

DAMIANI S.p.A.

**Consolidated Interim Financial Report
as of December 31, 2015**

Drawn up pursuant to the IAS/IFRS
Not audited by the Independent Auditors

Damiani S.p.A.
1, Piazza Damiano Grassi Damiani – Valenza (AL)
Share Capital Euros 36,344,000
Tax and VAT Registration n. 01457570065

February 12, 2016

INDEX

Corporate bodies	3
Report on operations	4
Structure and business activities of Damiani Group	4
Criteria used and accounting standards	5
Board of Directors of Damiani S.p.A.	5
Share buy-back program	5
Stock option plans	6
Main risks and uncertainties for the Damiani Group	7
Key data	8
Comments on the main economic and financial results of the Group	9
Key data by geographical areas	13
Transactions with related parties	14
Non-recurring, atypical and/or unusual operations	15
Significant events of the quarter	15
Significant events after the end of the quarter	16
Business outlook	16
Consolidated financial statements as of December 31, 2015	17
Declaration under article 154 bis, paragraph 2, of T.U.F.	22

CORPORATE BODIES Board of Directors ⁽¹⁾

Guido Grassi Damiani (Chairman)

Giorgio Grassi Damiani (Vice President & CEO)

Silvia Grassi Damiani (Vice President)

Roberta Benaglia (Director)

Stefano Graidì (Director)

Giancarlo Malerba (Director)

Elena Garavaglia (Director)

Board of Statutory Auditors ⁽²⁾

Gianluca Bolelli (President)

Simone Cavalli (Statutory Auditor)

Laura Braga (Statutory Auditor) ⁽³⁾

Paola Mignani (Alternate Auditor) ⁽³⁾

Fabio Massimo Micaludi (Alternate Auditor)

Independent Auditors

Reconta Ernst & Young S.p.A.

Audit, Risk, Remuneration and Transaction with related parties Committee

Elena Garavaglia (President)

Roberta Benaglia

Giancarlo Malerba

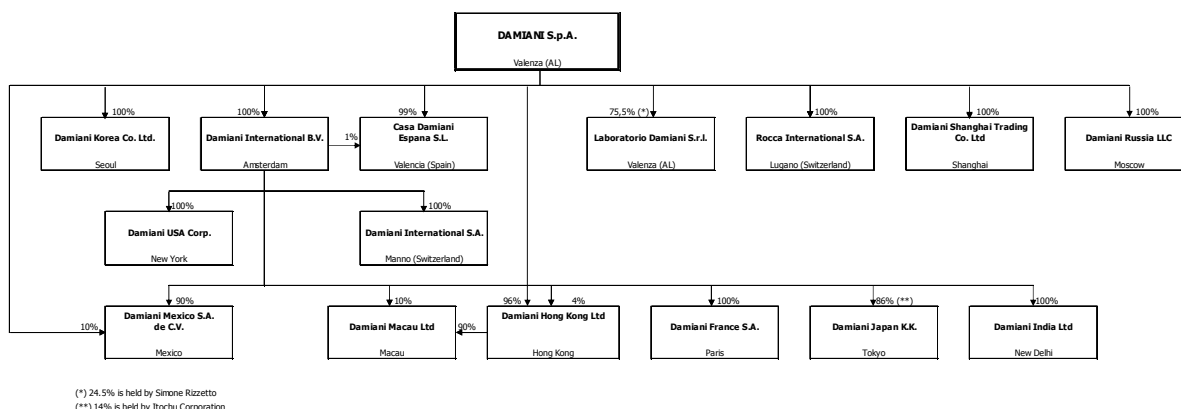
¹ Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 23, 2015 and in office for the period 2015-2018, until the approval of the Financial Statements for the year ended March 31, 2018.

² Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 26, 2013 and in office for the period 2013-2016, until the approval of the Financial Statements for the year ended March 31, 2016.

³ As of July 23, 2015 Mrs. Laura Braga replaced Mrs. Paola Mignani as Statutory Auditor.

REPORT ON OPERATIONS ⁽⁴⁾

Structure and business activities of 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 foreign 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 the "Company" or "Parent company"), which in addition to directly carry out production and commercial activities, also covers the role of industrial and financial holding company, providing technical, financial and administrative assistance for the companies, directly or indirectly, controlled.

Since November 2007 Damiani S.p.A. has been listed on the Italian Stock Exchange electronic market.

Compared with March 31, 2015, in the first nine months of the financial year 2015/2016 the composition of the Group changed as follows:

- On July 14, 2015 Damiani S.p.A. acquired shares in Laboratorio Damiani S.r.l. held by Christian Rizzetto, 24.5% of the share capital of the company, for a value equivalent to the corresponding portion of shareholders' equity at March 31, 2015. Following this transaction, Damiani S.p.A. holds 75.5% of the share capital of Laboratorio Damiani S.r.l.
- On August 5, 2015 the company Damiani Russia LLC was set up. It's based in Moscow and has a capital of 10,000 rubles, wholly owned by Damiani S.p.A. The company aims to market the Group's brands in the Russian territory in the wholesale and retail channels.
- On October 6, 2015 Damiani International B.V. purchased the 49% of the share capital of Damiani India PVT. Ltd. owned by the two Indian partners. Following this transaction Damiani International B.V. owns 100% of the share capital of the Indian subsidiary.

The Damiani Group 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.

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.

As of December 31, 2015 the Point of Sales ("POS") in Italy and abroad directly managed were 57 and the

⁴ The Damiani Group closes its financial year at March 31, and therefore the period from April 1 to December 31, 2015 represents the first nine months of the financial year that will end on March 31, 2016 (hereafter the financial year 2015/2016). For comparative purposes are shown data for the prior year period, first nine months of the financial year 2014/2015.

franchisees were 20, with the geographical distribution shown in the table:

Boutiques and corners	Italy	Japan	Greater China (*)	Rest of the World	Total
Mono-brand Damiani	11	11	9	13	44
Multi-brand Rocca	12	-	-	1	13
Total DOS	23	11	9	14	57
Franchising	-	-	4	16	20

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

Criteria used and accounting standards

The consolidated financial statements at December 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 Italian Civil Code.

The Damiani Group prepared the Consolidated interim financial report at December 31, 2015, not audited by the independent auditors, in compliance with article 154 ter of the Italian law (T.U.F.) introduced by the Legislative Decree n. 195/2007 that carried out European Community Directive n. 2004/109/CE (so called Transparency Directive). The interim financial report has been prepared in compliance with the international accounting standards IAS/IFRS, in force the moment of its editing. For further details on accounting standards and criteria adopted by the Group in preparing the financial statements refer to the Annual consolidated financial statements as of and for the year ended March 31, 2015.

Board of Directors of Damiani S.p.A.

The new Board of Directors of Damiani S.p.A. currently in office (and reported on page 3 of this Interim Report) has been appointed by the Shareholders' Meeting on July 23, 2015 for the three years from 2015 to 2018, until the approval of the financial statements for the year ended March 31, 2018. The Board of Directors consists of seven members and respects the gender balance established by the current law.

The new Board of Directors of Damiani S.p.A. which met for the first time on July 23, 2015 appointed Guido Grassi Damiani as Chairman, Giorgio Grassi Damiani as Vice-President & CEO and Silvia Grassi Damiani as Vice-President. Elena Garavaglia has been appointed 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 Elena Garavaglia, Roberta Benaglia and Giancarlo Malerba were designated to form the Audit, Risk, Remuneration and Transaction with related parties Committee.

On July 23, 2015 the Board of Directors of Damiani S.p.A. appointed Giorgio Grassi Damiani as Director responsible for the internal control system and risk management.

The Board of Directors of July 23, 2015 also approved the remuneration for Directors with special powers, pursuant to article 2389, paragraph 3, of the Italian Civil Code.

Share buy-back program

The Shareholders' Meeting of July 23, 2015 renewed the authorization- subject to revocation, for the part non executed of the resolution adopted by the Shareholders' Meeting of July 24, 2014 – to the purchase and disposal of treasury shares under article 132 of the Legislative Decree n. 58/1998 and article 144 bis of Regulation adopted by Consob (Italian SEC) resolution n. 11971/99.

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, corresponding to the fifth part of the share capital.
- The authorization was granted for a period of 18 months starting from the Shareholders' Meeting date and lasting until the date of January 23, 2017.

- 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 price of the sale to third parties must be not less than 90% of the average price recorded on the Italian Stock Exchange market in the five days preceding the sale. This price limit can be exceeded in the context of the implementation of industrial and / or commercial projects of interest for the Company and in case of assignment and / or transferring, in return for payment or free of charge, of shares or options to the directors, employees, agents, consultants of the Damiani Group.

At December 31, 2015 Damiani S.p.A. holds 5,556,409 shares, equal to 6.73% of the share capital, and no treasury shares have been purchased or sold in the period April to December 2015 or thereafter until the approval of this quarterly report.

Stock option

At the date of approval of this Interim financial report there are two ongoing compensation plans based on financial instruments pursuant to article 114-bis of the Legislative Decree n. 58/1998. In detail:

- Stock Option Plan 2009 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, 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 contributors, including agents, of the Damiani Group in one or more tranches within five years from the date of approval. The Plan was amended by the Shareholders' Meeting of July 27, 2011 and was the subject of three cycles of implementation so far declared by: i) the first cycle by the Board of Directors on April 21, 2011 (subsequently amended on February 10, 2012) and still valid; ii) the second and the third cycles by the Board of Directors on June 12, 2014.

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 been implemented so far:

- 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 Audit, Risk, Remuneration and Transaction with related parties 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 Audit, Risk, Remuneration and Transaction with related parties Committee. The beneficiaries have to be identified between the management of the Group companies.

Finally, the Shareholders' Meeting of July 23, 2015 approved a new compensation plan based on financial instruments, the Stock Option Plan 2015-2020, concerning the free allocation of a maximum n. 3,500,000 options to beneficiaries to be identified by the Board of Directors, with the assistance of the Audit, Risk, Remuneration and Transaction with related parties Committee, including executive directors, executives, managers, other employees, consultants and agents, of the Group. The Plan has not yet been implemented.

For more information, please refer to the Remuneration Report, prepared by the Board of Directors of Damiani S.p.A. pursuant to art. 123-ter of Legislative Decree n. 58/1998 and article 84-quater of Consob regulation n. 11971/1999 and available on the website www.damiani.com.

Main risks and uncertainties for the Damiani Group

2015 recorded a weaker growth worldwide over the expectations formulated at the beginning of the year ⁽⁵⁾. The decline in commodity prices, low investments, the depreciation of certain currencies combined with the volatility of financial markets, especially in Asia, and to the continued political turmoil in some areas (former Soviet Union and Arab countries) have been reflected in a decline in volumes of worldwide trade transactions and thus slowing the growth trend both in advanced and emerging countries. The world's GDP grew by 3.1% with the advanced economies at +1.9% and +4.0% in the emerging.

By almost all foreign countries where the Group operates however the initial forecasts were confirmed, and in the case of Italy the realized performance was also slightly higher than expected.

In 2015 the luxury market continued its positive trend, as confirmed recently the observatory Altagamma ⁽⁶⁾. In "Personal luxury" segment in 2015 the growth was 13% at current exchange rates, for a total value of 253 billion euro, while in real terms the growth was much lower (+2%), but still with positive signals coming from many markets (Europe +5%, Japan +9%). American purchases of luxury goods were stable, while in slight decrease in China (-2%) and confirms the critical situation in Russia, both internally and as a stream of purchases abroad made by Russian citizens.

Even the prices of raw materials used in jewelry have not performed particularly serious fluctuations, such as to generate negative effects on production costs (the price of gold remains at average values of 33 Euro/gr. in the period April 2015 – January 2016 compared with an average of nearly 32 Euro/gr. in the previous twelve months).

Therefore, there were no noticeable changes compared to the macroeconomic scenario and to the market taken as a reference at the time of formulation of the forecasts for the financial year 2015/2016 and consequently there are no risk profiles or new uncertainties that could heavily influence the financial performance of the Group.

In terms of liquidity, the risk profile at December 31, 2015 was substantially unchanged compared to the end of the annual financial statements at March 31, 2015. The cash flows generated by a non-recurring operation, described below, and the medium/long-term resources from the banking system supported the Group's development (for industrial investments and for working capital requirements) and strengthened the debt structure with a larger share of the long term than short term credit lines (the current debt weighed 64% on the total gross debt at March 31, 2015 and 53% at December 31, 2015).

In addition, on the new loans granted (or amended) during the year the interest rates are lower if compared with those paid on the maturing loans that were repaid.

⁵ Preliminary data drawn from the *World Economic Outlook – International Monetary Fund, January 2016 edition*.

⁶ *Worldwide Markets Monitor, presented in Milan October 29, 2015 by Fondazione Altagamma and Bain & Co.*

Damiani Group
Consolidated Interim Financial Report at December 31 2015

Key data

Share Capital	December 31 2015	March 31 2015
Number of shares issued	82,600,000	82,600,000
Par value per share	0.44	0.44
Share capital	36,344,000	36,344,000

Ownership	% on shares issued	% on shares issued
Leading Jewels S.A. (1)	58.83%	58.83%
Sparkling Investment S.A. (1)	0.03%	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. (own shares) (2)	6.73%	6.73%
Market	17.01%	17.01%

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		14,000

(1) Companies traceable to Damiani Family

(2) The Shareholders' Meeting of July 23, 2015 approved the authorization, for the part not executed of the resolution of the Shareholders' meeting of July 24, 2014, for the purchase of own 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 December 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 Damiani are traceable the shares owned by Leading Jewels S.A., Sparkling Investment S.A. and the treasury shares of Damiani S.p.A.

Main economic data	Nine months		Change	Change %
	Financial Year 2015/2016	Financial Year 2014/2015		
<i>(in thousands of Euro)</i>				
Revenues from sales and services	121,011	115,443	5,568	4.8%
Total revenues	121,041	115,466	5,575	4.8%
Cost of production	(101,113)	(110,285)	9,172	-8.3%
EBITDA (*)	19,928	5,181	14,747	n.m.
EBITDA %	16.5%	4.5%		
Amortization, depreciation and write downs	(6,317)	(3,327)	(2,990)	89.9%
Operating result	13,611	1,854	11,757	n.s.
Operating result %	11.2%	1.6%		
Net financial income (expenses)	(1,756)	(2,245)	489	-21.8%
Result before taxes	11,855	(391)	12,246	n.s.
Net result of the Group	6,509	(1,366)	7,875	n.s.
Basic Earnings (Losses) per Share	0.08	(0.02)		
Personnel cost	(19,894)	(18,580)	(1,314)	7.1%
Average number of employees (**)	605	599	6	1.0%

(*) 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 period compared.

Damiani Group
Consolidated Interim Financial Report at December 31 2015

Balance sheet data <i>(in thousands of Euro)</i>	December 31, 2015	March 31, 2015	change
Fixed Assets	42,066	46,213	(4,147)
Net working capital	85,177	76,298	8,879
Non current Liabilities	(6,987)	(7,413)	426
Net Capital Invested	120,256	115,098	5,158
Shareholders' Equity	68,662	64,166	4,496
Net Financial Position (*)	51,594	50,932	662
Sources of Financing	120,256	115,098	5,158

(*) The Net financial position is determined according to the indications of Consob (Italian SEC) communication DEM/6064293 of July 28, 2006.

Comments on the main economic and financial results of the Group

The activities of the Group, like other operators, is marked by a significant seasonality. Jewelry sales are in fact concentrated in the quarter October-December (and in the retail channel mainly in December), in connection with the Christmas campaign. Consequently, the economic performance of the different quarters is significantly influenced by seasonal revenues.

Total revenues of the Damiani Group in the first nine months of the financial year 2015/2016 resulted in increase of 4.8% at current exchange rates, compared with those recorded in the same period of the previous financial year. The gross operating profit (EBITDA) amounted to Euro 19,928 thousands, resulting in a significant improvement over the previous year, in which the gross profit recorded was Euro 5,181 thousands. The operating performance was positively affected by the growth in business volume and by the non-recurring net income recorded in the period e described below.

The net result for the Group in the first nine months of the financial year 2015/2016 amounted to Euro 6,509 thousands, compared with a net loss of Euro 1,366 thousands in the same period of the previous financial year.

The Group's net financial position was substantially stable compared to the end of the previous financial year, from Euro 50,932 thousands at March 31, 2015 to Euro 51,594 thousands at December 31, 2015.

The following table shows the income statement for the first nine months of the financial year 2015/2016, compared with the prospect of the same period of the previous financial year, and then commented on the trend of the main economic data.

Income statement <i>(in thousands of Euro)</i>	Nine Months			
	Financial Year 2015/2016	Financial Year 2014/2015	Change	Change %
Revenues from sales and services	121,011	115,443	5,568	4.8%
Other revenues	30	23	7	30.4%
Total revenues	121,041	115,466	5,575	4.8%
Cost of production	(101,113)	(110,285)	9,172	-8.3%
EBITDA (*)	19,928	5,181	14,747	n.m.
EBITDA %	16.5%	4.5%		
Depreciation, amortization and write downs	(6,317)	(3,327)	(2,990)	89.9%
Operating result	13,611	1,854	11,757	n.m.
Operating result %	11.2%	1.6%		
Net financial incomes (expenses)	(1,756)	(2,245)	489	-21.8%
Result before taxes	11,855	(391)	12,246	n.m.
Result before taxes %	9.8%	-0.3%		
Taxes	(5,610)	(1,143)		
Net result	6,245	(1,534)	7,779	n.m.
Net result %	5.2%	-1.3%		
Non controlling interests	(264)	(168)		
Net result of the Group	6,509	(1,366)	7,875	n.m.
Net result of the Group %	5.4%	-1.2%		

(*) 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.

REVENUES

Revenues from sales and services, which are not affected by non-recurring transactions and are expressed at current exchange rates, in the first nine months of the financial year 2015/2016 amounted to Euro 121,011 thousands, an increase of 4.8% compared with those recorded in the same period of the previous financial year. Revenues at constant exchange rates showed an increase of 3.4% compared with the same period of the previous financial year.

The following table shows the breakdown of revenues by channels.

Revenues by Sales Channel <i>(in thousands of Euro)</i>	Nine Months Financial Year 2015/2016	Nine Months Financial Year 2014/2015	Change	Change %
Retail	57,622	46,721	10,901	23.3%
<i>Percentage on total revenues</i>	<i>47.6%</i>	<i>40.5%</i>		
Wholesale	63,389	68,722	(5,333)	-7.8%
<i>Percentage on total revenues</i>	<i>52.4%</i>	<i>59.5%</i>		
Total revenues from sales and services	121,011	115,443	5,568	4.8%
<i>Percentage on total revenues</i>	<i>100.0%</i>	<i>100.0%</i>		
Other revenues	30	23	7	30.4%
Total Revenues	121,041	115,466	5,575	4.8%

- In the retail channel revenues amounted to Euro 57,622 thousands, up by 23.3% at current exchange rates and by 20.4% at constant exchange rates, compared with the first nine months of the previous financial year. The increase is attributable to the positive performance of the Damiani brand sales, in mono and in multi-brand stores directly managed, and to the strong recovery in sales of products to third party brands at the Italian boutiques of Rocca 1794 network, which last year were penalized by the contraction of the flows of foreign clients. As a result of these trends, the weight of the retail revenues reaches almost 48% of the total, an increase of more than 7 percentage points compared with the first nine months of the previous financial year.
- In the wholesale channel revenues amounted to Euro 63,389 thousands, down 7.8% at current exchange rates (-8.2% at constant exchange rates) compared with the same period of the financial year 2014/2015. This reduction is due to lower sales in non-ordinary channels, on which the Group did not initiate effective actions in a context however of growth of the ordinary channels and in view of the fact that such sales usually generate lower margins.

Cost of production

Overall, the net costs of production in the first nine months of the financial year 2015/2016 were Euro 101,113 thousands, with a decrease of Euro 9,172 thousands compared with the same period of the previous financial year (Euro 110,285 thousands).

In details the trend of the main items in the nine months period ended December 31, 2015:

- **Cost for raw materials and other materials, including purchases of finished goods**, amounted to Euro 62,885 thousands with a slight decrease compared with the same period of the financial year 2014/2015 (Euro 63,437 thousands). The misaligned trend compared to the increase in revenues depends on the different sales mix, on which the retail channel which generates higher profitability has an increasing weight.
- **Cost of services** were Euro 36,832 thousands, +20.3% compared with the same period of the previous financial year (Euro 30,606 thousands). The increase, which affected in a generalized way the various components of expenditure, is related mainly to the development of the retail channel and to the initiatives taken to promote the awareness of brands in Italy and especially at international customers.
- **Personnel cost** was Euro 19,894 thousands with an increase by 7.1% compared with the same period of the previous financial year (Euro 18,580 thousands). The change has focused on foreign subsidiaries, in which the Group proceeded to strengthen the organization to support international expansion. The

average workforce for the period was 605 units (+6 compared with the first nine months of the previous financial year).

- The **Other net operating (charges)/incomes** showed a positive balance of Euro 18,498 thousands in the first nine months of the financial year 2015/2016 compared with a positive balance of Euro 2,338 thousands in the same period of the financial year 2014/2015. In both periods the other net incomes include the benefits of non-recurring transactions (shown separately in the consolidated income statement of this interim report): respectively for the key money collected for the sale to third parties of the lease of a foreign boutique in the current year, and for sale to third parties of the business unit (inclusive of the lease) relating to a shop in Italy in the previous year. Both stores were not profitable at the time of their closure.

EBITDA

EBITDA in the nine months period ended December 31, 2015 was positive for Euro 19,928 thousands, an improvement of Euro 14,747 thousands compared with the gross operating result of the same period of the previous financial year (Euro 5,181 thousands). This result was significantly influenced by the growth of the turnover of the Group and by non-recurring net income from the transaction above described.

Amortization, depreciation and write downs

In the nine months period ended December 31, 2015 amortization, depreciation and write downs of non-current assets amounted to Euro 6,317 thousands, an increase of Euro 2,990 compared with the same period of the last year (Euro 3,327 thousands). This was due both to the greater depreciable consistency generated by investments made primarily to support the development of the retail segment and to the write-off of the net book values of the assets transferred in the non-recurring transaction above described.

Operating result

As a result of what is described, the operating performance of the Group in the nine months period ended December 31, 2015 was positive for Euro 13,611 thousands, an improvement of Euro 11,757 thousands compared with the result of Euro 1,854 thousands recorded in the same period of the previous financial year.

Net financial incomes (expenses)

The balance in the first nine months of the financial year 2015/2016 was negative for Euro 1,756 thousands, an improvement of Euro 489 thousands compared with the negative balance of Euro 2,245 thousands in the same period of the financial year 2014/2015. The change was mainly due to income from exchange rates, with a positive change of Euro 477 thousands compared with the same period of the previous financial year.

Current, prepaid and deferred taxes

In the nine months period ended December 31, 2015 current and deferred taxes had a negative impact of Euro 5,610 thousands compared with a negative balance of Euro 1,143 thousands in the same period of the financial year 2014/2015.

The increase is mainly due to the fiscal impact, in a foreign subsidiary, of the non-recurring income above described.

Net Result

The operational and financial performance, as well as the associated tax impact, provide a consolidated Group net income in the first nine months of the financial year 2015/2016 for Euro 6,509 thousands, a significant improvement compared with the same period of the last financial year, in which a loss of Euro 1,366 thousands was recorded.

Balance sheet and financial situation

The following table shows the reclassified consolidated balance sheet of Damiani Group at December 31, 2015, compared with that of March 31, 2015, and then commented the main changes.

Balance sheet data <i>(in thousands of Euro)</i>	December 31, 2015	March 31, 2015	change
Fixed Assets	42,066	46,213	(4,147)
Net working capital	85,177	76,298	8,879
Non current Liabilities	(6,987)	(7,413)	426
Net Capital Invested	120,256	115,098	5,158
Shareholders' Equity	68,662	64,166	4,496
Net Financial Position (*)	51,594	50,932	662
Sources of Financing	120,256	115,098	5,158

(*) The Net financial position is determined according to the indications of Consob (Italian SEC) communication DEM/6064293 of July 28, 2006.

Fixed assets

At December 31, 2015 the fixed assets of the Group were Euro 42,066 thousands, decreased by Euro 4,147 thousands if compared with March 31, 2015 (Euro 46,213 thousands). The growth in the period for capex (equal to Euro 4,245 thousands) was completely offset by the amortization, depreciation and write-down of the period (for Euro 6,317 thousands), as well as by the decrease in non-current receivables (financial and deferred tax assets) for a total of Euro 1,551 thousands.

Net working capital

At December 31, 2015 the net working capital was Euro 85,177 thousands, an increase by Euro 8,879 thousands if compared with March 31, 2015. On that asset value has impacted mainly the seasonal dynamics of the operating components (trade receivables and liabilities, inventories), which generated a net increase of Euro 15,674 thousands, which is offset by higher tax payables as a result of increased taxable income for the Group (increased payables for Euro 5,935 thousands).

Shareholders' equity

At December 31, 2015 the Shareholders' equity amounted to Euro 68,662 thousands, with an increase by Euro 4,496 thousands if compared with March 31, 2015, mainly due to the positive result of the period (equal to Euro 6,245 thousands), partially offset by negative changes for exchange differences for Euro 2,006 thousands. The increase in the stock option reserve for the share-based payments was of Euro 108 thousands and the discounted income detected on defined benefit plans for employees amounted to Euro 149 thousands. In the nine months period have not been purchased or sold any treasury shares.

Net financial position

The following table shows the composition of the net financial position at December 31, 2015 and its change from March 31, 2015.

Damiani Group
Consolidated Interim Financial Report at December 31 2015

Net Financial Position (*) <i>(in thousands of Euro)</i>	Situation at December 31, 2015	Situation at March 31, 2015	Change
Current portion of loans and financing	3,985	2,705	1,280
Drawdown of credit lines, short term financing and others	27,795	35,009	(7,214)
Current portion of loans and financing with related parties	1,033	1,031	2
Current financial indebtedness	32,813	38,745	(5,932)
Non current portion of loans and financing	18,554	11,048	7,506
Non current portion of loans and financing with related parties	10,143	10,893	(750)
Non current financial indebtedness	28,697	21,941	6,756
Total gross financial indebtedness	61,510	60,686	824
Cash and cash equivalents	(9,916)	(9,754)	(162)
Net Financial Position (*)	51,594	50,932	662

(*) The Net financial position is determined according to the indications of Consob (Italian SEC) communication DEM/6064293 of July 28, 2006.

The Group at December 31, 2015 showed a net financial position of Euro 51,594 thousands, substantially stable if compared to March 31, 2015 (Euro 50,932 thousands). The cash flows generated from the non-recurring transactions above described and the additional contributions from the banking system have supported the operational management and the investment initiatives of the Group. Compared to March 31, 2015 the Group proceeded to a further rebalancing of external sources, with the reduction of those with short-term maturities (overall they amount to Euro 49.5 million).

It has to be noted that at December 31, 2015 the net financial position includes Euro 11,176 thousands of payables towards related parties both for real estate operations booked as sale and lease-back (this debt amounted to Euro 5,926 thousands) and for a non-convertible and reserved bond signed in September 2013 by major shareholders, Guido, Giorgio and Silvia Grassi Damiani, for an amount of Euro 5,250 thousands (including the accrued interest up to December 31, 2015 that will be paid at the time of the repayment of the principal in September 2019).

Key data by geographical areas

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. which operates as manufacturing firm;
- 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 and which primarily distribute the Group's products in their local markets.

The reorganization of the 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 profitability. To maintain comparability between periods in the information by geographic region data taken from internal management systems of the Group are also considered, in order to allocate properly revenues and operating costs on the relevant areas.

In the following table are shown revenues by geographical sectors in the first nine months period ended December 31, 2015 and in the same period of the previous financial year.

Damiani Group
Consolidated Interim Financial Report at December 31 2015

Revenues by Geographical Area (in thousands of Euro)	Nine months Financial Year 2015/2016		Nine months Financial Year 2014/2015		change %
		% of total		% of total	
Italy	88,491	73.1%	82,006	71.0%	7.9%
- revenues from sales and services	88,470		81,987		
- other revenues	21		19		
Foreign countries	32,550	26.9%	33,460	29.0%	-2.7%
- revenues from sales and services	32,541		33,456		
- other revenues	9		4		
Total revenues	121,041	100.0%	115,466	100.0%	4.8%

Revenues by geographic area showed the following trends:

- Revenues in **Italy** grew by 7.9% compared with the same period of the previous year, benefiting from the increase in sales in the retail channel.
- The **Foreign countries** sector recorded a reduction by 2.7% at current exchange rates (-7.7% at constant exchange rates), with growth in Japan, the second largest market after the Italian one, offset by lower sales in the markets of the former Soviet Union because of the drop in consumption due to the economic and political crisis of this area.

The following table shows the EBITDA breakdown by geographical areas in the first half of the financial year 2015/2016 and in the same period of the prior financial year.

EBITDA by Geographical Area * (in thousands of Euro)	Nine months Financial Year 2015/2016		Nine months Financial Year 2014/2015		change %
		on total		on total	
Italy	10,080	50.6%	6,809	131.4%	48.0%
Foreign countries	9,847	49.4%	(1,628)	-31.4%	n.m.
Consolidated EBITDA	19,928	100%	5,181	100%	n.m.
<i>% on Revenues</i>	<i>16.5%</i>		<i>4.5%</i>		

(*) 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 **Italy** the increase in sales revenues resulted in the improvement of the EBITDA.

The strong increase in operating performance in the **Foreign countries** was mainly due to the non-recurring income previously described.

Transactions with Related parties

The operations carried out by the Damiani Group with related parties are mainly of real estate nature (leases of shops and offices) and financial (bond signed by the Executive directors and shareholders, Damiani brothers).

Data concerning dealings of the Group with related parties in the nine months period ended December 31, 2015 and in the same period of the prior financial year are displayed hereunder.

(in thousands of Euro)	First nine months 2015/2016		Balance at December 31, 2015		
	Net operating costs	Financial expenses	Other current assets	Financial debt (including leasing)	Trade payables
Total with related parties	(831)	(717)	632	(11,176)	(1,420)
Total from financial statements	(107,430)	(2,135)	8,483	(61,510)	(49,176)
%age weight	1%	34%	7%	18%	3%

Damiani Group
Consolidated Interim Financial Report at December 31 2015

<i>(in thousands of Euro)</i>	First nine months 2014/2015		Balance at December 31, 2014			
	Net operating costs	Financial expenses	Other current assets	Financial debt (including leasing)	Other current liabilities	Trade payables
Total with related parties	(781)	(748)	629	(12,244)	(344)	(1,597)
Total from financial statements	(113,612)	(2,344)	6,580	(58,417)	(4,723)	(53,411)
%age weight	1%	32%	10%	21%	7%	3%

Non-recurring, atypical and/or unusual operations

In the nine months period there were no positions or transactions deriving from atypical and/or unusual transactions as defined by Consob Resolution n.15519 of July 27, 2006.

In the first nine months of the financial year 2015/2016 it should be noted as non-recurring operation:

- On May 7, 2015 the lease on a boutique of the Group has been sold to third parties. The boutique, that was not profitable for the Group, went out of business in early June 2015. The income for the Group, net of the related costs and taxes, resulting from the transaction was approximately Euro 12 million, and it has been recognized in the income statement.

Significant events of the quarter

On October 6, 2015 the amount of Euro 633 thousands was granted, equal to 90% of the contribution provided for by Decree of the Italian Ministry of Economic Development on March 5, 2014. This disbursement relates to the benefits granted to the manufacturing company of the Group, Laboratorio Damiani s.r.l., for the research and development of automated solutions for the processing of gold, made in previous years. The facilities consist of: i) a subsidized loan of Euro 1,056 thousands, with an annual rate of return of 0.5% (90% of the loan was paid in July 2015); ii) a contribution to the expense of Euro 704 thousands.

On October 12 at the "Casa dell'Aviatore" in Rome an agreement between Damiani and the "Aeronautica militare" (Italian Air Force) was signed, to promote the sport with particular reference to the equestrian activities, through joint efforts to enhance the image of the Air Force in Italy and abroad.

On November 11 the first Damiani boutique in Mexico City was inaugurated. It's into Palacio de Hierro, the most important and largest department store of luxury located in the residential neighborhood of Polanco in the Mexican metropolis.

In November the Group launched the direct management of a second Damiani boutique in Honolulu, in the prestigious context of Halekulani hotel, located in the Waikiki neighborhood, one of the most attractive tourist site in Hawaii.

In November the Group launched the direct management of the Damiani boutique in Moscow.

In early December, a multi-brand Rocca 1794 store was inaugurated at the international airport of Orio al Serio, the third airport of the city of Milan on which the main routes for low-cost fly between North Italy and foreign countries are concentrated.

For the first edition of the Gazzetta Sports Awards on December 16, 2015, Damiani has created the rings which were awarded to the top eight Italian athletes who excelled worldwide in 2015 in their respective disciplines. The award ceremony was held at the Metropol theatre in Milan and at the ceremony the celebrities from the world of sport and entertainment wore the Damiani jewelries.

On December 4, 2015 Damiani has signed an exclusive license agreement for the Alfieri & St. John brand with the company Gens Aurea S.p.A. (controlled by the private equity fund Progressio) that, as a licensee, has acquired the right for a period of five years to produce and sell products with the licensed brand. For the duration of the agreement Damiani will receive a royalty on net sales made by the licensee. The agreement also includes an option to purchase the brand in favor of the licensee at the end of five years or a right of sale in favor of the licensor, under the terms and conditions stipulated in the license agreement. This agreement is part of the strategy for streamlining the Damiani brand's portfolio and became operational in the month of January 2016.

Significant events after the end of the quarter

On January 29, 2016 Damiani International SA purchased a minority share in Venini S.p.A., historic and noble Murano glass factory that since 1921 is synonymous of Made in Italy in the glass art works.

Business outlook

In the third quarter continued the positive trend of growth in revenues and operating profitability. At the same time, the Group continued to develop its strategy of expansion in the retail segment.

In the latter part of the financial year 2015/2016, the Group will therefore continue on this path now consolidated, aware of the positive effects that generate on its overall economic performance and by putting the usual attention to the related financial impacts.

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

Milan, February 12 2016

For the Board of Directors
Vice President & CEO
Giorgio Grassi Damiani

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2015 and at March 31, 2015.

<i>(in thousands of Euro)</i>	December 31, 2015	March 31, 2015
NON-CURRENT ASSETS		
Goodwill	4,723	4,723
Other Intangible Assets	1,013	4,324
Property, plant and equipment	16,817	16,048
Investments	113	167
Financial receivables and other non current assets	3,877	4,658
Deferred tax assets	15,523	16,293
TOTAL NON CURRENT ASSETS	42,066	46,213
CURRENT ASSETS		
Inventories	103,382	92,598
Trade receivables	36,453	34,198
<i>of which towards related parties</i>	-	4
Tax receivables	576	845
Other current assets	8,483	8,656
<i>of which towards related parties</i>	632	608
Cash and cash equivalents	9,916	9,754
TOTAL CURRENT ASSETS	158,810	146,051
TOTAL ASSETS	200,876	192,264
GROUP SHAREHOLDERS' EQUITY		
Share Capital	36,344	36,344
Reserves	24,680	28,851
Group net income (loss) for the period	6,509	(3,454)
TOTAL GROUP SHAREHOLDERS' EQUITY	67,533	61,741
NON CONTROLLING INTEREST		
Non controlling interest share capital and reserves	1,393	2,570
Non controlling interest net income (loss) for the period	(264)	(145)
TOTAL NON CONTROLLING INTEREST	1,129	2,425
TOTAL SHAREHOLDERS' EQUITY	68,662	64,166
NON CURRENT LIABILITIES		
Non current portion of long term financial liabilities	28,697	21,941
<i>of which towards related parties</i>	10,143	10,893
Employees' Termination Indemnities	4,182	5,013
Deferred tax liabilities	1,081	1,133
Provision for risks and charges	1,340	764
Other non current liabilities	384	503
TOTAL NON CURRENT LIABILITIES	35,684	29,354
CURRENT LIABILITIES		
Current portion of long term financial liabilities	5,018	3,736
<i>of which towards related parties</i>	1,033	1,031
Trade payables	49,176	51,811
<i>of which towards related parties</i>	1,420	1,658
Short term borrowings	27,795	35,009
Tax payables	8,319	2,384
Other current liabilities	6,222	5,804
<i>of which towards related parties</i>	-	69
TOTAL CURRENT LIABILITIES	96,530	98,744
TOTAL LIABILITIES	132,214	128,098
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	200,876	192,264

CONSOLIDATED INCOME STATEMENT

For the nine months period ended December 31, 2015 and December 31, 2014.

<i>(in thousands of Euro)</i>	Nine Months	
	Financial Year 2015/2016	Financial Year 2014/2015
Revenues from sales and services	121,011	115,443
Other revenues	30	23
TOTAL REVENUES	121,041	115,466
Cost of raw materials and consumables	(62,885)	(63,437)
Cost of services	(36,832)	(30,606)
<i>of which towards related parties</i>	<i>(831)</i>	<i>(781)</i>
<i>of which cost of services not recurring</i>	<i>(250)</i>	-
Personnel cost	(19,894)	(18,580)
Other net operating (charges) incomes	18,498	2,338
<i>of which not recurring</i>	<i>19,000</i>	<i>1,891</i>
Amortization, depreciation and write downs	(6,317)	(3,327)
<i>of which not recurring</i>	<i>(2,610)</i>	<i>(498)</i>
TOTAL OPERATING EXPENSES	(107,430)	(113,612)
OPERATING INCOME (LOSS)	13,611	1,854
Financial Expenses	(2,135)	(2,344)
<i>of which towards related parties</i>	<i>(717)</i>	<i>(748)</i>
Financial Incomes	379	99
INCOME (LOSS) BEFORE INCOME TAXES	11,855	(391)
Income Taxes	(5,610)	(1,143)
NET INCOME (LOSS) FOR THE PERIOD	6,245	(1,534)
Attributable to:		
Equity holders of the parent	6,509	(1,366)
Non controlling interests	(264)	(168)
Basic Earning (Losses) per Share(*)	0.08	(0.02)
Diluted Earning (Losses) per Share(*)	0.08	(0.02)

(*) The earnings (losses) per share are calculated by dividing the net result for the period belonging to the ordinary shareholders of the Issuer Damiani S.p.A. by the weighted average number of the shares in circulation during the period.

Basic Earnings (Losses) per Share	Nine Months	Nine Months
	Financial Year 2015/2016	Financial Year 2014/2015
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	77,433,967	77,491,731
Basic Earnings(Losses) per Share (in Euro)	0.08	(0.02)

Diluted Earnings (Losses) per Share	Nine Months	Nine Months
	Financial Year 2015/2016	Financial Year 2014/2015
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Diluted effect from Stock option plan	-	-
Weighted average number of ordinary shares for computation of diluted earnings per share	77,433,967	77,491,731
Diluted Earnings(Losses) per Share (in Euro)	0.08	(0.02)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the nine months period ended December 31, 2015 and December 31, 2014.

<i>(in thousands of Euro)</i>	Nine Months Financial year 2015/2016	Nine Months Financial year 2014/2015
Net income (Loss) for the period	6,245	(1,534)
<i>Other gains (losses) that will be reclassified to net income for the period:</i>		
Gain (Losses) on exchange differences on translating foreign operations	(1,978)	947
Fiscal Effect	(33)	(325)
<i>Other gains (losses) that will not be reclassified to net income for the period:</i>		
Gain (Losses)	224	(277)
Fiscal Effect	(70)	81
Total Comprehensive Income (loss) for the period	4,388	(1,108)
Equity holders of the parent	5,684	(960)
Non controlling interests	(1,296)	(148)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months period ended December 31, 2015 and December 31, 2014.

<i>(in thousands of Euro)</i>	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)							602	(196)	(1,366)	(960)	(148)	(1,108)
Stock option					160					160		160
Balances at December 31, 2014	36,344	65,756	2,434	8,618	737	(8,134)	(40,697)	(551)	(1,366)	63,141	2,306	65,447

<i>(in thousands of Euro)</i>	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, 2015	36,344	65,756	2,434	8,618	791	(8,134)	(40,078)	(535)	(3,454)	61,741	2,425	64,166
Allocation of the result for the period							(3,454)		3,454			
Other comprehensive income(loss)							(974)	149	6,509	5,684	(1,296)	4,388
Stock option					108					108		108
Balances at December 31, 2015	36,344	65,756	2,434	8,618	899	(8,134)	(44,506)	(386)	6,509	67,533	1,129	68,662

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months period ended December 31, 2015 and December 31, 2014.

<i>(in thousand of Euro)</i>	Nne Months	
	Financial Year 2015/2016	Financial Year 2014/2015
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	6,245	(1,534)
<i>Adjustments to reconcile the income (loss) for the period to the cash flow generated (absorbed) by operations:</i>		
Amortization, depreciation and write downs	6,371	3,327
Costs/(revenues) for stock option	108	160
(Gains)/Losses from sale of non current assets	22	5
Accrual (releases) of allowance for doubtful accounts	216	657
Accrual (releases) of provision for risks and charges	785	150
Changes in the fair value of financial instruments	(81)	(352)
Accrual to employees' termination indemnity	(208)	363
Employees' termination indemnity payments	(623)	(143)
Changes in the deferred tax assets and liabilities	718	850
	13,553	3,483
<i>Changes on operating assets and liabilities</i>		
Trade receivables	(2,471)	(7,161)
Inventories	(10,784)	(9,566)
Trade payables	(2,635)	4,228
Tax receivables	269	13
Tax payables	5,935	738
Provisions for risks and charges	(209)	(121)
Other current assets and current and non current liabilities	553	(322)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	4,211	(8,708)
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposal of intangible assets and property, plant and equipment	296	104
Purchase of property, plant and equipment	(3,688)	(865)
Purchase of intangible assets	(557)	(91)
Net change in the other non current assets	781	101
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	(3,168)	(751)
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of long term loans	(1,063)	(4,417)
Issuance of long-term debt	9,101	903
Net change in short-term financial liabilities	(7,214)	10,697
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	824	7,183
TOTAL CASH FLOW (D=A+B+C)	1,867	(2,275)
Effect of exchange rates on cash and cash equivalents (E)	(1,705)	46
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR (F)	9,754	10,464
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (G=D+E+F)	9,916	8,235

Declaration under article 154bis, paragraph 2, of T.U.F.

The Executive in charge of preparing the Company's financial reports declares, in compliance with paragraph 2 of article 154 bis of the Italian law "Testo Unico della Finanza" (T.U.F.) that on the basis of his knowledge the accounting information contained in the Consolidated Interim Financial Report as of December 31, 2015 corresponds to the documental results, books and accounting records.

The Executive in charge of drawing up the accounting documents
Mr. Gilberto Frola