

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 2016

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).

We inform you that, during the financial year 2014/2015, following the resignation of the Active Statutory Auditor Milena Motta (appointed by the Shareholder's meeting on July 26th 2013 between the candidates on the list presented by the majority Shareholder Leading Jewels SA), Paola Mignani, also Substitute Auditor of the Company (appointed by the Shareholder's meeting on July 26th 2013 among the candidates on the list presented by the majority), took over the position of Active Statutory Auditors until the Shareholder's meeting of July 23th 2015 that, among other things, appointed as Statutory Auditor Laura Braga; consequently Paola Mignani turned back to be Substitute Auditor.

Please note that with the financial statements as of March 31st 2016 the entire Board of Statutory Auditors will expire.

The Shareholder meeting is therefore called to proceed with the appointment of the Board of Statutory Auditors, since the previous has expired after the regular three-years term.

We inform you that with the approval of Financial Statements at March 31st 2016, also the mandate to the legal Auditor Reconta Ernst & Young S.p.A. will expire.

In the financial year closed at 31st March 2016, 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 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;
- during the year was made the transfer to third parties of two lease contracts for properties in which the Group operated direct sales business that generated a profit as “*buonuscita*”, net of directly related costs and the tax impact, booked in the income statement, significantly;
- the Directors, also based on indications provided by Consob in its communication n. 3907 of 19th January 2015, have adequately described in the explanatory notes to the financial statements the main assumptions used in the impairment test in which they must be submitted some of the assets of the financial statements together with the analysis of breakthrough sensitivity;
- 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) and successively modified (“*Regolamento OPC*”) concerning the procedure on transactions with related parties approved by the Board of Directors of Damiani S.p.A. as per articles 4 paragraph 1 of above mentioned regulation;

- 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 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 find 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 27 June 2016, which shows that, based on the work performed, no “fundamental issue” or “material shortcomings in the system of internal controls concerning the financial disclosure process” were identified even related to controlled subsidiaries outside the European Union;
- we have monitored the effectiveness of the auditing process, reviewing the audit plan and discussing the work performed;
- the Independent Auditors issued on 27 June 2016 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; 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 the Statutory Auditor issues our opinions required by the art. 13 D.lgs 39/2010 to appointment the Independent Auditors and issued our opinions as provided for by Law;
- during the course of financial year we have attended 8 meetings of the Board of Directors. In the same period the Board of Statutory Auditors met 10 times, 6 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 2015 - March 31st 2016 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. During the year the Model was approved in the version updated by the Board of Directors to reflect the introduction of new offenses. The Supervisory Body reported on its activities without evidence any facts 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 2016 and we propose to the Shareholders' Meeting to approve the financial statement of Damiani S.p.A. and the report on operations as presented by the Board of Directors and we agree to their proposal relating the cover of the loss of the year.

Milan, 27 June 2016

The Board of Statutory Auditors

Gianluca Bolelli - Chairman

Simone Cavalli - Active Statutory Auditor

Laura Braga - Active Statutory Auditor