DAMIANI S.p.A.

Consolidated Interim Financial Report as of September 30 2013

Damiani S.p.A.
Valenza (AL), Piazza Damiano Grassi Damiani n. 1
Share Capital Euro 36,344,000
Vat number and Tax code 01457570065

November 29, 2013

INDEX

CORPORATE BODIES

Board of Directors

Guido Grassi Damiani (President & CEO)
Giorgio Grassi Damiani (Vice President)
Silvia Grassi Damiani (Vice President)
Roberta Benaglia (Director)
Stefano Graidi (Director)
Giancarlo Malerba (Director)
Fabrizio Redaelli (Director)
Francesco Minoli (Director) [1]

Board of Statutory Auditors [2]

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

Independent Auditors

Ernst & Young S.p.A.

Audit and Risk Committee

Fabrizio Redaelli (President)
Roberta Benaglia
Giancarlo Malerba

Remuneration Committee

Fabrizio Redaelli (President)
Roberta Benaglia
Giancarlo Malerba

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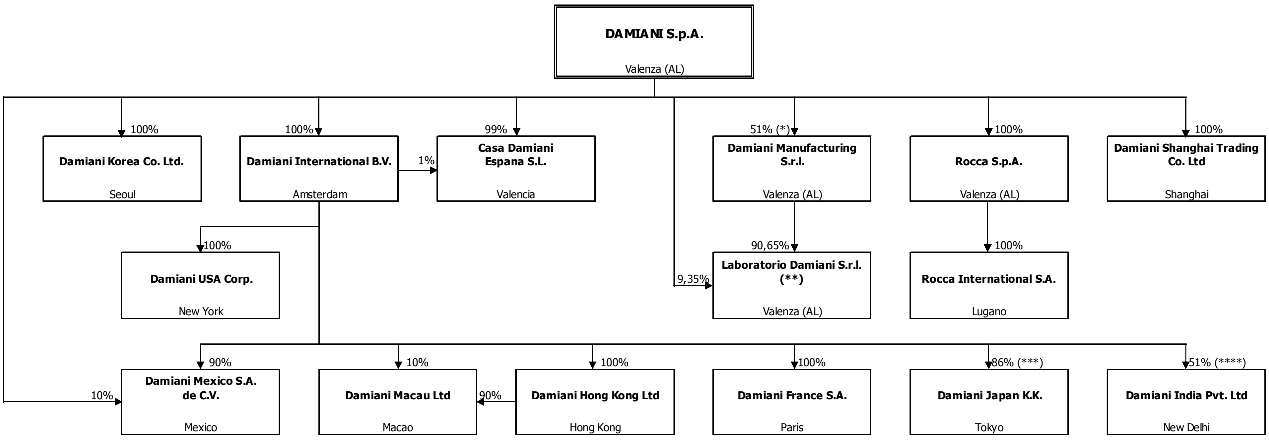
[1] *The Director has resigned with effect from July 26, 2013 date of the Shareholders' Meeting that approved the Financial statements for the year ended March 31, 2013.*
[2] *The new Board of Statutory Auditors has been appointed by the Shareholders' Meeting of July 26, 2013.*

REPORT ON OPERATIONS [(3)]

Structure and business activities of the Damiani Group



(*) 49% is held by Christian and Simone Rizzetto, both currently Damiani Manufacturing S.r.l. directors
(**) Overall Damiani S.p.A. holds 55.58% of the share capital of Laboratorio Damiani S.r.l..
(***) Since January 2012 14% of Damiani Japan is held by Itochu Corporation
(****) The share of 51% is held since April 15, 2013; the remaining 49% is held by the Mehta family, Indian partner of the JV

Damiani S.p.A. (hereinafter referred to as the "Company"), besides carrying out productive and commercial activities directly, also acts for strategic direction and coordination of the Group and technical, financial and administrative assistance both in the production and in the commercial operations carried out by its subsidiaries, directly and indirectly controlled.
Starting from November 2007 Damiani S.p.A. has listed on the electronic stock market of the Italian Stock Exchange, STAR segment.
The condensed consolidated financial statement as of September 30, 2013 include the financial statements of the parent company Damiani S.p.A. and of those companies directly or indirectly controlled, as per article 2359 of the Italian Civil Code.
In the consolidated financial statements intercompany transactions have been eliminated.

In the first half of the financial year 2013/2014 the consolidation area of the Group changed as follows:
- on April 15, 2103 resulted in the transfer of 51% of the share capital of Damiani India Private Ltd by the previous Indian owner in Damiani International B.V., a Dutch company 100% owned by Damiani S.p.A.. The transfer of n. 357,000 shares (at a price of 10 Indian Rupees each) resulted in an outflow for the Group in Indian Rupees (INR) of 3.57 million, amounting to approximately Euro 51 thousands. Subsequently Damiani International B.V. subscribed a capital increase, to its share, which resulted in an additional outlay of INR 14,779,800 (approximately Euro 210 thousands). The Indian company currently manages a Damiani flagship store in New Delhi, at the prestigious Oberoi Hotel.

The Damiani Group, which is focused on producing and distributing top quality 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 variously 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 the Group distributes prestigious third party brands, particularly 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-brand jewelers, department stores, franchisees

[3] *The Damiani Group closes its financial year at March 31, and therefore the period from April 1 to September 30 represents the first half of the financial year that will end on March 31, 2014 (hereafter Financial Year 2013/2014). For comparative purposes are shown also the figure related to the prior year period, first half of the Financial Year 2012/2013.*

and distributors;
- the retail channel, consisting of the stores directly managed by the Group. As of September 30, 2013 the Point of Sales ("POS") were 55, with the breakdown shown in the table:

Boutiques and corner	Italy	Rest of the World	Japan	Americas	**Total**
Mono-brand Damiani	9	12	13	4	**38**
Mono-brand Bliss	1	-	-	-	**1**
Multi-brand Rocca	15	1	-	-	**16**
Total	**25**	**13**	**13**	**4**	**55**

Board of Directors of Damiani S.p.A.

The Board of Directors of Damiani S.p.A. currently in office was appointed by the Shareholders' Meeting on July 26, 2012 for the period 2012-2015 and then until the approval of the Financial statements at March 31, 2015.
The new Board of Directors of Damiani S.p.A. met on July 26, 2012 appointed Guido Grassi Damiani as President and CEO, Giorgio and Silvia Grassi Damiani as Vice-Presidents, Stefano Graidi as Director in charge of the system of internal control 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 Remuneration Committee and the Audit and Risk Committee.
On June 14, 2013 the Director Francesco Minoli (non-executive and independent) resigned for personal reasons, effective from the date of the Shareholders' Meeting on July 26, 2013 which approved the Financial statements of Damiani S.p.A. and the Consolidated Financial statements at March 31, 2013. The Board of Directors is therefore currently consists of seven members, as reported on page 3 of this Consolidated Interim Financial Report.
The Board of Directors of Damiani S.p.A. of June 14, 2013 has also ratified the waiver of fees for the financial year 2013/2014 for the Directors Guido Grassi Damiani (President and CEO), Giorgio Grassi Damiani (Vice President) and Silvia Grassi Damiani (Vice President). This waiver, which has already occurred in previous two years, is related to total annual compensation of approximately Euro 1.3 million.

Share buy-back program

The Shareholders' Meeting of July 26, 2013 renewed the authorization, subject to the revocation of the resolution adopted by the Shareholders' Meeting of July 26, 2012 to the extent not used, to 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 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 26, 2015;
- The purchase price of each share, including additional expenses of purchase, must be as a minimum not less than 20% and a maximum not more than 20% of the official price registered by the share in the trading session before each exchange transaction;
- The purchase transactions will be conducted on regulated markets in accordance with local regulations (article 132 of the Legislative Decree n. 58/1998 and article 144bis of Consob Regulation n. 11971/1999) and respecting the principle of equal treatment of shareholders and any other regulations, including Community rules.

As of September 30, 2013 Damiani S.p.A. holds n. 5,556,409 treasury shares, equal to 6.73% of the share capital, and no treasury stocks were purchased or sold during April-September 2013.

Stock option plans

At the date of approval of this Consolidated interim financial report 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. In detail:

- Stock Option Plan 2009 initially approved by the Shareholders' Meeting on July 22, 2009 and implemented by the Board of Directors on September 24, 2009 and relates to the sale of option in one or more tranches within five years from the approval of the Meeting, to the management of the Damiani Group for the purchase of a maximum of n. 3,500,000 Damiani shares. The implementation cycle was subsequently amended by the Board of Directors of Damiani S.p.A. of July 26, 2012 and it is still valid.
- Stock Grant Plan 2009, approved by the Shareholders' Meeting on July 22, 2009 and concerning the free allocation of a maximum of n. 1,000,000 Damiani shares to employees and directors of the Damiani Group, in one or more tranches within five years from the approval of the Meeting; this plan as so far been the subject of two cycles of implementation, both concluded, approved by the Board of Directors respectively on September 10, 2009 and June 10, 2011 (and amended on February 10, 2012).
- Stock Option Plan 2010, approved by the Shareholders' Meeting on July 21, 2010 and concerning the free allocation of options to purchase a maximum of n. 3,500,000 Damiani shares to directors, executives, managers, 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 was the subject of a single cycle of implementation approved by the Board of Directors on April 21, 2011 (amended on February 10, 2012), which is still valid.

For more information please refer to the Remuneration Report, prepared by the Board of Directors of Damiani S.p.A. pursuant to article 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

The general economic and market scenario in the six months period April-September 2013 remained still marked by high volatility and uncertainty, with negative signs in Italy, and therefore the main risks to which the Group is exposed are substantially unchanged from the previous financial year ended March 31, 2013 (reported in the Consolidated financial statements 2012/2013 to which we refer for further details), with regard to estimates and forecasts about future trends in the macro-economic indicators, market trends, commodity prices, exchange and interest rates.
For more details, please refer to note 40. Financial risk management.

Financing Operations

In order to face up effectively the needs of medium-term related to investments required for the development of the Group, mainly in international markets, and the recovery of profitability, have been recently completed two financing operations which also determine the rebalancing, in terms of time, between sources and uses.
The first transaction, completed in the last days of September, is the issuance by Damiani S.p.A. of a non-convertible bond with a nominal value of Euro 5,000 thousands reserved for subscription of executive directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani. The duration of the bond is defined in six years, from October 1, 2013 to September 30, 2019, repayable in a single installment on the due date, and annual compensation at a fixed rate of 5.5%, postpaid in annual installments, the first of which will take place December 31, 2014. Pursuant to article 5 of Consob Regulation n. 17221/2010, which governs transactions with related parties and article 6 of the Procedure for transactions with related parties

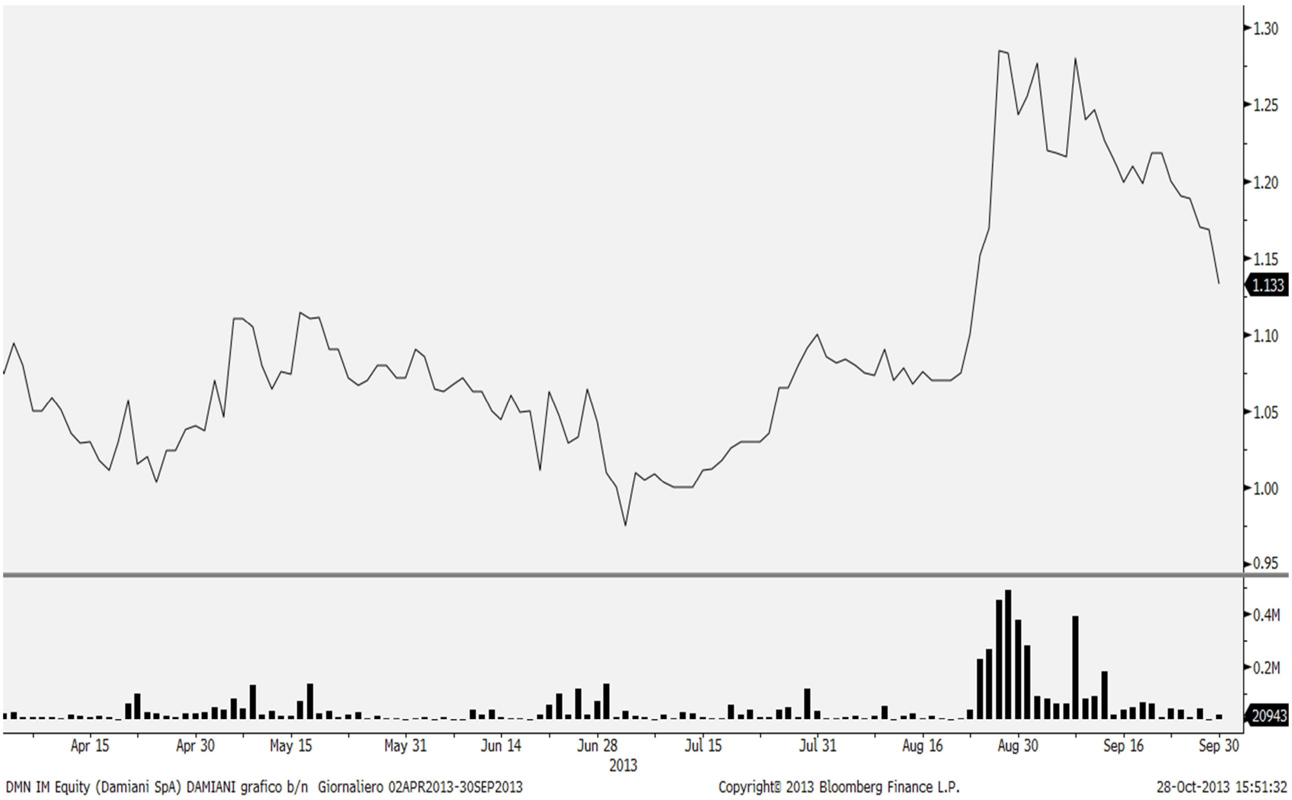
approved by the Board of Directors of Damiani S.p.A. on November 26, 2010 and subsequently updated on February 10, 2012, was prepared the Disclosure Document relating to the bond issue, due to the importance constituted by this operation which has also received a positive opinion by the Audit and Risk Committee on September 20, 2013. The Disclosure Document is available at the registered office and at the website www.damiani.com in the Investor relations section.
The second operation consists of a medium-long term loan underwritten by Damiani S.p.A. with a syndicate of banks on November 6, 2013 for an amount up to a maximum of Euro 11,000 thousands which is intended to support the continued operation of the Damiani Group, mainly by financing industrial investments and the initial stock required for the development of the retail channel. Disbursements are subject to effective implementation of the investment plan of the Group and to comply with financial covenants stated in the contract and verified quarterly by lenders. On the amounts disbursed interest are calculated at the six-month Euribor rate, plus a spread of 6.05% per annum. The repayment of the credit lines 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 undertaking to Equity Commitment, consisting of financial support up to a maximum of Euro 5.000 thousands, in the event of breach of the financial covenants stated in the contract. This commitment of the related parties is part of "ordinary" to "market conditions" transactions, as approved by the Audit and Risk Committee on November 4, 2013.
Therefore, pursuant to article 8.1 letter f) of the current Procedure for transactions with related parties of Damiani S.p.A. and in accordance with article 13, paragraph 3, letter c) of Consob Regulation n. 17221/2010 is not required the publication of the Disclosure Document, but we proceeded to inform Consob on November 13, 2013.

Research & Development

The product offered, together with the reputation and image of the distributed brands, has always been the key to the success of the Group, which has over the years been able to offer our customers innovation in style and design. With these objectives works the internal staff specifically dedicated to the development activities. In the first half of the financial year 2013/2014 the overall cost incurred for product development amounted to Euro 307 thousands, fully charged to the income statement.

Quotation in the Stock Market and performance of the share

The following graph represents the price trend of Damiani share during the first half of the financial year 2013/2014.



The main share and market data for the six-months period closed at September 30, 2013 are reported below.

Damiani in the Stock Market*

Price on April, 2nd 2013 (euro)	1.074
Price on September 30th, 2013 (euro)	1.133
Maximum price (euro)	1.285 (28th August 2013)
Minimum price (euro)	0.975 (3rd July 2013)
Average volumes	48,056
Maximum volumes	490,623 (21st August 2013)
Minimum volumes	10 (10th June 2013)
N° shares Company capital	82,600,000
Market capitalisation at September 30th, 2013 (euro mln)	93.6 mln €

* The table above summarizes the main share data as of September 30th, 2013
Source: Bloomberg (trade price)

Key Data

Share Capital	September 30, 2013	March 31, 2013
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)	58.81%	58.49%
Sparkling Investment S.A. (1)	-	0.32%
Guido Grassi Damiani	5.99%	5.99%
Giorgio Grassi Damiani	6.11%	6.11%
Silvia Grassi Damiani	5.30%	5.30%
Damiani S.p.A. (own shares) (2)	6.73%	6.73%
Market	17.06%	17.06%

Shares held by the subjects indicated by art. 79 Legislative Decree n. 58/98

Individual	Office held	Number of shares
Guido Grassi Damiani (total n. 59,078,736) (3)	Director	4,943,850
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,379,371
Strategic executives		12,000

(1) Companies traceable to Damiani Family

(2) The Shareholders' Meeting of July 26, 2013 approved the authorization, for the part not executed of the resolution of the Shareholders' meeting of July 26, 2012, for the purchase of own shares up to a maximum of n. 16,250,000 ordinary shares of Damiani S.p.A., within a period of 18 months from the date of the Shareholders' resolution. As of September 30, 2013 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. and the treasury shares of Damiani S.p.A.

Main economic data (in thousands of Euro)	**I Half 2013/2014**	**I Half 2012/2013 (restated) ***	**Change**	**Change %**
Revenues from sales and services	**65,033**	**57,692**	7,341	12.7%
Total revenues	65,053	57,790	7,263	12.6%
Cost of production	(68,096)	(60,165)	(7,931)	13.2%
of which incomes not recurring		*1,955*		
EBITDA (**)	**(3,043)**	**(2,375)**	(668)	-28.1%
EBITDA %	***-4.7%***	***-4.1%***		
Depreciation and amortization	(1,579)	(1,487)	(92)	6.2%
Operating income	**(4,622)**	**(3,862)**	(760)	-19.7%
Operating income %	***-7.1%***	***-6.7%***		
Net financial incomes (expenses)	(1,269)	(1,020)	(249)	24.4%
Result before taxes	(5,891)	(4,882)	(1,009)	-20.7%
Net result of the Group	(6,136)	(5,335)	(801)	-15.0%
Basic Earnings (Losses) per Share	(0.08)	(0.07)		
Personnel cost	(12,368)	(13,441)	1,073	-8.0%
Average number of employees (***)	578	571	7	1.2%

(*) Economic data restated for the first half of the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 3 of this document).

(**) EBITDA represents the operating result gross of depreciation and amortization. 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 for six-months period closed at September 30, 2013 and at September 30, 2012.

Balance sheet Data (In thousands of Euro)	Situation at September 30, 2013	Situation at March 31, 2013	change
Fixed Assets	48,626	49,191	(565)
Net working capital	68,735	67,553	1,182
Non current Liabilities	(6,478)	(6,622)	144
Net Capital Invested	**110,883**	**110,122**	**761**
Shareholders' Equity	69,335	77,159	(7,824)
Net Financial Position (*)	41,548	32,963	8,585
Sources of Financing	**110,883**	**110,122**	**761**

(*) Net financial position has been determined on the basis of the indications of Consob communication n. DEM/6064293 of July 28, 2006.

Comments on the main economic and financial results of the Group

The Group's activity, similarly with that of the other players in the sector, is marked by a significant seasonality. Sales of jewelry are mostly concentrated in the quarter October-December (and for the retail channel mainly in December), in relation to the Christmas campaign. Consequently the Damiani Group realizes a minor profitability in the first half (April-September) compared to the second half (October-March). Total revenues for the Damiani Group in the first half ended September 30, 2013 were an increase of 12.6% compared to those recorded in the corresponding period of the previous year, with positive trends in both sales channels: retail +14.7% and wholesale +11.4%. Operating result is negative, down by Euro 760 thousands compared to the first half of the previous financial year, in which however there were non-recurring incomes of Euro 1,955 thousands. Excluding this component would have recorded an improvement in operating result amounted to Euro 1,195 thousands.

The net loss of the Group amounted to Euro 6,136 thousands, a decrease of Euro 801 thousands compared to the first half of the financial year 2012/2013.
The following table shows the income statement of the first half of the financial year 2013/2014, compared to the income statement restated of the same period of the previous financial year, and then are commented the trends of the main economic items.

Profit & Loss (in thousands of Euro)	**I Half 2013/2014**	**I Half 2012/2013 (restated) ***	**Change**	**Change %**
Revenues from sales and services	65,033	57,692	7,341	12.7%
Other revenues	20	98	(78)	-79.6%
Total revenues	**65,053**	**57,790**	7,263	12.6%
Cost of production	(68,096)	(60,165)	(7,931)	13.2%
of which incomes not recurring		*1,955*		
EBITDA **	**(3,043)**	**(2,375)**	(668)	-28.1%
EBITDA %	***-4.7%***	***-4.1%***		
Depreciation and amortization	(1,579)	(1,487)	(92)	6.2%
Operating income	**(4,622)**	**(3,862)**	(760)	-19.7%
Operating income %	***-7.1%***	***-6.7%***		
Net financial incomes (losses)	(1,269)	(1,020)	(249)	24.4%
Result before taxes	**(5,891)**	**(4,882)**	(1,009)	-20.7%
Result before taxes %	***-9.1%***	***-8.4%***		
Taxes	(520)	(759)	239	-31.5%
Net result	**(6,411)**	**(5,641)**	(770)	-13.7%
Net result %	***-9.9%***	***-9.8%***		
Non controlling interests	(275)	(306)	31	10.0%
Net result of the Group	(6,136)	(5,335)	(801)	-15.0%
Net result of the Group %	*-9.4%*	*-9.2%*		

(*) Economic data restated for the first half of the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 3 of this document).
(**) EBITDA represents the operating result gross of depreciation and amortization. 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, that are not influenced by non-recurring transactions and are expressed at current exchange rates, in the first half of the financial year 2013/2014 were Euro 65,033 thousands, with an increase of 12.7% compared to those recorded in the first half of the previous financial year. At constant exchange rates revenues instead would show a growth of 16.1% compared to the same period of the previous financial year; the difference is mainly depended on the depreciation of the yen against the euro.

The following table shows the breakdown of revenues by channels.

Revenues by Sales Channel (In thousands of Euro)	**I Half 2013/2014**	**I Half 2012/2013**	**Change**	**Change %**
Retail	**26,993**	**23,542**	**3,451**	**14.7%**
Percentage on total revenues	*41.5%*	*40.7%*		
Wholesale	**38,040**	**34,150**	**3,890**	**11.4%**
Percentage on total revenues	*58.5%*	*59.1%*		
Total revenues from sales and services	**65,033**	**57,692**	**7,341**	**12.7%**
Percentage on total revenues	*100.0%*	*99.8%*		
Other revenues	**20**	**98**	**(79)**	**-80.1%**
Percentage on total revenues	*0.0%*	*0.2%*		
Total Revenues	**65,053**	**57,790**	**7,262**	**12.6%**

- In the retail channel revenues were Euro 26,993 thousands, an increase by 19.3% at constant exchange rates and by 14.7% at current exchange rates, compared to the first half of the previous financial year. The increase is present on all the components that comprise the retail business: in single-brand Damiani in Italy there was a +9.5%, with an unchanged number of outlets despite the continuing crisis affecting consumption; in the single-brand Damiani active abroad the increase was 14.6%, with a network expansion in the Far East; in the multi-brand Rocca, mainly located in Italy, the growth recorded was of 17.5%. This overall trend confirms the positive trend that has being going on for four years, and the weight of the retail revenues reached 41.5% of total Group's sales, a further increase compared to the first half of the previous financial year.
- In the wholesale channel revenues were Euro 38,040 thousands, +13.8% at constant exchange rates and +11.4% at current exchange rates, with positive signs in both the domestic market, confirming the effectiveness of sales campaigns undertaken in a market that remains complex and uncertain, and in foreign countries in which the Group business continues to penetrate new markets with high potential (mainly in the Far East).

Cost of production

Overall, the net costs of production in the first half of the financial year 2013/2014 were Euro 68,096 thousands, with an increase by Euro 7,931 thousands (+13.2%) compared to the same period of the previous financial year (Euro 60,165 thousands).
In details the trend of the main items in the six-months period closed at September 30, 2013:

- **Costs of raw materials and other materials** (including purchases of finished goods), amounted to Euro 35,691 thousands, an increase of 14.8% compared to the first half of the financial year 2012/2013 (Euro 31,086 thousands). The change was primarily due to sales growth, but the increase more than proportional to the growth in revenues is linked to the sales' mix.
- **Costs for services** were Euro 20,119 thousands, +13.7% compared to the first half of the previous financial year (Euro 17,690 thousands); the change was primarily related to higher advertising and promotion expenses incurred to support the sales and the growing popularity and visibility of the brand Damiani, especially abroad.
- **Personnel cost** was Euro 12,368 thousands with a decrease by 8.0% compared to the same period of the previous financial year (Euro 13,441 thousands). The decrease was mainly due to the benefits from the reorganization carried out last year that have streamlined the management structure of the Group.
- The **Other net operating (charges)/incomes** showed a positive balance of Euro 82 thousands in the first half of the financial year 2013/2014 compared to a positive balance of Euro 2,052 thousands in the first half of the financial year 2012/2013. The balance in the first half of the previous financial year included the compensation for loss of goodwill that the subsidiary New Mood S.p.A. (subsequently merged in the parent company Damiani S.p.A.) received for the issuance of a shop. That compensation, that was a non-recurring income, was equal to Euro 1,955 thousands.

EBITDA

The combined trend of revenues and net costs of production described above results in a negative EBITDA in the six months ended September 30, 2013 equal to Euro 3,043 thousands, a decrease of Euro 668 thousands compared to the negative gross operating result of the same period of the previous financial year (Euro 2,375 thousands). Net of non-recurring income in the first half of the previous year, described above and equal to Euro 1,955 thousands, EBITDA would have improved by Euro 1,287 thousands.

Amortization and depreciation

In the first half closed at September 30, 2013 depreciation and amortization amounted to Euro 1,579 thousands, a limited growth versus the corresponding period of the previous financial year (Euro 1,487 thousands), due to a higher depreciable consistency generated by investments made primarily to support the development of the retail segment (total capital expenditures in the first half amounted to Euro 2,193 thousands).

Operating Result

The operating performance of the Group in the six-months ended September 30, 2013 was negative for Euro 4,622 thousands, a decrease of Euro 760 thousands compared to the loss recorded in the same period of the previous financial year. Net of non-recurring income in the first half of the previous year, described above, the operating result would have improved by Euro 1,195 thousands.

Net financial incomes (expenses)

The balance of financial management in the first half of the financial year 2013/2014 was negative for Euro 1,269 thousands, a decrease of Euro 249 thousands compared to the negative balance of Euro 1,020 thousands in the first half of the financial year 2012/2013. The change is mainly due to increasing losses from foreign exchange transactions in foreign currency (mainly in yen).

Result before taxes

The operations and financials for the period ended September 30, 2013 resulted in a pre-tax loss of Euro 5,891 thousands, compared to a loss of Euro 4,882 thousands in the same period of the previous financial year. Net of non-recurring income in the first half of the previous year, described above, the result before taxes would have improved by Euro 946 thousands.

Current, prepaid and deferred taxes

In the six-months ended September 30, 2013 income taxes had a negative impact of Euro 520 thousands compared to a negative balance of Euro 759 thousands in the first half restated of the financial year 2012/2013.

Net Result

The Net consolidated result of the Group in the first half of the financial year 2013/2014 was negative for Euro 6,136 thousands compared to a negative result for Euro 5,335 thousands in the first half of the financial year 2012/2013.

Balance sheet and financial situation

The following table shows the reclassified consolidated balance sheet of Damiani Group at September 30, 2013, compared to that at March 31, 2013, and then discussed the main changes.

Balance sheet Data (In thousands of Euro)	Situation at September 30, 2013	Situation at March 31, 2013	change
Fixed Assets	48,626	49,191	(565)
Net working capital	68,735	67,553	1,182
Non current Liabilities	(6,478)	(6,622)	144
Net Capital Invested	**110,883**	**110,122**	**761**
Shareholders' Equity	69,335	77,159	(7,824)
Net Financial Position (*)	41,548	32,963	8,585
Sources of Financing	**110,883**	**110,122**	**761**

(*) Net financial position has been determined on the basis of the indications of Consob communication n. DEM/6064293 of July 28, 2006.

Fixed Assets

At September 30, 2013 the fixed assets of the Group were Euro 48,626 thousands, a decrease by Euro 565 thousands compared to March 31, 2013 (Euro 49,191 thousands). The growth in the six-months period for capex (equal to Euro 2,193 thousands) was completely offset by the depreciation and amortization of the period (for Euro 1,579 thousands) and by the reduction in receivables for deposits of foreign locations (for Euro 300 thousands) and deferred tax assets (for Euro 598 thousands).

Net working capital

At September 30, 2013 the net working capital was Euro 68,735 thousands, an increase by Euro 1,182 thousands compared to March 31, 2013: the dynamics of its components is related to the normal seasonal trend of the production/distribution process in which the increase in inventories, for the distribution related to the Christmas campaign, is offset by the contraction in trade receivables that were generated during the prior high season and collected during the six months period April-September.

Non-current liabilities

At September 30, 2013 the non-current liabilities amounted to Euro 6,478 thousands, a slight decrease compared to the previous financial year (equal to Euro 6,622 thousands), with the increase in the employees termination indemnities that was offset by the partial use of the risk reserves booked at March 31, 2013.

Shareholders’ equity

At September 30, 2013 the shareholders’ equity amounted to Euro 69,335 thousands, a decrease by Euro 7,824 thousands compared to March 31, 2013, mainly due to the negative result of the six-months period (equal to Euro 6,411 thousands), to the effects of exchange rate on translation accounted in the other reserves of the shareholders’ equity (equal to Euro 960 thousands) and to the discounted loss detected on defined benefit plans for employees (equal to Euro 515 thousands). In the six-months period have not been purchased any treasury shares.

Net financial position

The following table shows the composition of the net debt at September 30, 2013 and its change from March 31, 2013.

Net financial position (*) (in thousands of Euro)	**Situation at September 30, 2013**	**Situation at March 31, 2013**	**change**
Current portion of loans and financing	4,904	5,500	(596)
Drawndown of credit lines, short term financing and others	25,454	21,493	3,961
Current portion of loans and financing with related parties	1,040	1,042	(2)
Current financial indebtedness	**31,398**	**28,035**	**3,363**
Non current portion of loans and financing	4,984	4,500	484
Non current portion of loans and financing with related parties	12,707	8,263	4,444
Non current financial indebtedness	**17,691**	**12,763**	**4,928**
Total gross financial indebtedness	**49,089**	**40,798**	**8,291**
Financial current assets	-	(147)	147
Cash and cash equivalents	(7,541)	(7,688)	147
Net financial position (*)	**41,548**	**32,963**	**8,585**

(*) Net financial position has been determined on the basis of the indications of Consob communication n. DEM/6064293 of July 28, 2006.

At September 30, 2013 the Group had a net financial debt of Euro 41,548 thousands, worsening by Euro 8,585 thousands compared to March 31, 2013, as a result of cash flow absorbed by operating and investing activities of the six-months period. As a result of loans granted by the banking system during the period (equal to Euro 2,904 thousands) and by the private bond signed by the majority shareholders (Euro 5,000 thousands) ([4]), the composition of debt between short term sources and medium/long term sources tends towards a better balance than March 31, 2013 and is more closely related to the composition of the investments and to the plan to support in the medium term the development of the Group, mainly abroad. The short-term credit lines, currently less costly for the Group, continue to be underutilized.
Please note that at September 30, 2013 the net financial position includes Euro 8,747 thousands for debts towards related parties for real estate transactions accounted as sale and lease-back operations (at March 31, 2013 such debt amounted to Euro 9,305 thousands).

Key data by geographical areas

Damiani Group operates in a single operating segment in which there aren't any significant differences that could be considered as a basis for constituting separate business units. Therefore, the geographical dimension, featuring by the segments described afterwards, is subject of periodic observation and revision by the Directors as well as within the operational responsibilities of Group management. In accordance with this operating model, the segment information is provided, in compliance with the IFRS 8. The segments include:

i) The Italy segment includes revenues and operating costs of the parent company Damiani S.p.A. and its direct subsidiaries that operate in Italy;
ii) The Americas segment includes revenues and operating costs of the subsidiary Damiani USA Corp. based in New York and that distributes the Group products in the whole continent and the Mexican subsidiary Damiani Mexico S.A. de CV;
iii) The Japan segment includes revenues and operating costs of the subsidiary Damiani Japan K.K. that operates in Japan;
iv) The Rest of the World segment includes revenues and operating costs of the other subsidiaries that operate and sell in all those other countries which are not included in the geographical areas listed above.

As a result of the reorganization of the Damiani Group implemented during the previous financial year 2012/2013 which resulted in a reallocation of operational activities within the Italian and foreign subsidiaries, to maintain comparability between periods in the segment information by geographical sectors are also used

[4] *For details please refer to the following explanatory notes 19. Financial liabilities: current and non-current portion and 40. Capital management.*

data taken from internal management systems of the Group, in order to properly allocate revenues and operating costs on the relevant geographical areas.

In the following table are shown revenues by geographical sectors in the six-months period ended September 30, 2013 and in the same period of the prior financial year.

Revenues by Geographical Area (In thousands of Euro)	**I Half 2013/2014**	% of total	**I Half 2012/2013**	% of total	change %
Italy	**42,284**	65.0%	**39,110**	67.7%	8.1%
- revenues from sales and services	42,271		39,031		
- other revenues	13		79		
Rest of the World	**15,287**	23.5%	**10,789**	18.7%	41.7%
- revenues from sales and services	15,283		10,775		
- other revenues	4		14		
Japan	**5,613**	8.6%	**5,571**	9.6%	0.8%
- revenues from sales and services	5,610		5,566		
- other revenues	3		5		
Americas	**1,869**	2.9%	**2,320**	4.0%	-19.4%
- revenues from sales and services	1,869		2,320		
- other revenues	-		-		
Total revenues	**65,053**	**100%**	**57,790**	**100%**	12.6%

Revenues by geographic area showed the following trends:

- The increase in revenues in **Italy** (+8.1% compared to the first half of the financial year 2012/2013) is attributable to the continuation of the growth trend in retail and the good performance of the wholesale segment, in a context of market which is still uncertain.
- The **Rest of the World** increased by +41.7% at current exchange rates (+43.6% at constant exchange rates) driven by the good performance of the Damiani brand on both the wholesale channel, with the newly opened markets in the Far East, and retail, with the number of DOS in expansion.
- In **Japan** sales were stable at current exchange rates (+0.8%), as penalized by the change related to the depreciation of the yen (an increase of 30.6% at constant exchange rates). In local currency recorded a good performance in both wholesale and retail, which continues the expansion of the corner at prestigious Japanese department stores.
- In the **Americas** sales are down by 19.4% (-16.4% at constant exchange rates) with the most marked reduction recorded on the wholesale channel.

Overall, the weight of foreign revenues reached 35% of the total in the first half of the financial year 2013/2014 (it was about 32% in the first half of the previous financial year).

The following table shows the EBITDA breakdown by geographical areas in the first half of the financial year 2013/2014 and in the same period of the prior financial year.

EBITDA by Geographical Area * (in thousands of Euro)	**I Half 2013/2014**	% on total	**I Half 2012/2013 (restated)****	% on total	change %
Italy	**(1,027)**	33.7%	**(922)**	38.8%	-11.4%
Rest of the World	**206**	-6.8%	**906**	-38.2%	77.3%
Japan	**(878)**	28.9%	**(1,571)**	66.1%	44.1%
Americas	**(1,344)**	44.2%	**(789)**	33.2%	-70.4%
Consolidated EBITDA	**(3,043)**	100.0%	**(2,375)**	100.0%	-28.1%
% on Revenues	*-4.7%*		*-4.1%*		

(*) EBITDA represents the operating result gross of depreciation and amortization. EBITDA thus defined is used by the Group's management to monitor and evaluate the Group's operational performance and is not an IFRS accounting measure, therefore it must not be considered as an alternative measure for evaluating Group's results. Since EBITDA is not regulated by the accounting standards adopted, the criteria used by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.
(**) Economic data restated for the first half of the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 3 of this document).

In terms of EBITDA, the **Italy** segment recorded a negative gross operating result in the first half of the financial year 2013/2014. The result of the first half of the previous financial year benefited from the non-recurring income described above, equal to Euro 1,955 thousands. Therefore excluding this non-recurring item, the change of EBITDA in the segment was positive for Euro 1,850 thousands.
In the **Rest of the World** the growth of revenues was not yet generating an improvement in EBITDA due to the rising costs collected to support the development and expansion of the Group.
The improvement of EBITDA in **Japan** also benefited from the effects of the changes that to the contrary have affected revenues.
In the **Americas** the reduction in revenues is also reflected in a decline in gross operating result, given a cost structure substantially stable.

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).
Data concerning dealings of the Group with related parties in the six-months period ended September 30, 2013 and in the same period of the prior financial year are displayed hereunder (further details at note 35. Related parties transactions).

(in thousands of Euro)	I Half 2013/2014		Balance at September 30, 2013			
	Net operating costs	Financial expenses	Other current assets	Trade receivables	Financial debt (including leasing)	Trade payables
Total with related parties	(504)	(412)	733	15	(13,748)	(4,723)
Total from financial statements	(69,675)	(1,610)	11,832	22,192	(49,089)	(51,155)
%age weight	1%	26%	6%	0%	28%	9%

(in thousands of Euro)	I Half 2012/2013		Balance at September 30, 2012			
	Net operating costs	Financial expenses	Other current assets	Altre passività correnti	Financial debt (including leasing)	Trade payables
Total with related parties	953	(478)	1,432	1,955	(9,793)	(914)
Total from financial statements	(61,652)	(1,173)	12,404	1,955	(39,941)	(47,780)
%age weight	-2%	41%	12%	100%	25%	2%

Non-recurring, atypical and/or unusual operations

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

Significant events of the first half period

After having obtained the authorization by the Indian competent body in November 2012, on April 15, 2013 resulted in the transfer of 51% of the share capital of Damiani India Pvt. Ltd. from the former Indian owner to Damiani International B.V., a subsidiary 100% owned by Damiani S.p.A. The Indian company currently operates a flagship store Damiani in New Delhi, at the prestigious Oberoi Hotel.
From 14 to 20 April 2013 Damiani Group has organized, with the prestigious collaboration of the diva Sophia Loren, four important events in Singapore, Beijing, Shanghai and Hong Kong to promote the Damiani brand and its prestigious collections, excellence of Made in Italy, in Asia, meeting with clients, local media and personalities and getting general appreciation.
In May 2013 Damiani won the Andrea Palladio Jewellery Award for best communication campaign 2012/2013, sponsored by the Vicenza Fair and dedicated to excellence in design, production and communication in jewelry.
Also in May has been opened in Turin, in the central Via Roma, a new store with the signboard Rocca Tr3nd, the new young retail concept that savor the luxury (jewelry and watches) in an accessible way. After the recent openings within the Coin department stores in Milan and Rome, Turin is the third store in Italy, and the first on the road, with the signboard Rocca Tr3nd.
As part of the development plan abroad, the Group in the first half continued its expansion by opening new stores under the brand Damiani, both directly operated and franchising. In detail:
- in May the first DOS in Beijing, at Beijing Charter, the new mall dedicated to luxury located in the west of Chinese metropolis;
- in July a new point of sale at the Moscow airport Vnukovo;
- in September in China at Shenyang a new DOS at Charter Store, the luxury most prestigious mall in the city located in the north-east of the country;
- in September in Malaysia in Kuala Lumpur in the famous Starhill Gallery frequented by the luxury consumers;
- September also saw the inauguration of the new directly operated boutique in Macau, at the Venetian hotel's shopping mall, with the presence of an icon of Made in Italy as Sophia Loren.

Significant events after the end of the first half period

Also in October the Damiani Group's presence abroad is further increased with the opening of the first Damiani store in franchising in Kyrgyzstan, a booming former Soviet republic in Central Asia. Also in the month of October was inaugurated the second DOS in Shanghai, at Xin Tian Di, trendy and elegant pedestrian area for shopping and leisure in the Chinese megalopolis.
On November 20, 2013 has been organized the event for the reopening of the Damiani boutique in Rome, in via Condotti, completely renovated in 400 square meters on three floors, with the new concept presented in via Montenapoleone in Milan last year. Sophia Loren was the guest of honor, which has been a great success among the press and selected guess attending. The Rome event also marks the beginning of the celebrations for the 90th anniversary of the company, which we celebrate in 2014 and will continue in other key cities for the Group (Paris, London and Shanghai).

Business outlook

In the period from April to September 2013 the world economic growth has been weak, braking problems that characterize the Eurozone and slowdown in some emerging countries (Russia, India and China itself), resulting macroeconomic estimates for 2013 to fall. The personal luxury goods sector, in which the Damiani Group operates, still expected to grow at a rapid pace (+6% at constant exchange rates, according to the latest estimates) although at a slower pace than last year, with further increase in retail and some countries to drive the growth (Russia, Japan, the U.S. and the same Greater China). The Group is moving on the same lines. The revenue performance in the first half, which records the growth of retail and abroad, is consistent with expectations and confirms the correctness of the strategic initiatives launched with the aim of balancing the geographical weight of the distribution, with the traditional domestic market that, while maintaining its significant value, is intended to reduce the weight percentage.
At the same time the interventions made on the configuration of the operating costs, with the aim of making it more flexible in some parts, is starting to show its benefits.
Finally, interventions on the composition of the financial sources recently established have led to a better with the structure of capital invested and provided the necessary resources to support the Group in its expansion plans in the medium term.
The combination of all these economic and financial factors and the best positioning of the Group in its target market, leads the managers to believe that, in the absence of negative events not foreseeable today, in the second half of the financial year 2013/2014 it should ensure a further increase in sales volumes and a recovery in profitability at the operating level.

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, November 29 2013

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

DAMIANI S.p.A.

Interim condensed consolidated financial statements as of September 30, 2013

Index

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2013 and at March 31, 2013

(in thousands of Euro)	Note	September 30, 2013	March 31, 2013 (restated)*
NON-CURRENT ASSETS			
Goodwill	7	4,984	4,984
Other Intangible Assets	8	4,351	4,930
Property, plant and equipment	9	17,819	16,907
Investments	10	167	167
Financial receivables and other non current assets	11	4,049	4,349
Deferred tax assets	12	17,256	17,854
TOTAL NON CURRENT ASSETS		**48,626**	**49,191**
CURRENT ASSETS			
Inventories	13	92,412	83,434
Trade receivables	14	22,192	25,126
of which towards related parties		*15*	-
Tax receivables	15	1,026	1,373
Other current assets	16	11,832	10,799
of which towards related parties		*733*	*788*
Current financial receivables		-	147
Cash and cash equivalents	17	7,541	7,688
TOTAL CURRENT ASSETS		**135,003**	**128,567**
TOTAL ASSETS		**183,629**	**177,758**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		36,846	46,623
Group net income (loss) for the period		(6,136)	(8,390)
TOTAL GROUP SHAREHOLDERS' EQUITY		**67,054**	**74,577**
NON CONTROLLING INTEREST			
Non controlling interest share capital and reserves		2,556	2,781
Non controlling interest net income (loss) for the period		(275)	(199)
TOTAL NON CONTROLLING INTEREST		**2,281**	**2,582**
TOTAL SHAREHOLDERS' EQUITY	18	**69,335**	**77,159**
NON CURRENT LIABILITIES			
Non current portion of long term financial debts	19	17,691	12,763
of which towards related parties		*12,707*	*8,263*
Employees' Termination Indemnities	20	4,904	4,208
Deferred Tax liabilities	12	395	547
Provision for risks and charges	21	722	1,296
Other non current liabilities	22	457	571
TOTAL NON CURRENT LIABILITIES		**24,169**	**19,385**
CURRENT LIABILITIES			
Current portion of long term financial debts	19	5,944	6,542
of which towards related parties		*1,040*	*1,042*
Trade payables	23	51,155	45,604
of which towards related parties		*4,723*	*3,263*
Short term borrowings	24	25,454	21,493
Tax payables	25	2,216	1,993
Other current liabilities	26	5,356	5,582
TOTAL CURRENT LIABILITIES		**90,125**	**81,214**
TOTAL LIABILITIES		**114,294**	**100,599**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**183,629**	**177,758**

(*) Balance sheet restated for the first half of the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 3 of this document).

CONSOLIDATED INCOME STATEMENT

For the six-months period ended September 30, 2013 and September 30, 2012.

(in thousands of Euro)	Note	I Half 2013/2014	I Half 2012/2013 (restated)*
Revenues from sales and services		65,033	57,692
Other revenues		20	98
TOTAL REVENUES	27	**65,053**	**57,790**
Cost for raw materials and consumables	28	(35,691)	(31,086)
Cost of services	29	(20,119)	(17,690)
of which towards related parties		*(504)*	*(1,002)*
Personnel cost	30	(12,368)	(13,441)
Other net operating (charges) incomes	31	82	2,052
of which towards related parties		*0*	*1,955*
of which not recurring		*0*	*1,955*
Amortization, depreciation and write downs	32	(1,579)	(1,487)
TOTAL OPERATING EXPENSES		**(69,675)**	**(61,652)**
OPERATING INCOME (LOSS)		**(4,622)**	**(3,862)**
Financial Expenses	33	(1,610)	(1,173)
of which towards related parties		*(412)*	*(478)*
Financial Incomes	33	341	153
INCOME (LOSS) BEFORE INCOME TAXES		**(5,891)**	**(4,882)**
Income Taxes	34	(520)	(759)
NET INCOME (LOSS) FOR THE PERIOD		**(6,411)**	**(5,641)**
Attributable to:			
Equity holders of the parent		(6,136)	(5,335)
Non controlling interests		(275)	(306)
Basic Earnings (Losses) per share(**)		**(0.08)**	**(0.07)**
Diluted Earnings (Losses) per share(**)		**(0.08)**	**(0.07)**

(*) Economic data restated for the first half of the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 3 of this document).

(**) The earnings (losses) per share are calculated by dividing the net result for the half-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

For the six-months period ended September 30, 2013 and September 30, 2012.

(in thousands of Euro)	**I Half 2013/2014**	**I Half 2012/2013 (restated)***
Net income (loss) for the period	**(6,411)**	**(5,641)**
Other gains (losses) that will be reclassified to net income for the period:		
Gains (losses) on cash flow hedges	0	3
Tax effect	(0)	(1)
Gains (losses) on exchange differences on translating foreign operations	(420)	635
Tax effect	(540)	299
Other gains (losses) that will not be reclassified to net income for the period:		
Gains (losses) on the remeasurement of defined benefit plans	(710)	(54)
Tax effect	195	15
Total comprehensive income (loss) for the period	**(7,885)**	**(4,744)**
Equity holders of the parent	(7,584)	(4,572)
Non controlling interests	(301)	(172)

(*) Economic data restated for the first half of the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 3 of this document).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-months period ended September 30, 2013 and September 30, 2012.

(In thousands of Euro)	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging reserve	Shareholders payment reserve	Stock option reserve	Treasury Shares	Other reserves	IAS 19 reserve *	Net income (Loss) for the period	Group shareholders' equity	Non controlling interest	Total shareholders' equity
Balances at March 31, 2012	**36,344**	**69,858**	**2,434**	**(2)**	**8,618**	**264**	**(8,149)**	**(14,457)**	**340**	**(11,939)**	**83,311**	**2,867**	**86,178**
Allocation of the result for the period								(11,939)		11,939			
Other comprehensive income(loss)				2				800	(39)	(5,335)	(4,572)	(172)	(4,744)
Stock option						98					98		98
(Purchase)/Sale of own shares							15				15		15
Balances at September 30, 2012	**36,344**	**69,858**	**2,434**	**(0)**	**8,618**	**362**	**(8,134)**	**(25,596)**	**301**	**(5,335)**	**78,852**	**2,695**	**81,547**

(In thousands of Euro)	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging reserve	Shareholders payment reserve	Stock option reserve	Treasury Shares	Other reserves	IAS 19 reserve *	Net income (Loss) for the period	Group shareholders' equity	Non controlling interest	Total shareholders' equity
Balances at March 31, 2013	**36,344**	**69,858**	**2,434**	**0**	**8,618**	**455**	**(8,134)**	**(26,602)**	**168**	**(8,563)**	**74,577**	**2,582**	**77,159**
Allocation of the result for the period								(8,563)		8,563			
Other comprehensive income(loss)								(964)	(484)	(6,136)	(7,584)	(301)	(7,885)
Stock option						61					61		61
Balances at September 30, 2013	**36,344**	**69,858**	**2,434**	**0**	**8,618**	**516**	**(8,134)**	**(36,129)**	**(316)**	**(6,136)**	**67,054**	**2,281**	**69,335**

(*) Equity data restated for the first half of the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 3 of this document).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-months period ended September 30, 2013 and September 30, 2012.

(In thousand of Euro)	First Half 2013/2014	First Half 2012/2013
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	(6,411)	(5,641)
Adjustments to reconcile the income (loss) for the period to the cash flow generated (absorbed) by operations:		
Amortization, depreciation and write downs	1,579	1,487
Costs/(revenues) for stock option	61	113
(Gains)/Losses from sale of non current assets	48	34
Accrual (releases) of allowance for doubtful accounts	(80)	138
Accrual (releases) of provision for risk and charges	108	(34)
Changes in the fair value of financial instruments	131	55
Accrual to employees' termination indemnity	302	164
Employees' termination indemnity payments	(122)	(72)
Changes in the deferred tax assets and liabilities	446	(59)
	(3,938)	(3,815)
Changes on operational assets and liabilities		
Trade receivables	3,014	11,908
Inventories	(8,978)	(6,291)
Trade payables	5,551	(3,400)
Tax receivables	347	3
Tax payables	223	202
Provisions for risks and charges	(682)	(729)
Other current assets and current and non current liabilities	(1,504)	(422)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	**(5,967)**	**(2,544)**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposal of intangible assets and property, plant and equipment	32	1
Purchase of property, plant and equipment	(2,123)	(456)
Purchase of intangible assets	(70)	(5)
Damiani India incorporation	(5)	-
Net change in the other non current assets	300	(448)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES (B)	**(1,866)**	**(908)**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of long term loans	(3,574)	(3,612)
Issuance of long-term debt	7,904	-
Net change in short-term financial liabilities	4,108	6,636
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES ©	**8,438**	**3,024**
TOTAL CASH FLOW (D=A+B+C)	**605**	**(428)**
Effect of exchange rates on cash and cash equivalents	(752)	716
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR (E)	**7,688**	**6,658**
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (F=D+E)	**7,541**	**6,946**

(*) Cash flow data restated for the first half of the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 3 of this document).

EXPLANATORY NOTES

1. COMPANY INFORMATION AND BASIS OF PRESENTATION

Company information

The Damiani Group works with many years of experience in the production and distribution of jewelry products through both the wholesale and the retail channels. Specifically, the Group distributes five prestigious jewelry brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni. Furthermore, the Damiani Group also distributes through the directly managed multi-brand boutiques of the Rocca network some prestigious third parties brand, particularly regarding watches.
The registered office of the parent company Damiani S.p.A. is in Valenza (AL), Piazza Damiano Grassi Damiani n.1.

Basis of presentation

The condensed consolidated financial statements of the Damiani Group at September 30, 2013 relating to the six-months period from April 1, 2013 to September 30, 2013, consist of the Consolidated statement of financial position, of the Consolidated income statement, of the Consolidated statement of comprehensive income, of the Consolidated statement of changes in shareholders' equity, of the Consolidated statement of cash flows and the Explanatory notes. The publication of the interim consolidated financial statements have been authorized by the Board of Directors of Damiani S.p.A. of November 29, 2013.
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 (Italian SEC) resolution n. 15519 dated July 27, 2006, the effects of transactions with related parties are presented in the statement of financial position as well as in the income statement. Transactions with related parties are identified in accordance with the extended definition laid down by IAS 24, i.e. including relations with the administrative and control bodies as well as those executives who have strategic responsibilities. See also note 35. Transactions with related parties.
The condensed consolidated interim 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. STATEMENT OF COMPLIANCE, CRITERIA USED AND CONSOLIDATION AREA

Statement of compliance and criteria used

The Condensed consolidated interim financial report of the Damiani Group was prepared in compliance with IAS 34 – Interim financial statements. Therefore, the condensed financial statements do not include all the information required by the annual financial statements and they must be read together with the annual financial statements for the twelve-months period ended March 31, 2013. The accounting standards adopted for preparing these Condensed interim financial statements are the same used for preparing the annual consolidated financial statements for the financial year ended March 31, 2013, to which we refer for a fuller discussion, also considering what described in note 3. Accounting standards, amendments, interpretations applicable from April 1, 2013.
The Condensed interim financial statements at September 30, 2013 has been prepared on a going concern basis, because the Group believes there is not uncertainty about the ability to continue its operations for the foreseeable future, both in terms of production-distribution and financially.

Consolidation area

The consolidated financial statements include the financial statements of Damiani S.p.A. and those of the Italian and foreign companies on which the parent company has the legal right to exercise control, either directly or indirectly, determining their financial and operational choices and obtaining the relative benefits.
The economic data, the changes in the shareholders' equity and the cash flows in the six-months period ended

September 30, 2013 are shown together with the comparative figures for the same period of the previous financial year. The data in the statement of financial position at September 30, 2013 are compared to those at March 31, 2013.
Subsidiaries are fully consolidated from the date of the acquisition of the control by the Group and they cease being consolidated from the date when such control ceases.
All intercompany balances and transactions, including any unrealized gains and losses arising from intra-Group relations, are netted out.
The following subsidiaries are included within the scope of consolidation on September 30, 2013:

Company name	Registered office	Currency	Share Capital (local currency)	Held by	% Direct (*)	% of the Group
Damiani Manufacturing S.r.l	Valenza (AL), Italy	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Laboratorio Damiani S.r.l.	Valenza (AL), Italy	EUR	2,140,000	Damiani Manufacturing S.r.l.	9.35%	55.58%
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	2,500,000	Damiani International B.V.	0.00%	100.00%
Damiani France S.A.	Paris, France	EUR	38,500	Damiani International B.V.	0.00%	100.00%
Damiani Macau Ltd.	Macau	MOP	2,200,000	Damiani Hong Kong L.t.d.	0.00%	100.00%
Rocca S.p.A.	Valenza (AL), Italy	EUR	4,680,000	Damiani S.p.A.	100.00%	100.00%
Rocca International S.A.	Lugano, Switzerland	CHF	600,000	Rocca S.p.A.	0.00%	100.00%
Damiani Mexico S.A. de C.V.	Mexico Distrito Federal	MXN	3,000,000	Damiani International B.V.	10.00%	100.00%
Damiani Shanghai Trading Co. Ltd.	Shanghai, China	CNY	30,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani Korea Co. Ltd.	Seoul, South Korea	KRW	500,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani India Co. Ltd.	New Delhi, India	INR	35,980,000	Damiani International B.V.	51.00%	51.00%

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

During the first half of the financial year 2013/2014 the composition of the Group has undergone the following change:

- on April 15, 2103 resulted in the transfer of 51% of the share capital of Damiani India Private Ltd by the previous Indian owner in Damiani International B.V., a Dutch company 100% owned by Damiani S.p.A.. The transfer of n. 357,000 shares (at a price of 10 Indian Rupees each) resulted in an outflow for the Group in Indian Rupees (INR) of 3.57 million, amounting to approximately Euro 51 thousands. Subsequently Damiani International B.V. subscribed to a capital increase, to its share, which resulted in an additional outlay of INR 14,779,800 (approximately Euro 210 thousands). The Indian company currently operates a Damiani flagship store in New Delhi, at the prestigious Oberoi Hotel.

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 September 30, 2013 the Group had non interest in associated companies.

Other investments

The following table includes information regarding investments in other companies held by Damiani Group as of September 30, 2013 whose total value was Euro 167 thousands. The value is not changed since March 31, 2013.

Company name	Currency	Share capital (in thousands of Euro)	Book value (in thousands of Euro)	Held by	% owned directly	% owned by whole Group
Fin-or-val S.r.l. (1)	Euro	2,966	126	Damiani S.p.A.	4.36%	4.36%
Banca d'Alba (1)	Euro	46,953	41	Damiani S.p.A.	0.50%	0.50%

(1) Share capital at December 31, 2012

3. ADOPTED ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE SINCE APRIL 1st, 2013

The accounting standards adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the annual consolidated financial statements at March 31, 2013, except for the adoption of new standards, amendments and interpretations effective from April 1, 2013.
The Group adopted for the first time some of the standards and changes that led to the restatement of the previous financial statements. These include: IAS 19 Employee benefits; IFRS 13 Fair value assessment and the amendments to IAS 1 Presentation of Financial Statements. The effects of these changes are described below, in accordance with IAS 34.
Several other new standards and amendments have entered into force for the first time in 2013. However, these do not have any kind of impact on the consolidated financial statements or the condensed interim financial statements of the Damiani Group.
Below are the nature and impact of any new standard/amendment:

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

With reference to IAS 19 (2011) – Employee benefits (IAS 19R), the Damiani Group has applied this change retrospectively adjusting the financial statements at March 31, 2013 and at September 30, 2012, as if the standards has already been applied.
The following table shows the summary statement of the changes made to the data reported March 31, 2013

and September 30, 2012, related to IAS 19 (2011).

Income statement (in thousands of Euro)	I Half 2012/2013 (restated)	I Half 2012/2013	Change
Operating income (loss)	**(3,862)**	**(4,015)**	**153**
Net financial income (expenses)	(1,020)	(921)	(99)
Result before taxes	**(4,882)**	**(4,936)**	**54**
Taxes	(759)	(744)	(15)
Net result	**(5,641)**	**(5,680)**	**39**
Gains (losses) from actuarial termination indemnities	(54)	0	(54)
Tax impact	15	0	15
Other gains/(losses) from comprehensive income	936	936	0
Total comprehensive result	**(4,744)**	**(4,744)**	**0**

Shareholders' Equity (in thousands of Euro)	September 30, 2012 (restated)	September 30, 2012	Change
Share capital	36,344	36,344	0
Reserves	47,843	47,883	(39)
Group net income (loss) for the period	(5,335)	(5,374)	39
Group shareholders' equity	**78,852**	**78,852**	**(0)**
Non controlling interest share capital and reserves	3,001	3,001	0
Non controlling interest net income (loss) for the period	(306)	(306)	0
Non controlling interest	**2,695**	**2,695**	**0**
Total shareholders' equity	**81,547**	**81,547**	**(0)**

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

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

4. USE OF ESTIMATES

For the preparation of the condensed consolidated interim financial report, the Management of the Group has carried out judgments, estimates and assumptions that affect the reported revenues, costs and assets and

liabilities and disclosures relating to contingent assets and liabilities at its closing date. It should be noted that these are estimates, they may differ from the actual results that will be obtained in the future.
Some valuation processes, specifically the more complex ones like the impairment test on non-current and current assets, are carried out in a complete manner only once a year for the annual financial statements when all necessary information are available, except in cases where there are indications of impairment that require an immediate test. During the first half there were no circumstances that would significantly change the context in which the assessment and estimates were constructed at the end of the previous financial year.
The Group's management has made estimates to assess the adequacy of existing funds and the need for any additions.
In particular, the analyzes carried out were as follows: i) the value of the inventories and related existing provisions for obsolescence; ii) the value of trade receivables and related allowances for risk of default; iii) the amount of returns from sales recorded during the period and the corresponding existing funds; iv) other funds for risks and charges identified in the financial statements and related obligations to the Group companies. The market environment in the first half of the financial year 2013/2014 has remained essentially unchanged compared to the situation existing at the end of the previous financial year, and even the performance of the Group was not misaligned with respect to the expectations. Therefore, the existing funds, net of uses for the period, for the points i), ii), iii) and iv) are adequate.

5. SEASONALITY

The Group business, just like those of other players in the same sector, is subject to a significant impact of seasonality. As a matter of facts the sales of jewelry products are concentrated in the quarter October-December (and for the retail channel in December alone), with a consequent push by dealers to purchase in the same period. Therefore, based on historical experience, the Damiani Group achieves lower profitability especially in the first half of the financial year (April-September), which has closing date to March 31.

6. SEGMENT INFORMATION

Damiani Group operates in a single business segment where no differences between products that would require the setting up of separate business units exist.
Therefore, the basis on which the Directors set the goals and attribute responsibilities and according to which company management operates is geographical segments, which are broken down as already shown in the Report on operations.
As a result of the reorganization implemented during the financial year 2012/2013 with the reallocation of operational activities within the Italian and foreign subsidiaries, in order to maintain comparability between periods in the economic information by geographical area we proceed to also use data taken from internal management system of the Group companies, to properly allocate revenues and operating expenses on the relevant geographical areas.
The following tables provide the operating results for the first half of the financial year 2013/2014 and, for comparative purposes, of the first half of the previous financial year.

Geographical area breakdown (first half of the financial year 2013/2014)

I Half 2013/2014 (in thousands of Euro)	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Revenues from Sales and Services	42,271	1,869	5,610	15,283	-	65,033
Other revenues	13	-	3	4	-	20
Intercompany sales	17,989	2,925	4	1,689	(22,608)	-
Total Revenues	**60,273**	**4,794**	**5,617**	**16,976**	**(22,608)**	**65,053**
Operating Expenses	(62,402)	(6,211)	(6,601)	(17,069)	22,608	(69,675)
Operating income (loss)	**(2,129)**	**(1,417)**	**(984)**	**(93)**	-	**(4,622)**
Situation at September 30, 2013 (in thousands of Euro)	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Capex	747	27	83	1,336	-	2,193

*Geographical area breakdown (first half of the financial year restated 2012/2013)**

I Half 2012/2013 (in thousands of Euro)	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Revenues from Sales and Services	39,031	2,320	5,566	10,775	-	57,692
Other revenues	79	-	5	14	-	98
Intercompany sales	15,769	481	-	7,381	(23,631)	-
Total Revenues	**54,879**	**2,801**	**5,571**	**18,170**	**(23,631)**	**57,790**
Operating Expenses	(56,825)	(3,715)	(7,278)	(17,465)	23,631	(61,652)
Operating income (loss)	**(1,947)**	**(914)**	**(1,707)**	**705**	-	**(3,862)**
Situation at September 30, 2012 (in thousands of Euro)	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Capex	146	6	180	130	-	461

(*) Economic data restated for the first half of the financial year 2012/2013 include the effects arising from IAS 19 (2011) (for details please refer to note 3).

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

7. GOODWILL

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	**September 30, 2013**	**March 31, 2013**
Goodwill, boutiques	726	726
Goodwill, Alfieri & St.John	4,258	4,258
Total goodwill	**4,984**	**4,984**

The item, unchanged compared to March 31, 2013, refers to Euro 4,258 thousands to the goodwill related to the purchase, in 1998, of 100% of the shares of Alfieri & St. John S.p.A. and to Euro 726 thousands for goodwill paid in previous years by the Parent company for the acquisition of single-brand stores directly managed by the Damiani Group.

Impairment test of intangible assets with an indefinite useful life

The goodwill as an intangible asset with an indefinite useful life reported among fixed assets, is not amortized in the income statement but is subject to an impairment test for the purpose of discovering any potential loss in its value. The impairment test is carried out yearly or more frequently if there were indications that during the current year the asset may have suffered a loss in its value. In the first half of the financial year 2013/2014 the evolution on business was consistent with the expected scenario and used for the purpose of impairment testing at March 31, 2013. Therefore, we have not identified either from internal sources and from external sources any indicators of impairment that signals the need for impairment testing.

8. OTHER INTANGIBLE ASSETS

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	September 30, 2013	March 31, 2013
Industrial rights and patents	240	249
Key Money	4,102	4,195
Intangible assets under construction	9	486
Total other intangible assets	**4,351**	**4,930**

The reduction in the first half period of Euro 579 thousands was due to the amortization of the period and the reclassification from assets under construction to property, plant and equipment at the time of activation.

9. PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	September 30, 2013	March 31, 2013
Land and buildings	8,980	9,439
Plant and machinery	725	790
Industrial and commercial equipment	324	370
Other assets	7,772	6,304
Assets under construction	18	4
Total property, plant and equipment	**17,819**	**16,907**

Property, plant and equipment increased of Euro 912 thousands compared to March 31, 2013 for the effect of changes in the period (investments, disposals and depreciation).
The land and buildings item also includes properties in sale and lease back, that related parties have bought from Group's subsidiaries in prior financial years and then leased for commercial use to the same companies (for details see note 35. Transactions with related parties). Sale and lease back assets value is Euro 7,576 thousands at September 30, 2013 and Euro 8,014 thousands at March 31, 2013. The decrease during the period relates to the depreciation of Euro 438 thousands.
The item Other assets include furniture, furnishings, office equipment and vehicles, and leasehold improvements (costs incurred to adapt/refurbish the boutiques).

10. INVESTMENTS

At September 30, 2013 this item referred exclusively to non-controlling interests in Fin.Or.Val S.r.l and Banca d'Alba for a total of Euro 167 thousands.

11. FINANCIAL RECEIVABLES AND OTHER NON CURRENT ASSETS

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	September 30, 2013	March 31, 2013
Guarantee deposits	3,785	4,085
Other receivables	264	264
Total financial receivables and other non current assets	**4,049**	**4,349**

The decrease in deposits from March 31, 2013 to Euro 300 thousands was mainly due to changes in foreign locations and exchange rates effects.

12. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities at September 30, 2013 and at March 31, 2013 are detailed in the table below; the descriptions indicate the nature of temporary differences:

(in thousands of Euro)	September 30, 2013	March 31, 2013
Deferred tax assets:		
Net Impact of the returns reserve	2,068	2,068
Write off on intercompany inventory margins	3,575	4,108
Exchange loss differences	373	331
Provision for doubtful accounts not deductible	910	910
Director wages	15	-
Write downs of inventories	2,209	2,233
Credit losses	182	187
Provisions on lawsuits	75	128
Financial interests in excess	1,689	1,689
Fiscal losses	1,867	1,960
Write off of intercompany gains on brand transfer	3,557	3,557
Other timing differences of a taxation nature	736	683
Total deferred tax assets	**17,256**	**17,854**
Deferred tax liabilities:		
Exchange differences	44	19
Other timing differences of a taxation nature	315	479
Deferred taxation on capital gains	36	49
Total deferred tax liabilities	**395**	**547**

13. INVENTORIES

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	September 30, 2013	March 31, 2013
Raw materials, semi-finished goods and advance payments	13,421	13,354
Finished products and goods	78,991	70,080
Total inventories	**92,412**	**83,434**

Net value of inventories at September 30, 2013 showed an increase of Euro 8,978 thousands compared to March 2013 related to the seasonal nature of the procurement process. The comparison with September 30, 2012 (Euro 94,081 thousands) shows a decrease of Euro 1,669 thousands.
Please note that the item finished product and goods includes finished goods delivered to customers but for which at the end of the period were not met the conditions for the recognition of related revenues. The amount was Euro 7,964 thousands, and the value is substantially unchanged from March 31, 2013.
The value of inventories at September 30, 2013 was net of Euro 9,692 thousands inventory write-down (Euro 9,735 thousands at March 31, 2013) and during the period, based on the assessment done by management, no changes were recorded in the risk of commercial obsolescence that requires additional provisions.

14. TRADE RECEIVABLES

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	September 30, 2013	March 31, 2013
Trade receivables, gross	**43,218**	**46,870**
Provision for doubtful accounts	(4,583)	(5,091)
Fund for returns on sales from customers	(16,431)	(16,619)
Impact of Net Present Value calculation of receivables	(12)	(34)
Total net trade receivables	**22,192**	**25,126**

The decrease in net trade receivables from March 31, 2013 for Euro 2,934 thousands was mainly due to the timing of cash flows related to the seasonality of sales.
The balance of the trade receivables is shown net of bad debt reserves and the returns fund, as well as of the impact of discounting receivables represented by bank effects that have been reissued and maturing over the period.
Please note that the provisions posted to the bad debt reserve for the period, amounting to Euro 180 thousands, are included in the item "Other net operating (charges) incomes" of the income statement.
There are not receivables with a contractual duration longer than 5 years.

15. TAX RECEIVABLES

At September 30, 2013 showed a balance of Euro 1,026 thousands while at March 31, 2013 showed a value of Euro 1,373 thousands and include mainly payments on advance on income taxes.

16. OTHER CURRENT ASSETS

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	September 30, 2013	March 31, 2013
VAT receivables from the Tax Authorities	8,234	7,424
Prepayments on exchanges of goods	145	358
Deposits to suppliers	1,050	426
Prepayments	1,820	1,889
Receivables from other	583	702
Total other current assets	**11,832**	**10,799**

The tax credit for VAT is concentrated mainly in the subsidiary Rocca S.p.A., while the increase in deposits to suppliers refers to the advances on services and supplies for setting up outlets.

17. CASH AND CASH EQUIVALENTS

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	September 30, 2013	March 31, 2013
Bank and post accounts	7,370	7,501
Cash on hand	171	187
Total cash and cash equivalents	**7,541**	**7,688**

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

18. SHAREHOLDERS' EQUITY

At September 30, 2013 the Shareholders' equity amounted to Euro 69,335 thousands, in decrease by Euro 7,824 thousands compared to March 31, 2013. The changes in shareholders' equity of the first half ended September 30, 2013 (which are shown in the Consolidated statement of changes in shareholders' equity) were the following:

- The net loss of the period for Euro 6,411 thousands (of which Euro 275 thousands related to minorities);
- The negative effects arising from the exchange differences due to the conversion of the financial statements that originate in non-euro currencies and to intercompany transactions for Euro 960 thousands;
- The increase of stock option reserve for Euro 61 thousands due to the fair value of share-based plans according to IFRS 2;
- Actuarial loss on defined benefit plans for employees recognized in accordance with IAS 19 (2011) for Euro 515 thousands.

As regards treasury shares is reported that in April-September 2013 have not been purchased or sold shares. Therefore, at September 30, 2013 treasury shares in portfolio were n. 5,556,409 (equal to 6.73% of the share capital) for a total amount of Euro 8,134 thousands and an average purchase price of Euro 1.464 per share.

19. FINANCIAL LIABILITIES: CURRENT AND NON CURRENT PORTION

The breakdown of loans with evidence of current and medium/long term portion to September 30, 2013 and March 31, 2013 is as follows:

(in thousands of Euro)	September 30, 2013	March 31, 2013
Non current portion		
Loan A	3,000	4,500
Loan B	-	-
Loan C	904	-
Loan D	1,080	-
Financial Leasing	7,707	8,263
Private bond loan	5,000	-
Total non current portion of medium/long term financial debt	**17,691**	**12,763**
Current portion		
Loan A	3,000	3,000
Loan B	1,250	2,500
Loan D	654	-
Financial Leasing	1,040	1,042
Total current portion of medium/long term financial debt	**5,944**	**6,542**
Total medium/long term financial debt	**23,635**	**19,305**

The following is a breakdown of key information relating to loans granted by banks at September 30, 2013.

a) Loan A was originally granted to Damiani S.p.A. in June 2009 for a total of Euro 15,000 thousands with a repayment plan based on constant six-monthly installments for the period from December 31, 2010 to June 30, 2015 at a fixed interest rate of 4.40% per year;
b) Loan B was originally granted to Damiani S.p.A. in June 2009 for a total of Euro 10,000 thousands with a repayment plan based on constant three-monthly installments for the period from June 30, 2010 to March 31, 2014. Consequently the residual value is fully recognized in the current portion. On this loan are paid interest at a fixed rate of 4% per year;
c) Loan C forms a deposit of 30% of the total amount of a low-interest loan signed in February 2013 by Damiani S.p.A. to implement development programs in China, in the 24 months following the signing of the contract. The total amount of funding is Euro 3,011,869, with a repayment schedule of seven years, after the first two of grace, in six-monthly installments and an effective annual rate of 0.5%;
d) Loan D was granted to Rocca S.p.A. in April 2013 to support retail development for a total of Euro 2,000 thousands with a repayment plan in three years with 36 monthly installments starting from May 2013. On this loan are paid interest at a rate equal to Euribor three months + spread 3%;
e) The private 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 (the amount of Euro 5,000 thousands was paid on September 25, 2013) to September 30, 2019 and repayment at maturity in one installment and an annual fixed interest rate of 5.5% (with effect from October 1, 2013), with payment in annual installments.

Moreover, in the table has showed the debt for leasing on buildings for Euro 8,747 thousands and related to n. 3 contracts for the sale of properties to related party, which are treated as sale and lease back arrangement under IAS 17. These real estate units are Damiani and Rocca store locations.

The table below shows the detail of Net debt at September 30, 2013 and at March 31, 2013:

Net financial position (*) (in thousands of Euro)	**Situation at September 30, 2013**	**Situation at March 31, 2013**	**change**
Current portion of loans and financing	4,904	5,500	(596)
Drawndown of credit lines, short term financing and others	25,454	21,493	3,961
Current portion of loans and financing with related parties	1,040	1,042	(2)
Current financial indebtedness	**31,398**	**28,035**	**3,363**
Non current portion of loans and financing	4,984	4,500	484
Non current portion of loans and financing with related parties	12,707	8,263	4,444
Non current financial indebtedness	**17,691**	**12,763**	**4,928**
Total gross financial indebtedness	**49,089**	**40,798**	**8,291**
Financial current assets	-	(147)	147
Cash and cash equivalents	(7,541)	(7,688)	147
Net financial position (*)	**41,548**	**32,963**	**8,585**

(*) Net financial position has been determined on the basis of the indications of Consob communication n. DEM/6064293 of July 28, 2006.

The net financial debt at September 30, 2013 showed a negative balance of Euro 41,548 thousands with a worsening of Euro 8,585 thousands compared to March 31, 2013 as a consequence of the negative operating performance of the period and the needs required for investments related to retail development, mainly abroad.

20. EMPLOYEES' TERMINATION INDEMNITIES

During the first half ended September 30, 2013 the employees' termination indemnities underwent the following movements:

(in thousands of Euro)	
Termination Indemnities at March 31, 2013	**4,208**
Cost related to current work performed	17
Financial expenses	91
Paid benefits	(122)
Actuarial Loss (Profit)	710
Termination Indemnities at September 30, 2013	**4,904**

The movements of the period reflect the accruals and the outgoings, including the advances that were given, which were posted in the six-months period ended September 30, 2013. The significant actuarial loss arises mainly from changes in financial assumptions, with the adoption of an annual discount rate for determining the value of the obligation consistent with the requirements of IAS 19 and consists of the index Iboxx Corporate AA with a duration 7-10 detected at the measurement date (equal to 2.45%), as an alternative to the rate used at March 31, 2013 which was based on the average yield on government bonds in circulation (4.40%).

Details of the assumptions adopted are as follows.

Financial hypotheses	
Annual rate for the Net Present Value	2.45%
Annual inflation rate	2.00%

Demographic hypotheses	
Mortality	RG 48 (RGS table 48)
Inability	INPS tables by age and sex
Pensionable age	Reaching the general obligatory social security requirements

21. PROVISIONS FOR RISKS AND CHARGES

At September 30, 2013 risk reserves amounted to Euro 722 thousands in order to cover estimated costs of litigation and reorganization in place at the subsidiary Damiani USA Corp.. The use of the fund in the first half of the financial year 2013/2014 amounted to Euro 553 thousands for the closure of disputes with former employees and suppliers. No provision was recorded in the first half of the financial year 2013/2014.

22. OTHER NON CURRENT LIABILITIES

The amount of the item decreased by Euro 571 thousands at March 31, 2013 to Euro 457 thousands at September 30, 2013, and includes mainly termination indemnities of directors.

23. TRADE PAYABLES

The amount of the item increased from Euro 45,604 thousands at March 31, 2013 to Euro 51,155 thousands at September 30, 2013, result of purchases of finished goods and investments in the retail sector during the period.

24. SHORT TERM BORROWINGS

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	**September 30, 2013**	**March 31, 2013**
Usages of short term credit lines and bank loans	25,454	21,490
Fair value of financial derivatives	-	3
Total short term borrowings	**25,454**	**21,493**

The use of short-term lines of credit is intended to finance working capital. The increased exposure in the short term compared to March 31, 2013 did not result in adverse effects in terms of burden for the Group (interest paid on short-term debt are currently lower than those paid on medium/long term) and short-term credit lines available are underutilized.

25. TAX PAYABLES

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	**September 30, 2013**	**March 31, 2013**
VAT payables	320	-
Taxes withheld from employees (IRPEF)	283	330
Current income tax payables (IRES and IRAP)	1,550	1,615
Other tax payables	63	48
Total tax payables	**2,216**	**1,993**

26. OTHER CURRENT LIABILITIES

The following table provides a breakdown of the item at September 30, 2013 and at March 31, 2013:

(in thousands of Euro)	**September 30, 2013**	**March 31, 2013**
Payables to social security institutions	1,130	1,132
Payables to employees	2,638	2,873
Other liabilities	487	464
Deferred income	1,101	1,113
Total other current liabilities	**5,356**	**5,582**

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

27. REVENUES

The table below shows the consolidated revenues for the six-months period ended September 30, 2013 and September 30, 2012:

(in thousands of Euro)	**I Half 2013/2014**	**I Half 2012/2013**
Revenues from sales and services	65,033	57,692
Other revenues	20	98
Total revenues	**65,053**	**57,790**

The breakdown of revenues by sales channel is the following:

Revenues by Sales Channel (In thousands of Euro)	**I Half 2013/2014**	**I Half 2012/2013**
Retail	**26,993**	**23,542**
Percentage on total revenues	*41.5%*	*40.7%*
Wholesale	**38,040**	**34,150**
Percentage on total revenues	*58.5%*	*59.1%*
Total revenues from sales and services	**65,033**	**57,692**
Percentage on total revenues	*100.0%*	*99.8%*
Other revenues	**20**	**98**
Percentage on total revenues	*0.0%*	*0.2%*
Total Revenues	**65,053**	**57,790**

Consolidated revenues for the first half period ended September 30, 2013 amounted to Euro 65,053 thousands, compared to Euro 57,790 thousands in the first half period ended September 30, 2012, showing an increase of Euro 7,263 thousands, corresponding to 12.6%.

The following is a breakdown of other income for the first half period ended September 30, 2013 and September 30, 2012.

(in thousands of Euro)	**I Half 2013/2014**	**I Half 2012/2013**
Leases and rentals	18	88
Franchising	-	9
Revenue from sale of advertising material	2	1
Total other revenues	**20**	**98**

28. COST OF RAW MATERIALS AND CONSUMABLES

The table below shows the cost of raw materials and consumables (including purchases of finished products) for the six months period ended September 30, 2013 and September 30, 2012:

(in thousand of Euro)	**I Half 2013/2014**	**I Half 2012/2013**
Purchases	44,317	37,002
Change in inventory of finished products	(8,718)	(5,367)
Change in inventory of raw materials and consumables	92	(549)
Total cost of raw materials and consumables	**35,691**	**31,086**

The costs went from Euro 31,086 thousands in the six-months period ended September 30, 2012 to Euro 35,691 thousands in the period ended September 30, 2013, with an increase by Euro 4,605 thousands. The trend was related to the overall growth in revenues from sales, and the different mix of sales, with increasing weight of the product categories on which the margin recorded was on average lower.

29. COST OF SERVICES

The table below shows the breakdown of the item for the six months ended September 30, 2013 and September 30, 2012:

(in thousands of Euro)	I Half 2013/2014	I Half 2012/2013
Functional expenses	3,870	4,020
Advertising expenses	4,455	3,160
Other commercial expenses	1,565	765
Production costs	1,744	1,233
Consultancy	1,700	1,715
Travel/transport expenses	1,598	1,551
Directors' Fees	365	532
Usage of third party assets	4,822	4,713
Total cost of services	**20,119**	**17,690**

The cost of services increased by a total of Euro 2,429 thousands compared to the same period of the previous financial year, mainly due to the higher costs of advertising and promotion to support revenue growth and higher commission fees (which are recorded under other commercial expenses) recognized to the sales force. These increases are offset by the substantial stability of all other cost items due to the savings made despite the broader scope of the Group’s activities compared to the first half of the previous financial year.

30. PERSONNEL COST

The table below shows the breakdown of the item for the six months ended September 30, 2013 and September 30, 2012:

(in thousand of Euro)	I Half 2013/2014	I Half 2012/2013 (restated)*
Wages and salaries	9,291	9,954
Social security costs	2,519	2,641
Termination indemnity	460	495
Other personnel costs	98	350
Total personnel cost	**12,368**	**13,441**

(*) Personnel cost restated for the first half of the financial year 2012/2013 includes the effects arising from IAS 19 (2011) (for details please refer to note 3).

The decrease of Euro 1,073 thousands, even in the presence of an average staff employed in the period that is slightly increasing, was mainly due to the reduction of the managerial component as a result of the reorganization effected in the previous financial year, whose benefits started in the first half of the current financial year.

It should be noted that the component of interest accrued on the existing termination indemnity at the beginning of the period and during the six months are recognized under financial expenses from the financial year 2013/2014. Consequently, for a better comparison was also realigned the value of the first half of the financial year 2012/2103, in which this component was included in the personnel cost (the value is Euro 99 thousands).

The following table shows the average number of Group employees for the two six-months periods:

Labour category	**I Half 2013/2014**	**I Half 2012/2013**
Executive and Managers	44	56
Clerks	436	411
Workers	96	104
Total	**576**	**571**

31. OTHER NET OPERATING (CHARGES) INCOMES

The table below shows the breakdown of the item for the six months ended September 30, 2013 and September 30, 2012:

(in thousand of Euro)	**I Half 2013/2014**	**I Half 2012/2013**
Other operating (charges) incomes	2	2,190
(Provision)/release doubtful accounts	80	(138)
Total other net operating (charges) incomes	**82**	**2,052**

In the first half of the financial year 2013/2014 the balance was positive for Euro 82 thousands, while in the first half of the previous financial year the balance was positive for Euro 2,052 thousands, benefiting from the indemnity paid to the subsidiary New Mood S.p.A. (subsequently merged in Damiani S.p.A.) for the loss of commercial goodwill according to article 34 of law 392/78 with regard to the release of retail space in Milan. The compensation received by the related party that owns the property was equal to Euro 1,955 thousands.
The change in the bad debt reserve shows a positive balance in the first half of the financial year 2013/2014 because the provisions of Euro 180 thousands have been offset by a partial release, for Euro 260 thousands, of the reserve made in the previous financial year in Damiani USA Corp. since, as a result of the contraction of the subsidiary's activity, this fund appeared overestimated.

32. AMORTIZATION, DEPRECIATION AND WRITE DOWNS

The table below shows the breakdown of the item for the six months ended September 30, 2013 and September 30, 2012:

(in thousand of Euro)	**I Half 2013/2014**	**I Half 2012/2013**
Amortization of intangible assets	165	196
Depreciation of property, plant and equipment	1,414	1,290
Total Amortization, depreciation and devaluation	**1,579**	**1,487**

The increase in depreciation of property, plant and equipment was related to greater depreciable consistency generated by investments in the retail segment.

33. FINANCIAL (EXPENSES) AND INCOMES

The table below shows the breakdown of financial income and expenses for the six months ended September 30, 2013 and September 30, 2012:

(in thousand of Euro)	**I Half 2013/2014**	**I Half 2012/2013 (restated)***
Net exchange gains/(losses)	(521)	23
Other financial charges	(1,089)	(1,173)
Other financial revenues	341	130
Total financial (expenses) and incomes	**(1,269)**	**(1,020)**

(*) The net financial charges restated for the first half of the financial year 2012/2013 includes the effects arising from IAS 19 (2011) (for details please refer to note 3).

The balance in the first half of the financial year 2013/2014 was a loss of Euro 1,269 thousands, a decrease of Euro 249 thousands compared to the negative balance of Euro 1,020 thousands in the first half of the financial year 2012/2013. This was mainly due to the negative impact of exchange-rate effects of Euro 521 thousands recorded in the current year compared to a positive impact of Euro 23 thousands in the first half of the financial year 2012/2013.

34. INCOME TAXES

In the first half of the financial year 2013/2014 income taxes had a negative impact of Euro 520 thousands compared to a loss of Euro 759 thousands in the first half of the financial year 2012/2013.

35. TRANSACTIONS WITH RELATED PARTIES

This paragraph describes the relationships between the companies of the Damiani Group and the related parties in the six-months period ended September 30, 2013 and September 30, 2012, highlighting the impact on the consolidated economic and financial values.
Dealings with related parties regard almost exclusively to real estates and financing (leases, sale and lease back transactions, rental of a business unit).
The following table shows the details of the relationships between the Group companies and the related parties in the first half period ended September 30, 2013.

(in thousands of Euro)	I Half 2013/2014		Balance at September 30, 2013			
	Net operating costs	Financial expenses	Other current assets	Trade receivables	Financial debt (including leasing)	Trade payables
D.Holding S.A.	(85)	-	-	-	-	(680)
Imm.re Miralto S.r.l.	(171)	(9)	733	4	(248)	(2,141)
Montenapoleone 10 S.r.l.	(205)	(201)	-	1	(2,322)	(754)
Magenta 82 S.r.l.	-	-	-	1	-	-
Duomo 25 S.r.l.	-	(203)	-	1	(6,178)	(852)
Montenapo 13 S.r.l.	-	-	-	7	-	-
Roof Garden SA	-	-	-	-	-	(229)
Majority Shareholders	-	-	-	-	(5,000)	-
Executives with strategic responsibilities	(42)	-	-	-	-	(67)
Total with related parties	(504)	(412)	733	15	(13,748)	(4,723)
Total from financial statements	(69,675)	(1,610)	11,832	22,192	(49,089)	(51,155)
%age weight	1%	26%	6%	0%	28%	9%

- The costs amounting to Euro 85 thousands toward the company D.Holding S.A. relate to the fees paid by the subsidiary Damiani International B.V. under the agreement granting the use for special events of jewelry that won the *Diamonds International Awards,* which are owned by the related party;

- The net costs toward Immobiliare Miralto S.r.l. relate to real estate lease expenses for the premises in Turin, for a Rocca boutique. To this building also refer other current assets, for the prepayment of the maxi initial installment paid by Rocca S.p.A. in the financial year 2010/2011 when it signed the lease of the boutique in Turin (the value to September 30, 2013 amounted to Euro 733 thousands). In addition, in the period there were also financial expenses of Euro 9 thousands, corresponding to the interest portion for the repayment of the debt in respect of the sale and lease back transaction with the related party for a building in Padova, used for a Rocca boutique. The debt outstanding at September 30, 2013 amounted to Euro 248 thousands. Finally, the trade payables to the related party refers to the costs incurred by the property for the renovation of the premises in Milan where the Damiani commercial department was transferred during the financial year 2012/2013 and for which the related party has granted Damiani S.p.A. an extension of the share recharged;
- The net operating costs to Montenapoleone 10 S.r.l. were related to the rents paid for the sublease of office space and showroom in Milan. In addition, in the period there were also financial expenses of Euro 201 thousands, corresponding to the interest portion for the repayment of the debt in respect of the sale and lease back transaction with the related party for a building in Milan, used for a Damiani boutique. The debt outstanding at September 30, 2013 amounted to Euro 2,322 thousands;
- The financial expenses to Duomo 25 S.r.l. for Euro 203 thousands corresponded to the interest portion for the repayment of the debt in respect of the sale and lease back transaction with the related party for a building in Milan, used for a Rocca boutique. The debt outstanding at September 30, 2013 amounted to Euro 6,178 thousands;
- The trade payables to Roof Garden S.A. were related to rents accrued in previous years for a building in New York, used by the subsidiary Damiani Usa Corp., whose it obtained an extension. The lease was terminated in the financial year 2012/2013;
- The financial debt of Euro 5,000 thousands to the majority shareholders refers to the private bond issued by Damiani S.p.A. and signed by the Damiani brothers (for details see the Report on operations and the note 40. Financial risk management);
- Costs relating to executives with strategic responsibilities referred to 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 first half period ended September 30, 2012.

(in thousands of Euro)	I Half 2012/2013		Balance at September 30, 2012			
	Net operating costs	Financial expenses	Other current assets	Current financial receivables	Financial debt (including leasing)	Trade payables
D.Holding S.A.	(85)	-	-	-	-	(510)
Imm.re Miralto S.r.l.	1,192	(478)	1,432	1,955	(9,793)	(77)
Roof Garden SA	(49)	-	-	-	-	(239)
Executives with strategic responsibilities	(105)	-	-	-	-	(88)
Total with related parties	953	(478)	1,432	1,955	(9,793)	(914)
Total from financial statements	(61,652)	(1,173)	12,404	1,955	(39,941)	(47,780)
%age weight	-2%	41%	12%	100%	25%	2%

- The costs amounting to Euro 85 thousands toward the company D.Holding S.A. relate to the fees paid by the subsidiary Damiani International B.V. under the agreement granting the use for special events of jewelry that won the *Diamonds International Awards,* which are owned by the related party;
- The net costs toward Immobiliare Miralto S.r.l. relate to real estate lease expenses paid for the premises in Milan, Turin and Valenza (AL). Moreover, during the period also arose financial charges for Euro 478 thousands, corresponding to the interest portion for the repayment of the debt in respect of the sale and lease back transaction with the related party for four buildings in Milan, Padova and Taormina, used for Damiani and Rocca boutiques. The debt outstanding at September 30, 2012 amounted to Euro 9,793 thousands and refers to three buildings only because at September 30, 2012 has been resolved in advance the location of Taormina and was consequently eliminated the residual value of the financial debt of Euro

284 thousands (and the net book value accounted between the assets). The net costs also include the income of Euro 1,955 thousands relative to the compensation for loss of goodwill that the related party Immobiliare Miralto S.r.l. has recognized to the subsidiary New Mood S.p.A. (subsidiary subsequently merged in the parent company Damiani S.p.A.) for the issuance of a building in Milan. At September 30, 2012 the amount had still not been received and has been accounted between current financial receivables; the collection took place in November 2012. The other current assets include the following components: i) prepaid expense of the large initial rental installment paid by Rocca S.p.A. in the financial year 2010/2011 when it signed the lease of the boutique in Turin (the value at September 30, 2012 was of Euro 808 thousands); ii) the deposit paid by Damiani S.p.A. for expenses that the related party argued for the restoration of the premises in Milan where the Damiani Sales department was transferred. In the second half of the previous financial year the final costs have been charged to Damiani S.p.A.;

- Costs relating to Roof Garden S.A. refer to rents for the building in New York, used by the subsidiary Damiani Usa Corp.;
- Costs relating to executives with strategic responsibilities referred to services which fall under the ordinary operations of the Group.

In both periods there existed loan contracts between the parent company and some subsidiaries, which were negotiated at arm's length.

36. COMMITMENTS AND CONTINGENT LIABILITIES

There do not exist any commitments and liabilities arising from obligations under way and which is likely the use of resources dedicated to fulfilling the obligation, which were not already reflected in the financial statements at September 30, 2013.
With regard to tax disputes, on September 26, 2012 the Provincial Tax Agency of Como notified the Italian Tax Representative of the subsidiary Damiani International B.V. notice of assessment on the control in the field of value added tax for the year 2007. The findings presented in the notice of assessment mainly refer to the non-deductibility of VAT on a lease, and other minor elements, for an amount due (including penalties) for about Euro 155 thousands. The tax advisors believed to be unfounded what detected by the Tax Agency and consequently on March 18, 2013 Damiani International B.V. filed an appeal in the Provincial Tax Commission of Como for the annulment of the assessment. On this basis, the liability has been qualified as "possible" and in the financial year 2012/2013 has not proceeded to make specific provisions. While waiting for the judgment of the Commission, the Provincial Tax Agency of Como notified on May 17 and 22, 3013 notice of assessment on the same subject (non-deductible VAT on lease contracts) with reference to the years 2008, 2009 and 2010.
On September 10, 2013 the Provincial Tax Commission of Como filed the first-instance judgment and accepted the approach by the applicant Damiani International B.V. for the year 2007 and condemned the Tax Agency to pay the court fees. On October 21, 2013 Damiani International B.V. then filed an appeal in the Provincial Tax Commission of Como for the annulment of the assessment also for the years 2008, 2009 and 2010.

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

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

38. EARNINGS (LOSSES) PER SHARE

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

Basic Earnings (Losses) per share	**I Half 2013/2014**	**I Half 2012/2013**
Number of ordinary shares at the beginning of the period	82,600,000	82,600,000
Number of ordinary shares at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of basic earnings per share	77,593,683	77,715,826
Basic Earnings per share (amount in Euro)	**(0.08)**	**(0.07)**

Diluted Earnings (Losses) per share	**I Half 2013/2014**	**I Half 2012/2013**
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of diluited earnings per share	79,110,174	79,110,174
Weighted average number of ordinary shares for computation of basic earnings per share	77,593,683	77,715,826
Diluted Earnings per hare (amount in Euro)	**(0.08)**	**(0.07)**

39. SIGNIFICANT EVENTS AFTER THE END OF THE FIRST HALF PERIOD

On November 6, 2013 Damiani S.p.A. has entered into a medium term loan with a syndicate of banks for an amount up to a maximum of Euro 11,000 thousands which is intended mainly to finance industrial investments and the provision of initial stock required for the development of the retail channel. Disbursements are subject to the effective implementation of the investment plan of the Group and to comply with financial covenants stated in the contract and verified quarterly by the lenders. More details are provided in note 40. Capital management.

40. CAPITAL MANAGEMENT

At September 30, 2013 the Damiani Group had a net financial debt of about Euro 41.5 million, in worsening of about Euro 8.6 million compared to March 31, 2013. This change was due to the cash flows absorbed by operating activities and by the investments in the first half in which there is still uncertainty and variability in the markets both in terms of product sales and purchases of raw materials, as well as a result of seasonality that characterizes the dynamics of the working capital. Consequently, the Group continues to operate with a policy of financial risk management appropriate to the situation and to the specific projects that will develop, with the goal of pursuing at the same time the expansion strategies of the Group and maintain the necessary capital strength (the *debt/equity ratio* of about 0.6 is maintained at acceptable levels).
To optimize financial risks and balance the different types of sources, to which are associated different deadlines and costs, with the characteristics of assets, current and non-current, necessary to achieve the strategic objectives of the Group, Damiani S.p.A. achieved in the current financial year transactions that have as their main purpose the strengthening of the capital structure and the procurement of funding necessary to support the development, in a market which is producing increasing difficulties in obtaining financial resources.
These transactions are already presented in the report on operations of this document, are described below along with the main financial risks to which the Damiani Group is exposed and the policies adopted to monitor and mitigate its effects.

Liquidity risk and interest rate risk

The Group manages its liquidity risk through the tight control of the elements that make up the working capital, that consists of inventories and trade receivables and liabilities, with a centralized management of its processes and its treasury flows (negotiation on credit lines to cover the requirements according to criteria of efficiency and economy, balance of sources and uses, planning flows related to seasonal trends, etc.). The

Damiani Group's exposure towards third parties mainly consists of trade payables connected with supply relationships and financial debts. In the six months period the short term financial exposure of the Group increased but this did not impact either in terms of financial charges (interest rates lower than medium/long terms ones) or credit crunches because the available short term credit lines are only partially used (the maximum availability at September 30, 2013 was Euro 58.9 million).
The change in interest rates may adversely affect the Group's profitability, however, implying higher interest costs on the debt and, ultimately, its value by making changes in the cash flows.
Given the resource requirements, its capital structure and the current financial market, Damiani S.p.A. has occurred with the goal of finding the necessary liquidity to support the development of the Group (mainly abroad) also rebalancing sources and uses, while minimizing risks and costs. Therefore, compared to March 31, 2013 the Group increased its exposure in the medium term to the banking system and has received resources from the majority shareholders through the issuance of a private bond.
With reference to related parties, to the outstanding debt for transactions of sale and lease back of Euro 8,747 thousands, in the month of September 2013 has added a bond of Euro 5,000 thousands, signed by the members of Damiani Family, the majority shareholders. The non-convertible bond will be repaid in a single installment on the due-date and it is remunerated at a fixed annual rate of 5.50% (postpaid annual installments), with effect from October 1, 2013 and expires on September 30, 2019.
With the banking system were instead concluded the following operations: i) in April 2013 the subsidiary Rocca S.p.A. signed a three-years loan (repayable in 36 monthly installments) for a total amount of Euro 2,000 thousands, with an interest rate 3-month Euribor plus a spread 3%, to cover investments in its retail structure; ii) in February 2013 Damiani S.p.A. signed a soft loan with Simest S.p.A. for Euro 3,012 thousands at a subsidized rate, for the realization of development programs in China in the following 24 months. The contract provides for the repayment in seven years in half-yearly installments, after the grace period of the first two years. On June 14, 2013 was granted an interim financing of 30% of the total; iii) on November 6, 2013 Damiani S.p.A. signed a medium term loan with a syndicate of banks for a maximum amount of Euro 11,000 thousands payable to cover capital expenditures and the initial inventory related to the development of the retail channel. Disbursements are subject to the effective implementation of the investment plan of the Group and to comply with financial covenants stated in the contract and verified quarterly by the lenders. The interest expenses are equal to 6-month Euribor, plus a spread of 6,05% per annum (on the non-use of the credit line matures instead a commission of 2% per annum for the first 24 months from the date of signature). The repayment of the credit line runs from the 30th month following the signature of the contract, to be completed after 66 months according to the established plan. The loan agreement also provides for a series of guarantees and constraints of the borrower Damiani S.p.A. and its majority shareholders, for the duration of the contract and for the occurrence of negative situations for the Group, in terms of economics and financials.

Exchange rate risk

The Damiani Group's functional currency is the Euro and, therefore, exchange rate fluctuations of the currencies, mainly for the US Dollar and the Japanese Yen, in which there were originally drawn up the financial statements of the foreign subsidiaries located outside of the Eurozone, affect the financial result and the financial position of the Group at the time of conversion.
Furthermore, some purchases of raw materials and finished products 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 September 30, 2013 there were outstanding currency forward contracts entered by the Group for a total of Euro 5,988 thousands. The policies for hedging exchange rate risk have not undergone significant changes in the first half of the financial year 2013/2014 compared to previous periods.

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 (mainly wholesale customer that generates 60% of the consolidated revenues).
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 surveys 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. This constant monitoring to date has determined the containment of losses to an acceptable level. The deterioration of market conditions and the difficulty of access to credit may impact on the solvency of some of the customers, in respect of which the Group carries out constant monitoring to protect their interests and on which there are timely risk assessment at the closing date.

Raw materials price risk

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 such 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 first half of the financial year 2013/2014 the average price of gold fell sharply, reaching about 33.5 Euro/gram, while in the corresponding period of the previous financial year the average value was 41.5 Euro/gram, with a decrease of about 19% on an annual basis. Despite being positive a down trend, price fluctuations very strong and sudden make it difficult to implement effective actions of coverage.
The price risk can also be boosted by the performance of the exchange rate, since some purchases of raw materials are regulated in currencies such as US Dollar (diamonds) and Japanese Yen (pearls), while the financial statements are denominated in euros.
Normally, however, the Damiani Group mitigates this risk by using suppliers with established relationships and agreements that are defined over a medium term to reduce the effects of sudden and frequent price fluctuations, as happened in the six-months period.
In addition, in order to further reduce the risk due to fluctuations in the price of raw materials, during the period the Group entered into contracts of forward purchase of gold. At September 30, 2013 there were outstanding contracts for the purchase of 52 kilos of gold for a total amount of Euro 1,926 thousands.

41. EXCHANGE RATES

The exchange rates at September 30, 2013 and at September 30, 2012 used for the translation of financial statements in foreign currencies were the following.

Currency	Average I Half 2013/2014	Spot September 30, 2013	Average I Half 2012/2013	Spot September 30, 2012
U.S. Dollar	1.32	1.35	1.27	1.29
Japanese Yen	130.06	131.78	100.40	100.37
Swiss franc	1.23	1.22	1.20	1.21
G.B.Pound	0.85	0.84	0.80	0.80
Hong Kong Dollar	10.21	10.47	9.82	10.03
Pataca Macau	10.51	10.79	10.11	10.33
Peso Messicano	16.71	17.85	16.90	16.61
Indian Rupee	77.79	84.84	N/A	N/A
Renminbi Cinese	8.08	8.26	8.13	8.13
Won Korea del Sud	1,468.08	1,451.84	N/A	N/A

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

Attestation of the Condensed consolidated interim financial statements, pursuant article 154 bis of the Legislative Decree n. 58/98 and article 81-ter of the Consob Regulation n. 11971 of May 14, 1999 and subsequent changes and additions

1. The undersigned Mr. Guido Grassi Damiani, President and CEO, and 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 condensed consolidated interim financial statements as of September 30, 2013.

2. It is also certified that:
   2.1 the condensed interim financial statements:
      a) are drawn up in compliance with the applicable International Financial Reporting Standards, as endorsed by the European Community through the UE Regulation n. 1606/2002 of the European Parliament and Counsel, dated July 19, 2002 as well as with the measures implementing article 9 of the Legislative Decree n.38/2005;
      b) reflect the contents of the accounting books and entries;
      c) are suitable for giving a true and fair view of the assets, liabilities, income and financial position of both the Issuer and all entities included in the scope of consolidation;

   2.2 the interim report on operations provides a reliable analysis of the significant events that have occurred in the first six-months of the financial year and of their impacts on the condensed interim financial statements, together with a description of the main risks and uncertainties for the second half of the financial year, as well as the information regarding the relevant transactions with related parties.

Valenza, November 29 2013

Guido Grassi Damiani	Gilberto Frola
______________________	______________________
President & CEO	Executive in charge of drawing up the accounting documents

Ernst & Young

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

Auditors' review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Damiani S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, 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 cash flows and the related explanatory notes, of Damiani S.p.A. and its subsidiaries (the "Damiani Group") as of September 30, 2013. Management of Damiani S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   The condensed consolidated interim financial statements present, for comparative purposes the consolidated financial statements and condensed consolidated interim financial statements for the prior year. As described in the explanatory note n. 3 *"Adopted accounting standards, amendments and interpretations effective since April 1st, 2013"*, the Directors have restated certain comparative data related to the consolidated financial statements and to the condensed consolidated interim financial statements of the prior year as compared to the data previously presented, on which we issued our reports dated June 28, 2013 and November 28, 2012, respectively. We have examined the methods used to restate the comparative financial data and the information presented in the explanatory notes in this respect for the purposes of issuing this review report.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Damiani Group as of September 30, 2013 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, November 29, 2013

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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