taking account of the outcome of the self-assessment process carried out during the meeting of 12 June 2015, recommended the following to shareholders who intend to present a list:

(i) the inclusion of a congruous number of candidates with adequate experience, also managerial, and skills in economic, accounting, legal and financial matters, risk management and/or remuneration policies;

(ii) in lists with three or more candidates, the inclusion of candidates of both genders so that the composition of the Board of Directors ensures gender balance to the extent set out by Art. 2 of Law 120/11 (the least represented gender should have a quota of at least one fifth of the elected directors);

(iii) the inclusion in the lists of a number of candidates with the requisites of independence sufficient to allow respect of Art. 147-*ter*, last sub-para., of the TUF.

These recommendations are in the Report on the subjects on the Agenda drafted pursuant to Art. 125-*ter* of the TUF, available at the registered office, on the authorised storage mechanism *NIS-Storage* at www.emarketstorage.com and the company web site www.damiani.com (*'Investor Relations/Shareholders/Shareholders' Meetings' section*) from 12 June 2015.

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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 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 141.64 million at 31 March 2014 to Euro 125.79 million at 31 March 2015.

15. 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.

12 June 2015

GIORGIO GRASSI DAMIANI
Managing Director
For the Board of Directors

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 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**	58.83%	58.83%[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 Cttee		Remun. Cttee		Appt. Cttee		Single Cttee	
Position	Members	Year of birth	Date of first apptment*	In office since	In office until	List (M/m)	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. other positions ***	**	****	**	****	**	****	**	****	**
Chairman	Guido Grassi Damiani	1968	26/02/1996	26/07/2012	Approval Accounts to 31.03.2015	M	x					87.5%								
Deputy chairman and MD responsible for the internal control and risk management system	Giorgio Grassi Damiani	1971	26/02/1996	26/07/2012	Approval Accounts to 31.03.2015	M	x					100%								
Deputy chairwoman with powers	Silvia Grassi Damiani	1966	26/02/1996	26/07/2012	Approval Accounts to 31.03.2015	M	x					100%								
Director	Stefano Graidi	1954	28/09/2005	26/07/2012	Approval Accounts to 31.03.2015	M		x			3	75%								
Director	Giancarlo Malerba	1961	27/06/2007	26/07/2012	Approval Accounts to 31.03.2015	M		x			1	87.5%	x	75%	x	100%			x	100%
Director	Roberta Benaglia	1973	03/04/2009	26/07/2012	Approval Accounts to 31.03.2015	M		x	x	x	7	87.5%	x	25%	x	0%			x	0%
Director and L.I.D.	Fabrizio Redaelli	1960	27/06/2007	26/07/2012	Approval Accounts to 31.03.2015	M		x	x	x	8	100%	x	100%	x	100%			x	100%
-------------------------------DIRECTORS RESIGNING DURING THE REFERENCE FINANCIAL YEAR-------------------------------																				
	-																			

No. meetings held during the reference financial year:	Control and Risks Committee: 4	Remun. Committee: 1	Single Committee: 1	BOD: 8
Indicate the quorum required for the presentation of lists by minorities for the election of one or more members (ex Art. 147-ter TUF): 2.5%				

NOTES: * M/m is indicated in this column according to whether the member was elected from the list voted by the majority (M) or a minority (m).
** The percentage of participation of directors in the meetings of the BOD and committees respectively is indicated in this column (No. attendances/No. meetings held during the effective period in office of the person concerned).
*** The number of positions of director or auditor held by the person concerned in other companies listed in regulated markets, including foreign ones, financial companies, banks, insurance companies or companies of a relevant size.
The list of these companies, referring to each director, specifying whether the company in which the position is held is part or not of the group the Issuer is head of or is part is enclosed with the Report.****An 'X' in this column indicates whether the Board member is part of the Committee

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Position	**Members**	**Year of birth**	**Date of the first appointment**	**Appointed on**	**Appointed until**	**List**	**Indipendence from Code**	**Partecipation of the auditors at the meetengs of S.A.** **	**Number of other positions** ***
Chairman	Bolelli Gianluca	1959	15/06/2007	26/07/2013	Approval of Balance sheet to 31.03.2016	m		100%	13
Effective auditor	Cavalli Simone	1965	15/09/2005	26/07/2013	Approval of Balance sheet to 31.03.2016	M		71.43%	10
Effective auditor	Motta Milena Teresa	1959	26/07/2013	26/07/2013	01/2015	M		71.43%	4
Effective auditor	Mignani Paola*	1966	26/07/2013	26/07/2013	Next Board	M		100%	16
Alternate auditor	Micaludi Fabio Massimo	1961	15/06/2007	26/07/2013	Approval of Balance sheet to 31.03.2016	m			
Number of meetings held during the reference financial year*:* 7									
Quorum required for the presentation of the lists for the last nomination (ex art. 148 TUF): 2.5%									

NOTES

* During the financial year of reference, following the resignation by Dr. Teresa Milena Motta, Dr. Mignani (former Alternate auditor of the Company) took over the post of Effective member of the Board of Auditors until the next General Meeting, which will confirm her as Effective auditor or appoint a new Effective auditor (in this case Dr. Mignani will return to the post of Alternate auditor until the approval of financial statements at 31.03.2016).

** The percentage of partecipation of the auditors at the meetings of the S.A. is indicated in this column (no. attendances/no meetings held during the effective period of position of the person concerned).

***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.

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 office at the date of approval of this Report in other listed companies, financial companies, banks and insurances or companies of significant size.

Director	Company	Position
STEFANO GRAIDI	Gen Del SA	Director
	Roger Vivier SA	Director
	Giochi Preziosi SA	Director
GIANCARLO MALERBA	Calliope Finance S.r.l.	Chairman Board of Auditors (BOA)
FABRIZIO REDAELLI	Eagles Pictures S.p.A.	Chairman BOA
	Kedrion S.p.A.	Chairman BOA
	Vetrerie Riunite S.p.A.	Chairman BOA
	Tod's S.p.A.	Auditor
	Fomas Hop S.p.A.	Chairman BOA
	Caleffi S.p.A.	Regular auditor
	Prima TV S.p.A.	Chairman BOA
	The Walt Disney Company S.r.l	Regular auditor
ROBERTA BENAGLIA	DGPA SGR S.p.A.	Managing director
	Vetrerie Riunite S.p.A.	Director
	Finanziaria del Vetro S.p.A.	Director
	Vetrerie Riunite S.p.A.	Director
	Kickoff S.p.A.	Chairwoman and MD
	Golden Gosse S.r.l.	Chairwoman and MD
	Production Group S.r.l.	Director