DAMIANI S.p.A.

Consolidated Interim Financial Report at September 30, 2014

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 28, 2014

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CORPORATE BODIES

Board of Directors [(1)]

Guido Grassi Damiani (Chairman & CEO)

Giorgio Grassi Damiani (Vice President)

Silvia Grassi Damiani (Vice President)

Roberta Benaglia (Director)

Stefano Graidi (Director)

Giancarlo Malerba (Director)

Fabrizio Redaelli (Director)

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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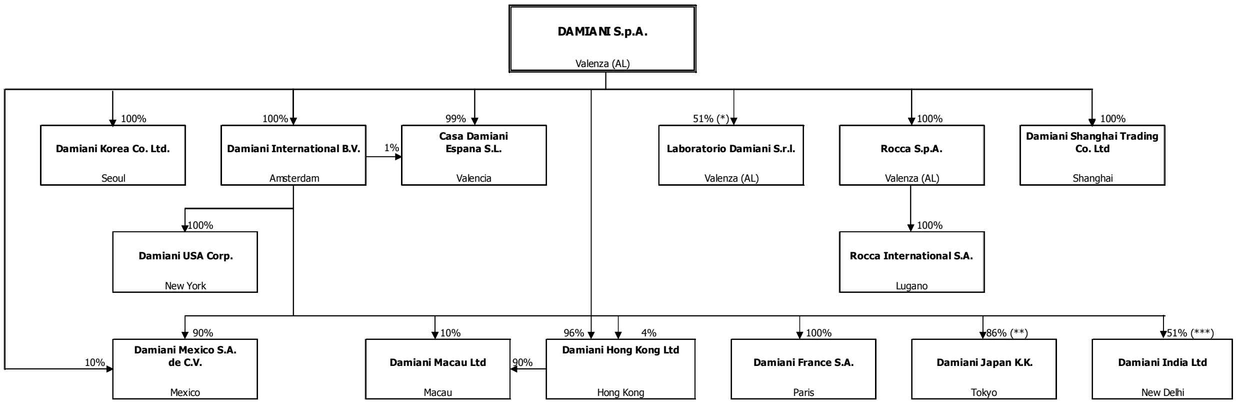
[1] *Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 26, 2012 and in office for the period 2012-2015, until the approval of the Financial statements for the year ended March 31, 2015.*

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

REPORT ON OPERATIONS [3]

Structure and business activities of the Damiani Group



(*) 49% is held by Christian and Simone Rizzetto
(**) 14% is held by Itochu Corporation
(***) 49% is held by Mehta family, Indian partner of the JV

The Damiani Group (hereinafter the "Group") has been operating for 90 years in the jewelry industry, with a significant presence in Italy and in the major foreign markets that has emerged over time thanks to the quality and beauty of its products, recognized by customers around the world who appreciate the luxury Made in Italy.
The Group, leader in Italy, works abroad with direct commercial subsidiaries that oversee the major markets.
In the first half of the financial year 2014/2015 the corporate structure of the Group, graphically represented above, has not changed since the end of the previous financial to March 31, 2014.
The parent company is Damiani S.p.A. (hereinafter the "Company"), which in addition to directly carry out production and commercial activities, also covers the role of industrial and financial holding company, developing the strategic direction of the Group, managing and coordinating initiatives and providing technical, financial and administrative assistance, both for manufacturing operations and for those commercial activities of the companies, directly or indirectly, controlled.
From November 2007 Damiani S.p.A. is listed on the Italian Stock Exchange electronic market.
The Damiani Group, which is focused on producing and distributing jewelry both in Italy and abroad, offers wide coverage of the main market segments and thanks to its different brands provides customers with a large range of differently priced jewelry. The Group's portfolio is made up of five brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni.
Furthermore, through the fully owned network Rocca, the Group distributes prestigious third party brands, mainly in the timepiece sectors.
The distribution of the Group products takes place through two different channels in Italy and abroad:

- the wholesale channel, consisting of independent multi-brands jewelers, department stores, franchisees and distributors;
- the retail channel consisting of the store directly managed by the Group (boutiques, shop-in-shop and corners).

As of September 30, 2014 the Point of Sales ("POS") directly managed were 57, while mono-brand in franchising were 20, with the breakdown shown in the table:

[3] *The Damiani Group closes its financial year at March 31, and therefore the period from April 1 to September 30, 2014 represents the first six months of the financial year that will end on March 31, 2015 (hereafter the financial year 2014/2015). For comparative purposes are shown data for the prior year period, first half of the financial year 2013/2014.*

Boutiques and corners	Italy	Japan	Greater China (*)	Rest of the World	**Total**
Mono-brand Damiani	11	12	10	10	**43**
Multi-brand Rocca	13	-	-	1	**14**
Total DOS	**24**	**12**	**10**	**11**	**57**
Franchising	**-**	**-**	**3**	**17**	**20**

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

In the first half of the financial year 2014/2015 the network abroad grew further three stores, compared to the end of the previous financial year.

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 the first time on July 26, 2012 appointed Guido Grassi Damiani as Chairman and CEO, Giorgio and Silvia Grassi Damiani as Vice-Presidents, 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.
The Board of Directors of Damiani S.p.A. is currently consists of seven members, as reported on page 3 of the Consolidated Interim Financial Report.
On November 29, 2013 the Board of Directors of Damiani S.p.A. appointed Giorgio Grassi Damiani as Director responsible for the internal control system and risk management, replacing Stefano Graidi that, due to unexpected commitments, gave up this position held previously.

Share buy-back program

The Shareholders' Meeting of July 24, 2014 renewed the authorization, subject to the revocation of the resolution adopted by the Shareholders' Meeting of July 26, 2013 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 24, 2016.
- The purchase price of each share, including additional expenses of purchase, must be as a minimum not less than 20% and a maximum not more than 20% of the official price registered by the share in the trading session before each exchange transaction.
- The purchase transactions will be conducted on regulated markets in accordance with local regulations (article 132 of the Legislative Decree n. 58/1998 and article 144bis of Consob Regulation n. 11971/1999) and respecting the principle of equal treatment of shareholders and any other regulations, including Community rules.

As of September 30, 2014 Damiani S.p.A. owned n. 5,556,409 treasury shares (equal to 6.73% of the share capital), and no additional treasury shares have been purchased or sold between April 2014 and September 2014.

Stock option plans

At the date of approval of this consolidated interim financial report there are a total of two ongoing compensation plan based on financial instruments pursuant 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 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 has been so far subject to three cycles of implementation approved by: i) the first cycle by the Board of Directors on April 21, 2011 (amended on February 10, 2012) and still valid; ii) the second and the third by the Board of Directors on June 12, 2014. These last two cycles affecting respectively n. 14 beneficiaries for 345,000 options and with maturity March 31, 2015 and n. 23 beneficiaries for 630,000 options and with maturity March 31, 2016.

In addition, the Shareholders' Meeting of July 24, 2014 approved the adoption of two further plans based on financial instruments pursuant to article 114-bis of the legislative Decree n. 58/1998, that will be implemented in the coming months:

- Stock Grant Plan 2014-2019 which provides for the free assignment of a maximum of n. 1,000,000 Damiani shares in favor of the beneficiaries to be identified by the Board of Directors of Damiani S.p.A., with the assistance of the Remuneration Committee, between directors, employees and consultants of the Group companies.
- Stock Option Plan 2014-2019 which provides for the sale of options to purchase a maximum of n. 3,500,000 Damiani shares in favor of the beneficiaries to be identified by the Board of Directors of Damiani S.p.A., with the assistance of the Remuneration Committee, between the management of the Group companies.

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

Main risks and uncertainties for the Damiani Group

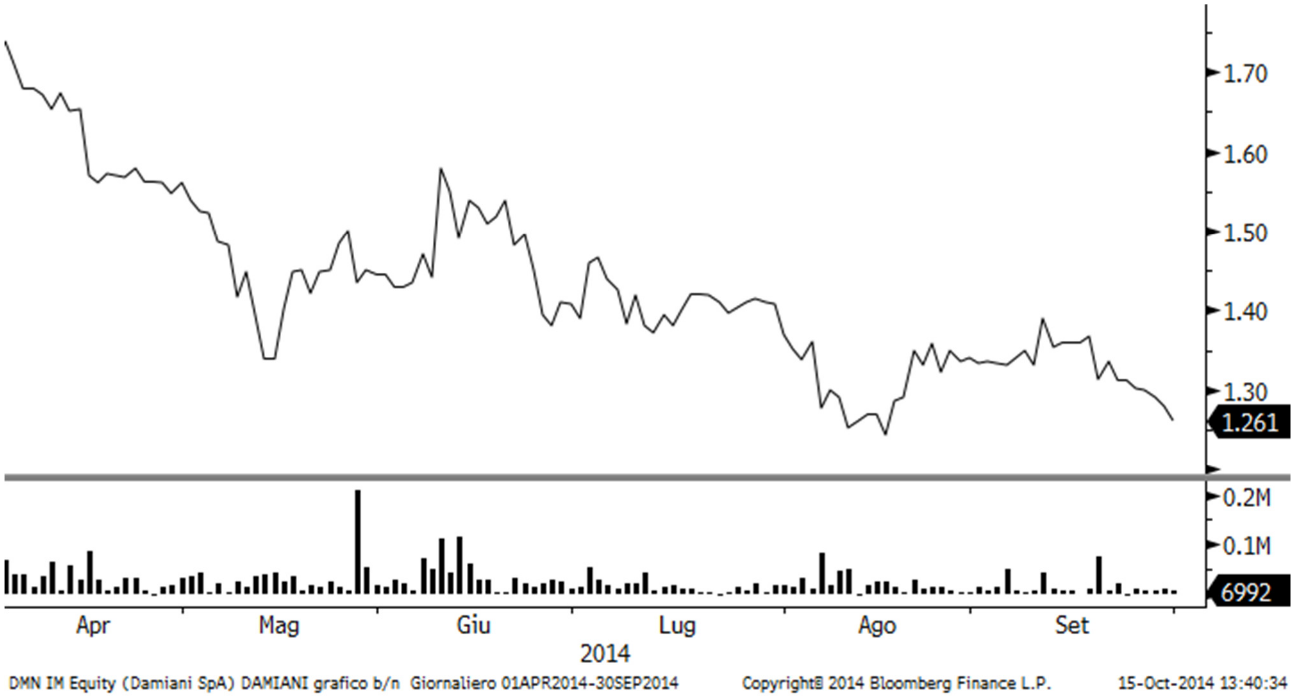
The general economic environment and market reference in the April-September 2014 remained still marked by high volatility and uncertainty, with macro-economic parameters still negative in Italy, and therefore the main risks to which the Damiani Group is exposed are essentially unchanged compared to the previous financial year ended March 31, 2014 (set out in detail in the Consolidated financial statements 2013/2014 to which we refer), with regard to the estimates and forecasts about future trends in the macro-economic indicators, as well as consumer trends of luxury goods (also influenced by the flows of consumers from emerging markets towards Italy, which slowed down in the first half of the current financial year), prices commodities, exchange and interest rates.
For more details, please refer to note 40. Financial risk management.

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. The internal staff specifically dedicated to the development activities works with these objectives. In the first half of the financial year 2014/2015 the overall cost incurred for product development amounted to Euro 401 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 2014/2015.



The main share and market data for the six months period ended at September 30, 2014 are reported below.

Damiani in the Stock Market*

Price on April, 1st 2014 (euro)	1.739
Price on September 30th, 2014 (euro)	1.261
Maximum price (euro)	1.739 (1st April 2014)
Minimum price (euro)	1.243 (18th August 2014)
Average volumes	25,466
Maximum volumes	209,398 (28th May 2014)
Minimum volumes	50 (25th April 2014)
N° shares Company capital	82,600,000
Market capitalisation at September 30th, 2014 (euro mln)	104.2 mln €

* The table above summarizes the main share data as of September 30th, 2014
Source: Bloomberg

Key Data

Share Capital	September 30 2014	March 31 2014
Number of shares issued	82,600,000	82,600,000
Par value per share	0.44	0.44
Share capital (in euro)	36,344,000	36,344,000

Ownership	% on shares issued	% on shares issued
Leading Jewels S.A. (1)	58.81%	58.81%
Guido Grassi Damiani	5.99%	5.99%
Giorgio Grassi Damiani	6.11%	6.11%
Silvia Grassi Damiani	5.30%	5.30%
Damiani S.p.A. (treasury shares) (2)	6.73%	6.73%
Market	17.06%	17.06%

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

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

(1) Company traceable to Damiani Family

(2) The Shareholders' Meeting of July 24, 2014 approved the authorization, for the part not executed of the resolution of the Shareholders' Meeting of July 26, 2013, for the purchase of own shares up to a maximum of n. 16,520,000 ordinary shares of Damiani S.p.A., within a period of 18 months from the date of the Shareholders' resolution. As of September 30, 2014 the treasur shares in portfolio were n. 5,556,409, equal to 6.73% of the share capital.

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

Main economic data (in thousands of Euro)	**I Half 2014/2015**	**I Half 2013/2014**	**Change**	**Change %**
Revenues from sales and services	**62,088**	**65,033**	(2,945)	-4.5%
Total revenues	62,110	65,053	(2,943)	-4.5%
Cost of production	(61,991)	(68,096)	6,105	-9.0%
EBITDA (*)	**119**	**(3,043)**	3,162	n.m.
EBITDA %	***0.2%***	***-4.7%***		
Depreciation, amortization and write downs	(2,343)	(1,579)	(764)	48.4%
Operating result	**(2,224)**	**(4,622)**	2,398	51.9%
Operating result %	***-3.6%***	***-7.1%***		
Net financial incomes (expenses)	(1,410)	(1,269)	(141)	11.1%
Result before taxes	(3,634)	(5,891)	2,257	38.3%
Net result of the Group	(3,431)	(6,136)	2,705	44.1%
Basic Earnings (Losses) per Share	(0.04)	(0.08)		
Personnel cost	(12,008)	(12,368)	360	-2.9%
Average number of employees (**)	594	578	16	2.8%

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

Balance sheet Data (in thousands of Euro)	Situation at September 30, 2014	Situation at March 31, 2014	change
Fixed Assets	45,616	47,208	(1,592)
Net working capital	71,771	66,418	5,353
Non current Liabilities	(6,951)	(6,461)	(490)
Net Capital Invested	**110,436**	**107,165**	**3,271**
Shareholders' Equity	63,431	66,395	(2,964)
Net Financial Position (*)	47,005	40,770	6,235
Sources of Financing	**110,436**	**107,165**	**3,271**

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

Comments on the main economic and financial results of the Group

The 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 has historically achieved a lower 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, 2014 resulted in decrease of 4.5% compared to those recorded in the corresponding period of the previous financial year. The Gross operating result turned positive and an improvement of Euro 3,162 thousands compared to the first half of the previous financial year, benefiting both of the internal reorganization actions which impacted on the operating costs and for the non-recurring incomes booked in the period (sale of a business unit relative to a store in Rome). Excluding this component would have recorded an improvement in gross operating result amounted to Euro 1,005 thousands.
The net loss of the Group was in sharp decline (-44.1%) compared to the first half of the financial year 2013/2014 and amounted to Euro 3,431 thousands.

The following table shows the income statement of the first half of the financial year 2014/2015, compared to the income statement of the same period of the previous financial year, and are commented the trends of the main economic items.

Profit & Loss

(in thousands of Euro)	**I Half 2014/2015**	**I Half 2013/2014**	**Change**	**Change %**
Revenues from sales and services	62,088	65,033	(2,945)	-4.5%
Other revenues	22	20	2	10.0%
Total revenues	**62,110**	**65,053**	(2,943)	-4.5%
Cost of production	(61,991)	(68,096)	6,105	-9.0%
of which incomes not recurring	*1,891*	-		
EBITDA *	**119**	**(3,043)**	3,162	n.m.
EBITDA %	***0.2%***	***-4.7%***		
Depreciation, amortization and write downs	(2,343)	(1,579)	(764)	48.4%
of which write downs not recurring	*(498)*	-		
Operating result	**(2,224)**	**(4,622)**	2,398	51.9%
Operating result %	***-3.6%***	***-7.1%***		
Net financial incomes (expenses)	(1,410)	(1,269)	(141)	11.1%
Result before taxes	**(3,634)**	**(5,891)**	2,257	38.3%
Result before taxes %	***-5.9%***	***-9.1%***		
Taxes	(99)	(520)	421	-81.0%
Net result	**(3,733)**	**(6,411)**	2,678	41.8%
Net result %	***-6.0%***	***-9.9%***		
Non controlling interests	(302)	(275)	(27)	-9.8%
Net result of the Group	(3,431)	(6,136)	2,705	44.1%
Net result of the Group %	*-5.5%*	*-9.4%*		

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

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 2014/2015 were Euro 62,088 thousands, a decrease of 4.5% compared to those booked in the first half of the previous financial year. Revenues at constant exchange rates instead show a contraction slightly lower, equal to 3.8% 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 2014/2015**	**I Half 2013/2014**	**Change**	**Change %**
Retail	**27,399**	**26,993**	**406**	**1.5%**
Percentage on total revenues	*44.1%*	*41.5%*		
Wholesale	**34,689**	**38,040**	**(3,351)**	**-8.8%**
Percentage on total revenues	*55.9%*	*58.5%*		
Total revenues from sales and services	**62,088**	**65,033**	**(2,945)**	**-4.5%**
Percentage on total revenues	*100.0%*	*100.0%*		
Other revenues	**22**	**20**	**3**	**12.8%**
Percentage on total revenues	*0.0%*	*0.0%*		
Total Revenues	**62,110**	**65,053**	**(2,942)**	**-4.5%**

- In the retail channel revenues were Euro 27,399 thousands, an increase by 2.6% at constant exchange rates and by 1.5% at current exchange rates, compared to the first half of the previous financial year. The increase is entirely due to the positive sales performance of the Damiani brand, both in single-brand and multi-brand directly managed: at constant exchange rates the increase was 22.5%, at current exchange rates was 20.4%. This overall trend confirms a positive trend that has lasted for five years. In contrast, the decline in flows of foreign customers (especially Russians) in the Italian multi-brands with the Rocca sign has penalized in the period sales of third-parties brands of watches. Overall, the decline of sales in multi-brand stores was 18.9%. The weight of the retail revenues reached 44.1% of total Group’s sales, up by more than 2.5 percentage points over the first half of the previous financial year.
- In the wholesale channel revenues were Euro 34,689 thousands, -8.4% at constant exchange rates and 8.8% at current exchange rates compared to the first half of the financial year 2013/2014. This reduction was largely due a different timing of sales related to specific events in Italy and abroad to promote the visibility and international awareness of the Damiani brand. Therefore, during the entire financial year is expected that this delay due to this time lag can be completed reabsorbed.

Cost of production

Overall, the net costs of production in the first half of the financial year 2014/2015 were Euro 61,991 thousands, with a decrease of Euro 6,105 thousands (-9.0%) compared to the same period of the previous financial year (Euro 68,096 thousands).
In details the trend of the main items in the six months period ended September 30, 2014:

- **Cost for raw materials and other materials** (including purchases of finished goods), amounted to Euro 34,378 thousands with a decrease by 3.7% compared to the first half of the financial year 2013/2014 (Euro 35,691 thousands). The change was primarily due to the trend of revenues from sales.
- **Cost of services** were Euro 18,346 thousands, -8.8% compared to the first half of the previous financial year (Euro 20,119 thousands). The downturn has affected almost all the items of expenditure due to the actions of saving activated on the different business processes.
- **Personnel cost** was Euro 12,008 thousands with a decrease by 2.9% compared to the same period of the previous financial year (Euro 12,368 thousands). The downturn was mainly concentrated on the Parent company, in which we proceeded to streamline the staff structure and to the use of temporary social safety nets.
- The **Other net operating (charges)/incomes** showed a positive balance of Euro 2,741 thousands in the first half of the financial year 2014/2015 compared to a positive balance of Euro 82 thousands in the first half of the financial year 2013/2014. The balance in the first half of the current financial year includes the net income, not-recurring, of Euro 1,891 thousands for sale to third parties of the business unit (inclusive of the lease) for the multi-brand store Rocca in Rome, which took place in May 2014. This store was neither profitable nor strategic for the Group.

EBITDA

The combined trend of revenues and net costs of production described above results in a positive EBITDA in the six months ended September 30, 2014 equal to Euro 119 thousands, an improvement of Euro 3,162 thousands compared to the negative gross operating result of the same period of the previous financial year (negative for Euro 3,043 thousands). Net of non-recurring income booked in the first half of the current financial year, described above, EBITDA would have improved by Euro 1,271 thousands.

Amortization, depreciation and write downs

In the first half ended September 30, 2014 amortization, depreciation and write downs of non-current assets amounted to Euro 2,343 thousands, increase compared to the same period of the last year (Euro 1,579 thousands). This was due both to the greater depreciable consistency generated by investments made primarily to support the development of the retail segment and
to the write-off of the net book values of the assets transferred in the transaction that has affected the store in Rome, above described, the value of which was Euro 498 thousands.

Operating result

The operating performance of the Group in the six months ended September 30, 2014 was negative for Euro 2,224 thousands, an improvement of Euro 2,398 thousands compared to the loss recorded in the same period of the previous financial year. Net of non-recurring income booked in the first half of the current financial year, above described, the Operating result would have improved by Euro 1,005 thousands.

Net financial incomes (expenses)

The balance of financial management in the first half of the financial year 2013/2014 was negative for Euro 1,410 thousands, worsening of Euro 141 thousands compared to the negative balance of Euro 1,269 thousands in the first half of the financial year 2013/2014. The change was mainly due to increasing expenses generated by a higher average financial exposure in the period on which are also faced with higher interest rates, partially offset by a lower impact of foreign exchange losses for currency transactions.

Result before taxes

The operations and financials for the period ended September 30, 2014 resulted in a pre-tax loss of Euro 3,634 thousands, compared to a loss of Euro 5,891 thousands in the same period of the previous financial year, resulting in an improvement of Euro 2,257 thousands.

Current, prepaid and deferred taxes

In the six months period ended September 30, 2014 current and deferred taxes had a negative impact of Euro 99 thousands compared to a negative balance of Euro 520 thousands in the first half of the financial year 2013/2014.

Net Result

In the first half of the financial year 2014/2015 the Net consolidated result of the Group despite being still negative for Euro 3,431 thousands was a major improvement compared to the same period of the last financial year, reaching almost to halve the loss (-44,1%) which appeared to be of Euro 6,136 thousands.

Balance sheet and financial situation

The following table shows the reclassified consolidated balance sheet of Damiani Group at September 30, 2014, compared to that of March 31, 2014, and then commented the main changes.

Balance sheet Data (in thousands of Euro)	Situation at September 30, 2014	Situation at March 31, 2014	change
Fixed Assets	45,616	47,208	(1,592)
Net working capital	71,771	66,418	5,353
Non current Liabilities	(6,951)	(6,461)	(490)
Net Capital Invested	**110,436**	**107,165**	**3,271**
Shareholders' Equity	63,431	66,395	(2,964)
Net Financial Position (*)	47,005	40,770	6,235
Sources of Financing	**110,436**	**107,165**	**3,271**

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

Fixed Assets

At September 30, 2014 the fixed assets of the Group were Euro 45,616 thousands, a decrease by Euro 1,592 thousands compared to March 31, 2014 (Euro 47,208 thousands). The growth in the six months period for capex (equal to Euro 374 thousands) was completely offset by the amortization, depreciation and write-down of the period (for Euro 2,343 thousands), described above. Essentially stable during the period are the other non-current assets (financial receivables and deferred tax assets).

Net working capital

At September 30, 2014 the net working capital was Euro 71,771 thousands, an increase by Euro 5,353 thousands compared to March 31, 2014: the dynamics of its components are related to the normal seasonal trend of the production/distribution process, so the increase in inventories, for the distribution in Christmas campaign, is offset by the decrease 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, 2014 the non-current liabilities amounted to Euro 6,951 thousands, a slight decrease compared to the previous financial year (equal to Euro 6,461 thousands), mainly for the growth in the employees termination indemnities and in the provision for risks and charges.

Shareholders' equity

At September 30, 2014 the Shareholders' equity amounted to Euro 63,431 thousands, a decrease by Euro 2,964 thousands compared to March 31, 2014, mainly due to the negative result of the six months period (equal to Euro 3,733 thousands, including the portion attributable to non-controlling interests) and to the discounted loss detected on defined benefit plans for employees (equal to Euro 196 thousands), to which oppose positive changes for exchange differences for Euro 858 thousands and the increase in the stock option reserve for the share-based payments of Euro 107 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 financial position at September 30, 2014 and its change from March 31, 2014.

Net financial position (*) (in thousands of Euro)	**Situation at September 30, 2014**	**Situation at March 31, 2014**	**change**
Current portion of loans and financing	4,935	3,664	1,271
Drawndown of credit lines, short term financing and others	26,061	21,554	4,507
Current portion of loans and financing with related parties	1,034	1,038	(4)
Current financial indebtedness	**32,030**	**26,256**	**5,774**
Non current portion of loans and financing	11,654	12,851	(1,197)
Non current portion of loans and financing with related parties	11,523	12,127	(604)
Non current financial indebtedness	**23,177**	**24,978**	**(1,801)**
Total gross financial indebtedness	**55,207**	**51,234**	**3,973**
Cash and cash equivalents	(8,202)	(10,464)	2,262
Net financial position (*)	**47,005**	**40,770**	**6,235**

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

At September 30, 2014 the Group had a net financial debt of Euro 47,005 thousands, worsening by Euro 6,235 thousands compared to March 31, 2014, as a result of cash flow absorbed by operating and investing activities of the six months period. The short-term credit lines, currently less costly for the Group, continue to be underutilized.
Please note that at September 30, 2014 the net financial position includes Euro 12,557 thousands for debts towards related parties both for real estate transactions accounted as sale and lease-back operations (at September 30, 2014 this debt component amounted to Euro 7,557 thousands) and for a non-convertible and reserved bond signed in September 2013 by major shareholders, Guido, Giorgio and Silvia Grassi Damiani, for an amount of Euro 5,000 thousands (the different components of medium-long term financial liabilities are described in details in the following explanatory note 19. Financial liabilities: current and non-current portion).

Key data by geographical areas

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

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

The reorganization of the Damiani Group implemented during the previous financial year 2012/2013 resulted in the reallocation and the simplification of operational activities within the Italian and foreign companies. Therefore, the division between Italy and Foreign countries is the main dimension on which the Group proceeds to the analysis and evaluation of the business, both in term of revenues and operating profitability. To maintain comparability between periods in the information by geographic region data taken from internal management systems of the Group are also considered, in order to allocate properly revenues and operating costs on the relevant areas.
In the following table are shown revenues by geographical sectors in the first half ended September 30, 2014 and in the same period of the previous financial year.

Revenues by Geographical Area (In thousands of Euro)	**I Half 2014/2015**	% of total	**I Half 2013/2014**	% of total	change %
Italy	**41,654**	67.1%	**42,284**	65.0%	-1.5%
- revenues from sales and services	41,636		42,271		
- other revenues	18		13		
Foreign countries	**20,456**	32.9%	**22,769**	35.0%	-10.2%
- revenues from sales and services	20,452		22,762		
- other revenues	4		8		
Total revenues	**62,110**	**100%**	**65,053**	**100%**	-4.5%

Revenues by geographic area showed the following trends:

- The trend of revenues in **Italy**, a total slightly down compared to the first half of the last financial year, was influenced by two opposite trend: on the one hand the growth of the Damiani brand (retail and wholesale the increase was about 18%), on the other hand the reduction in sales of other minor brands of the Group and third party brands (watches) sold in multi-brand stores with Rocca sign, who have suffered from the decline in the flow of purchases from foreign tourists, especially Russians.
- The **Foreign countries** sector recorded a decline in revenues of Euro 2,313 thousands due to the following factors: i) completion of the restructuring of the presence in the North America that has led to a contraction of the distribution of the Group's brands with the aim of containing excessive operating costs; ii) different timing of events to promote the Damiani brand that in the previous financial year were concentrated in the first half and had given rise to a significant volume of sales.

The following table shows the EBITDA breakdown by geographical areas in the first half of the financial year 2014/2015 and in the same period of the prior financial year.

EBITDA by Geographical Area * (in thousands of Euro)	**I Half 2014/2015**	% on total	**I Half 2013/2014**	% on total	change %
Italy	**972**	n.m.	**(1,027)**	33.7%	n.m.
Foreign countries	**(853)**	n.m.	**(2,016)**	66.3%	57.7%
Consolidated EBITDA	**119**		**(3,043)**		
% on Revenues	*0.2%*		*-4.7%*		

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

The actions to reduce the operating costs during the half year led to an improvement in terms of EBITDA on both geographic segments: in **Italy** there is a positive gross operating profitability resulting in an improvement of Euro 2,017 thousands compared to the same period of the previous year; in the **Foreign countries** the result is still negative reflecting the start-up of some commercial subsidiaries recently opened with significant investments in retail, but an improvement of Euro 1,162 thousands.

Related parties transactions

The operations carried out by the Damiani Group with related parties are mainly of real estate nature (property leasing for shops and offices) and financial (bond signed by the Executive directors and shareholders, Damiani brothers).
Data concerning dealings of the Group with related parties in the six months period ended September 30, 2014 and in the same period of the prior financial year are displayed hereunder (further details at note 35. Transactions with related parties).

(in thousands of Euro)	I Half 2014/2015		Balance at September 30, 2014			
	Net operating costs	Financial expenses	Other current assets	Financial debt (including leasing)	Other current liabilities	Trade payables
Total with related parties	(501)	(505)	692	(12,557)	(275)	(3,961)
Total from Consolidated	(64,334)	(1,456)	8,951	(55,207)	(5,404)	(50,021)
%age weight	1%	35%	8%	23%	5%	8%

(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 Consolidated	(69,675)	(1,610)	11,832	22,192	(49,089)	(51,155)
%age weight	1%	26%	6%	0%	28%	9%

Non-recurring, atypical and/or unusual operations

In the six months period there were no positions or transactions deriving from atypical and/or unusual transactions as defined by Consob Resolution n.15519 of July 27, 2006.
In the first half of the financial year 2014/2015 it should be noted as non-recurring operation:

- On May 26, 2014 the subsidiary Rocca S.p.A. sold to third parties the business unit (inclusive of the lease) for the multi-brand store in Rome. The price agreed between the parties was Euro 1,980 thousands. Because of the simultaneous write-off of the net book values of the assets transferred (and related costs), which totally amounted to Euro 587 thousands, the net income of the Group amounted to Euro 1,393 thousands. The multi-brand store in Rome was not-profitable nor strategic for the Group.

Significant events of the first half period

On May 28, 2014, the activities of the second flagship store in Singapore started. The store is located at Marina Bay Stands, the shopping center of the city where there are major international luxury brands. American actress Eva Longoria was the guest of honor at the event inauguration of the boutique, which was attended by local dignitaries and journalists.
Damiani has participated as a sponsor in the celebrations of the centenary of the Olympic Committee in Rome. At the official ceremony June 9, 2014 at the Foro Italico in the prestigious setting of the Stadio dei Marmi, in the presence of the President of the Italian Republic Giorgio Napolitano, Damiani has exposed the limited edition collection created to celebrate the 90th Anniversary of the maison. It is numbered exclusive jewelry that are inspired by each decade of history of Damiani from 1924 to today.
On June 18, 2014 was inaugurated at Palazzo Pitti in Florence the temporary exhibition "*90 Years of Excellence and Passion* " of Damiani. In the exhibition, which was open to the public until September 7, 2014 in the Gallery of Modern Art of the historic Florentine Renaissance palace, were exhibited 18 works that over the years have been awarded the Diamond International Award, the Oscar of the jewelry, and creation dedicated to 90 years of the *maison* and other works of award-winning goldsmith. Damiani is the first jeweler in activities to which it is dedicated the honor of an exhibit of such prestige and necklace Chakra was donated to the permanent collection of the Galleria degli Argenti in Palazzo Pitti.
In the month of August 2014 Damiani was presenting sponsor at 71th Italian Open Golf, played at the route of the Circolo Golf Torino. Damiani has enhanced its participation in various initiatives and activities on days when the races was sailed and has made available a set of jewels Juliette worth about $ 350,000 for those who had made the "Hole in one" and an award for the best Italian classified.
In September Damiani was among the sponsors of the event Celebrity Fight Night, which was held in Tuscany, thanks to the efforts of the famous tenor Andrea Bocelli. The Celebrity Fight Night Foundation

supports twenty years the battle of the great boxer Muhammad Alì for research on Parkinson's disease. The event was attended by international stars of the entertainment world.

Exclusion from the STAR segment of the Italian Stock Exchange
On August 13, 2014 The Board of Directors of Damiani S.p.A. resolved to request Borsa Italiana S.p.A. the exclusion of STAR qualification for the shares of the Company, pursuant to article 2.5.8 of the Rules of the Markets organized and managed by the Italian Stock Exchange. The request was also dictated by the reduction of the "float" below the threshold of 20% of the share capital, the minimum required for the presence in the STAR segment. On August 18, 2014 Borsa Italiana S.p.A. ordered the exclusion from STAR qualification of the ordinary shares of Damiani S.p.A. and the consequent transfer of these to the MTA market with effect from August 26, 2014.

Merger between Damiani S.p.A. and Rocca S.p.A.
On August 5, 2014 the Board of Directors of Damiani S.p.A. approved the project of the merger by incorporation of the subsidiary Rocca S.p.A. in the parent company, which owns 100% of the share capital. The operation is aimed at ensuring greater functionality of the Group, in economic and financial terms, and is part of the reorganization that is already largely being implemented in the previous financial years.
The merger will not result in any capital increase in Damiani S.p.A. nor, in accordance with Consob Regulation n. 17221/10, is subject to the Procedure for transactions with related parties, as made with fully owned company.
On October 2, 2014 the Boards of Directors of the merging Damiani S.p.A. and incorporated Rocca S.p.A. approved the merger pursuant article 2502 of the Italian Civil Code. The effective date in legal terms will be established in the merger, while the accounting and tax effects are backdated to April 1, 2014.

Significant events after the end of the first half period

In October Damiani, along with former Japanese footballer Nakata, has launched the new collection Metropolitan Dream by H. Nakata with the aim of raising funds to support the project "*Home for all*", launched in 2011 and directed by the famous architect Toyo Ito, to help victims of the earthquake that hit Japan in March 2011 in the reconstruction of the affected cities and to improve the daily life of the community.

In the months of October and November 2014 continued the celebrations of the 90th Anniversary of the Damiani Group. On October 1, a delegation of the Company went in audience by the Holy Father Pope Francesco, giving him a particular version, in silver and wood, of cross Belle Epoque. On October 8, were exposed jewelry collection created for the occasion at the Palazzo Mezzanotte (Italian Stock Exchange) in Milan. November 4 was held in Taipei, at the Regent Hotel, another event to present the collections to local customers. Guest of honor of this event was Sophia Loren, star and ambassador of Italian style in the world.

Business outlook

The macroeconomic data indicate a weak growth in the world economy for 2014, with Italy that remains the weakest between the advanced countries. Japan also recorded a slowdown and emerging countries presumably will close the year with more modest growth compared to 2013.
In a scenario that continues to be still characterized by uncertainty, the Group is however recording in the first part of the October-December quarter, typically high seasonality in the luxury sector, a recovery in revenues and orders collected (in particular abroad) that has already allowed to recover the delay of the first half. These elements enable us to develop projections of revenues for the full year to recover from the trend of the first half.
Simultaneously the actions aimed at containing the growth of operating expenses are continuing whose benefits were already visible in the first half just ended and will continue to characterize the near future, including initiatives to further streamline business processes (the merger between Damiani S.p.A. and Rocca S.p.A. should be read in this context) and divest non-strategic assets/stores.
The set of external and internal initiatives leads us to believe that the operating and net results will be an improvement over the previous financial year, continuing the positive trend recorded in recent quarters.

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 28 2014

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

DAMIANI S.p.A.

Interim condensed consolidated financial statements as of September 30, 2014

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2014 and at March 31, 2014

(in thousands of Euro)	Note	September 30, 2014	March 31, 2014
NON-CURRENT ASSETS			
Goodwill	7	4,737	4,737
Other Intangible Assets	8	3,743	4,282
Property, plant and equipment	9	16,297	17,447
Investments	10	167	167
Financial receivables and other non current assets	11	4,243	4,125
Deferred tax assets	12	16,429	16,450
TOTAL NON CURRENT ASSETS		**45,616**	**47,208**
CURRENT ASSETS			
Inventories	13	94,953	85,745
Trade receivables	14	24,777	30,525
Tax receivables	15	464	497
Other current assets	16	8,951	7,322
of which towards related parties		*692*	*788*
Cash and cash equivalents	17	8,202	10,464
TOTAL CURRENT ASSETS		**137,347**	**134,553**
TOTAL ASSETS		**182,963**	**181,761**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		28,317	36,154
Group net income (loss) for the period		(3,431)	(8,557)
TOTAL GROUP SHAREHOLDERS' EQUITY		**61,230**	**63,941**
NON CONTROLLING INTEREST			
Non controlling interest share capital and reserves		2,503	2,465
Non controlling interest net income (loss) for the period		(302)	(11)
TOTAL NON CONTROLLING INTEREST		**2,201**	**2,454**
TOTAL SHAREHOLDERS' EQUITY	18	**63,431**	**66,395**
NON CURRENT LIABILITIES			
Non current portion of long term financial liabilities	19	23,177	24,978
of which towards related parties		*11,523*	*12,127*
Employees' Termination Indemnities	20	5,229	5,005
Deferred Tax liabilities	12	458	407
Provision for risks and charges	21	780	581
Other non current liabilities	22	484	468
TOTAL NON CURRENT LIABILITIES		**30,128**	**31,439**
CURRENT LIABILITIES			
Current portion of long term financial liabilities	19	5,969	4,702
of which towards related parties		*1,034*	*1,038*
Trade payables	23	50,021	49,183
of which towards related parties		*3,961*	*4,575*
Short term borrowings	24	26,061	21,554
Tax payables	25	1,949	2,340
Other current liabilities	26	5,404	6,149
of which towards related parties		*275*	*138*
TOTAL CURRENT LIABILITIES		**89,404**	**83,928**
TOTAL LIABILITIES		**119,532**	**115,367**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**182,963**	**181,761**

CONSOLIDATED INCOME STATEMENT

For six months periods ended September 30, 2014 and September 30, 2013

(in thousands of Euro)	Note	I Half 2014/2015	I Half 2013/2014
Revenues from sales and services		62,088	65,033
Other revenues		22	20
TOTAL REVENUES	27	**62,110**	**65,053**
Cost for raw materials and consumables	28	(34,378)	(35,691)
Cost of services	29	(18,346)	(20,119)
of which towards related parties		*(501)*	*(504)*
Personnel cost	30	(12,008)	(12,368)
Other net operating (charges) incomes	31	2,741	82
of which not recurring		*1,891*	-
Amortization, depreciation and write downs	32	(2,343)	(1,579)
of which not recurring		*(498)*	-
TOTAL OPERATING EXPENSES		**(64,334)**	**(69,675)**
OPERATING INCOME (LOSS)		**(2,224)**	**(4,622)**
Financial Expenses	33	(1,456)	(1,610)
of which towards related parties		*(505)*	*(412)*
Financial Incomes	33	46	341
INCOME (LOSS) BEFORE INCOME TAXES		**(3,634)**	**(5,891)**
Taxes	34	(99)	(520)
NET INCOME (LOSS) FOR THE PERIOD		**(3,733)**	**(6,411)**
Attributable to:			
Equity holders of the parent		(3,431)	(6,136)
Non controlling interests		(302)	(275)
Basic Earnings (Losses) per share(*)		**(0.04)**	**(0.08)**
Diluted Earnings (Losses) per share(*)		**(0.04)**	**(0.08)**

(*) The earnings (losses) per share are calculated by dividing the net result for the half-year belonging to the 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 six months periods ended September 30, 2014 and September 30, 2013

(in thousands of Euro)	**I Half 2014/2015**	**I Half 2013/2014**
Net income (loss) for the period	**(3,733)**	**(6,411)**
Other gains (losses) that will be reclassified to net income for the period:		
Gains (losses) on cash flow hedges	0	0
Tax effect	0	(0)
Gains (losses) on exchange differences on translating foreign operations	1,104	(420)
Tax effect	(246)	(540)
Other gains (losses) that will not be reclassified to net income for the period:		
Gains (losses) on the remeasurement of defined benefit plans	(277)	(710)
Tax effect	81	195
Total comprehensive income (loss) for the period	**(3,071)**	**(7,885)**
Equity holders of the parent	(2,818)	(7,584)
Non controlling interests	(253)	(301)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For six months periods ended September 30, 2014 and September 30, 2013

(In thousands of Euro)	Share Capital	Share Premium Reserve	Legal Reserve	Shareholders payment reserve	Stock option reserve	Treasury Shares	Other reserves	IAS 19 reserve	Net income (Loss) for the period	Group shareholders' equity	Non controlling interest	Total shareholders' equity
Balances at March 31, 2013	**36,344**	**69,858**	**2,434**	**8,618**	**455**	**(8,134)**	**(26,602)**	**168**	**(8,563)**	**74,577**	**2,582**	**77,159**
Allocation of the result for the period		(2,069)					(6,494)		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**	**67,789**	**2,434**	**8,618**	**516**	**(8,134)**	**(34,060)**	**(316)**	**(6,136)**	**67,054**	**2,281**	**69,335**

(In thousands of Euro)	Share Capital	Share Premium Reserve	Legal Reserve	Shareholders payment reserve	Stock option reserve	Treasury Shares	Other reserves	IAS 19 reserve	Net income (Loss) for the period	Group shareholders' equity	Non controlling interest	Total shareholders' equity
Balances at March 31, 2014	**36,344**	**67,789**	**2,434**	**8,618**	**577**	**(8,134)**	**(34,775)**	**(355)**	**(8,557)**	**63,941**	**2,454**	**66,395**
Allocation of the result for the period		(2,033)					(6,524)		8,557			
Other comprehensive income(loss)							809	(196)	(3,431)	(2,818)	(253)	(3,071)
Stock option					107					107		107
Balances at September 30, 2014	**36,344**	**65,756**	**2,434**	**8,618**	**684**	**(8,134)**	**(40,490)**	**(551)**	**(3,431)**	**61,230**	**2,201**	**63,431**

CONSOLIDATED STATEMENT OF CASH FLOWS

For six months periods ended September 30, 2014 and September 30, 2013

(In thousand of Euro)	I Half 2014/2015	I Half 2013/2014
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	(3,733)	(6,411)
Adjustments to reconcile the income (loss) for the period to the cash flow from/(used in) by operations:		
Amortization, depreciation and write downs	2,343	1,579
Costs/(revenues) for stock option	107	61
(Gains)/Losses from sale of non current assets	3	48
Accrual (releases) of allowance for doubtful accounts	239	(80)
Accrual (releases) of provision for risk and charges	269	108
Changes in the fair value of financial instruments	(413)	131
Accrual to employees' termination indemnity	367	302
Employees' termination indemnity payments	(143)	(122)
Changes in the deferred tax assets and liabilities	72	446
	(889)	(3,938)
Changes on operational assets and liabilities		
Trade receivables	5,509	3,014
Inventories	(9,208)	(8,978)
Trade payables	838	5,551
Tax receivables	33	347
Tax payables	(391)	223
Provisions for risks and charges	(70)	(682)
Other current assets and current and non current liabilities	(1,945)	(1,504)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	**(6,123)**	**(5,967)**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposal of intangible assets and property, plant and equipment	92	32
Purchase of property, plant and equipment	(365)	(2,123)
Purchase of intangible assets	(9)	(70)
Net change in the other non current assets	(118)	300
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES (B)	**(400)**	**(1,861)**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of long term loans	(2,437)	(3,574)
Issuance of long-term debt	1,903	7,904
Net change in short-term financial liabilities	4,507	4,108
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES (C)	**3,973**	**8,438**
TOTAL CASH FLOW (D=A+B+C)	**(2,550)**	**605**
Effect of exchange rates on cash (E)	288	(752)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR (F)	**10,464**	**7,688**
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (G=D+E+F)	**8,202**	**7,541**

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, 2014 relating to the six months period from April 1, 2014 to September 30, 2014, 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 Consolidated Interim Financial Statements has been authorized by the Board of Directors of Damiani S.p.A. of November 28, 2014.
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.
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 cash flows statement has been prepared using the indirect method.
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 ended March 31, 2014. 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, 2014, to which we refer for a fuller discussion, also considering what described in note 3. Adopted accounting standards, amendments and interpretations effective since April 1, 2014.
The Condensed interim financial statements at September 30, 2014 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, 2014 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, 2014 are compared to those at March 31, 2014.
Subsidiaries are fully consolidated from the date of 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 relation, are netted out.
The following subsidiaries are included within the scope of consolidation on September 30, 2014:

Company name	Registered office	Currency	Share Capital (local currency)	Held by	% Direct (*)	% of the Group
Laboratorio Damiani S.r.l.	Valenza (AL), Italy	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Damiani International B.V.	Amsterdam, Netherland	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan K.K.	Tokyo, Japan	JPY	495,000,000	Damiani International B.V.	0.00%	86.00%
Damiani USA, Corp.	New York, USA	USD	900,000	Damiani International B.V.	0.00%	100.00%
Casa Damiani Espana S.L.	Valencia, Spain	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Hong Kong Ltd.	Hong Kong	HKD	72,500,000	Damiani S.p.A.	96.00%	100.00%
Damiani France S.A.	Paris, France	EUR	38,500	Damiani International B.V.	0.00%	100.00%
Damiani Macau Ltd.	Macau	MOP	22,500,000	Damiani Hong Kong 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	45,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani Korea Co. Ltd.	Seoul, South Korea	KRW	1,900,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani India Co. Ltd.	New Delhi, India	INR	53,980,000	Damiani International B.V.	0.00%	51.00%

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

During the first half of the financial year 2014/2015 the Group's composition didn't change if compared to March 31, 2014.

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, 2014 the Group hadn't interest in associated companies.

Other investments

The following table includes information regarding investments in other companies held by Damiani group as September 30, 2014 for a total value of Euro 167 thousands. The value is not changed since March 31, 2014.

Company name	Currency	Share capital (in thousands of Euro)	Book value (in thousands of Euro)	Held by	% owned directly	% owned by whole Group
Fin-or-val S.r.l. (1)	Euro	2,966	126	Damiani S.p.A.	4.36%	4.36%
Banca d'Alba (1)	Euro	46,792	41	Damiani S.p.A.	0.50%	0.50%

(1) Share capital at December 31, 2013

3. ACCOUNTING POLICIES

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, 2014, except for the adoption of new standards, amendments and interpretations effective from April 1, 2014.

Below are the nature and impact of any new standard/amendment:

- IAS 32 Compensation of financial assets and liabilities – Amendments to IAS 32. The amendments clarify the meaning of "properly has a legal right to offset" and the criterion for compensation in the event of settlement systems (such as central clearing houses) that apply gross settlement mechanisms not simultaneous. These changes had no impact on the Group's financial statements.
- IFRS 10 Consolidated financial statements. IFRS 10 replaces the part of IAS 27 which specifies the accounting of the consolidated financial statements and replaces SIC-12 Consolidation: special purpose entities. The new standard establishes a single control model that applies to all companies, including the company's purpose (*special purpose entities*). The changes introduced by IFRS 10 require management to make assessments relevant to determining which companies are controlled and, therefore, must be consolidated by a parent. IFRS 10 had no impact on the consolidation of the investments held by the Group.
- IFRS 11 – Agreements to join control. IFRS 11 replaces IAS 31 Participations in Joint venture and SIC-13 Jointly controlled entities – contribution in kind. IFRS 11 eliminates the option to account for jointly controlled entities using the proportionate consolidation method. Jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The change had no impact on the Group's financial statements.
- IFRS 12 – Disclosure of interests in other entities. IFRS 12 includes all provisions regarding disclosures previously included in IAS 27 on the consolidated financial statements, as well as all the disclosures that IAS 31 and IAS 28. This disclosure relates to the equity of a company in subsidiaries, joint venture, associates and structured entities. The effects of the adoption of the new standard are limited to the information relating to investments in other companies to provide in the notes of the consolidated annual financial statements.
- Amendments to IAS 36 – Information on the recoverable value of non-financial assets. These changes remove the consequences of the disclosures required by IAS 36 unintentionally introduced by IFRS 13. In addition, these changes require the information on the recoverable amount of the asset or CGU to which during the year was taken over or turned over to a reduction of value (*impairment loss*).
- Amendments to IAS 39 – Financial instruments: recognition and measurement. The changes are intended to cover situations in which a derivative designated as a hedging instruments is novated in accordance with certain criteria. The amendment had no impact on the Group.
- IFRIC 21 – Tributes. The interpretations clarify the recognition of liabilities for the payment of taxes other than income taxes, already regulated by IAS 12. The interpretation also requires the application to interim financial statements.

4. USE OF ESTIMATES

For the preparation of the condensed consolidation 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 and 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. In the first half we proceeded to update the assessment of the recoverable amount of goodwill relating to the CGU – Alfieri & St. John. There were no other circumstances that would significantly change the context in which the assessments and estimates were carried out 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 of any additions.
In particular, the analyzes carried out were as follows: i) an updated assessment of the recoverable amount of goodwill; ii) the value of the inventories and related existing provisions for obsolescence; iii) the value of trade receivables and related allowances for risk of default; iv) the amount of returns from sales recorded during the period and the corresponding existing funds; v) 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 2014/2015 has remained essentially unchanged compared to the situation existing at the end of the previous financial year, nor the Group started a strategic review process that could lead to economic and

financial impacts different than expected in the foreseeable future. Therefore, analyzes carried out with reference to item i) resulted in the reduction of the recoverable amount of goodwill by aligning the book value, without the need for an impairment loss. Furthermore, for the points ii), iii), iv) and v) analyzes performed have not resulted in significant changes on the existing provisions.

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

The Damiani Group operates in a single operating segment in which there are not any significant differences that could be considered as a basis for constituting separate business units. Therefore, the geographical dimension, featuring by the segments already described in report on operations, is subject of periodic observation and revision by the Directors as well as within the operational responsibilities of Group management. In the following tables are shown data regarding the first half of the financial year 2014/2015 and, for comparative purposes, data of the first half 2013/2014.
The reorganization of the Damiani Group implemented in the previous financial years resulted in the reallocation and the simplification of operational activities within the Italian and foreign companies. Therefore, to maintain comparability between periods in the information by geographic region data taken from internal management systems of the Group are also considered, in order to allocate properly revenues and operating costs on the relevant areas.

Geographical area breakdown (first half of the financial year 2014/2015)

I Half 2014/2015 (in thousands of Euro)	**Italy**	**Foreign Countries**	**Eliminations**	**Consolidated**
Revenues from Sales and Services	41,636	20,452	-	**62,088**
Other revenues	18	4	-	**22**
Intercompany sales	17,550	2,745	(20,295)	**-**
Total Revenues	**59,204**	**23,201**	**(20,295)**	**62,110**
Operating Expenses	**(59,844)**	**(24,785)**	**20,295**	**(64,334)**
Operating income (loss)	**(640)**	**(1,584)**	-	**(2,224)**
Situation at September 30, 2014 (in thousands of Euro)	**Italy**	**Foreign Countries**	**Eliminations**	**Consolidated**
Capex	101	273	-	374

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

I Half 2013/2014 (in thousands of Euro)	Italy	Foreign Countries	Eliminations	Consolidated
Revenues from Sales and Services	42,271	22,762	-	**65,033**
Other revenues	13	7	-	**20**
Intercompany sales	17,989	4,618	(22,608)	**-**
Total Revenues	**60,273**	**27,387**	**(22,608)**	**65,053**
Operating Expenses	**(62,402)**	**(29,881)**	**22,608**	**(69,675)**
Operating income (loss)	**(2,129)**	**(2,494)**	**-**	**(4,622)**
Situation at September 30, 2013 (in thousands of Euro)	**Italy**	**Foreign Countries**	**Eliminations**	**Consolidated**
Capex	747	1,446	-	2,193

All the assets and liabilities are 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, 2014 and at March 31, 2014:

(in thousands of Euro)	September 30, 2014	March 31, 2014
Goodwill, boutiques	479	479
Goodwill, Alfieri & St.John	4,258	4,258
Total goodwill	**4,737**	**4,737**

The item, unchanged compared to March 31, 2014, 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 479 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 booked among non-current 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.

For goodwill Alfieri & St. John, the minor results reported at September 30, 2014 by the CGU compared to the forecasts of the business plan, approved by the Board of Directors of Damiani S.p.A. on May 29, 2014, required an update of the recoverable value of goodwill through a methodology for determining the value in use which was consistent with that used in March 31, 2014. Inter alia:
- the financial data for the CGU have been reviewed at Corporate level on the basis of economic and financial outlook updated;
- the cash flow was calculated using the EBITDA of CGU minus the amounts referring to investments and to changes in net working capital;
- the cash flows were discounted at WACC (weighted average cost of capital), including tax expense, calculated according to the following benchmarks:

- risk free rate: yield on the ten-years emissions in the countries in which the CGUs operate
- beta: determined as the average debt/equity in a panel of comparable
- market premium: yield spread between the risk free rate and the equity compensation of the industry in the geographical context in which the CGUs operate
- rate of average debt: cost related to sources of financing by third parties of the CGU

The cash flows were discounted at WACC of 7.6% net of the related tax effect (it was 8.15% at March 31, 2014), determined on the basis of conservative assumptions of the quantitative assumptions (in particular with regard to the expected growth rate "g" after the three-year period covered by the business plan to be used to calculate the terminal value, which was assumed to be zero).
The update of the impairment test performed, while confirming the recoverability of the carrying value of goodwill, highlighted the substantial alignment of the recoverable value to its carrying value. Therefore, in the sensitivity analysis it is noted that a reduction in the assumptions – WACC and expected growth rate – applied to current forecasts of cash flows would result in an impairment loss.
Specifically, the sensitivity analysis, which are based on a reduction of 0.5% points of the rate of long-term growth (g) and an increase of the WACC always 0.5% determine a reduction on the recoverable amount and consequently a potential loss in value of approximately Euro 0.5 million.
For goodwill relating to the boutique, allocated to the CGU Damiani, the economic performance of the first half 2014/2015, even if with some partial misalignment compared to intermediate performance expectations, was not inconsistent with the overall scenario used for the impairment test at March 31, 2014.
Therefore, in view of the significant difference between recoverable amount and carrying amount, highlighted by the *impairment* test carried out at March 31, 2014 and the substantial improvement of the related rates, have not been identified indicators of impairment value at September 30, 2014.

8. OTHER INTANGIBLE ASSETS

The following table provides a breakdown of the item at September 30, 2014 and at March 31, 2014:

(in thousands of Euro)	September 30, 2014	March 31, 2014
Industrial rights and patents	261	259
Key Money	3,463	4,009
Intangible assets under construction	19	14
Total other intangible assets	**3,743**	**4,282**

The reduction in the first half period of Euro 539 thousands was due to the amortization of key money paid in the past for the acquisition of commercial space and amortized over the remaining term of the lease.

9. PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown of the item at September 30, 2014 and at March 31, 2014:

(in thousands of Euro)	September 30, 2014	March 31, 2014
Land and buildings	8,065	8,524
Plant and machinery	502	623
Industrial and commercial equipment	264	264
Other assets	7,462	8,032
Assets under construction	4	4
Total property, plant and equipment	**16,297**	**17,447**

Property, plant and equipment decreased by Euro 1,150 thousands compared to March 31, 2014 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 6,700 thousands at September 30, 2014 and Euro 7,138 thousands at March 31, 2014. The decrease during the period relates to the depreciation of Euro 438 thousands.
The item Other assets include furniture, furnishings, office equipment, vehicles and leasehold improvements (costs incurred to adapt/refurbish the boutiques).

10. INVESTMENTS

At September 30, 2014 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, unchanged compared to March 31, 2014.

11. FINANCIAL RECEIVABLES AND OTHER NON CURRENT ASSETS

The following table provides a breakdown of the item at September 30, 2014 and at March 31, 2014:

(in thousands of Euro)	**September 30, 2014**	**March 31, 2014**
Guarantee deposits	3,979	3,861
Other receivables	264	264
Total financial receivables and other non current assets	**4,243**	**4,125**

The increase in deposits compared to March 31, 2014 to Euro 118 thousands was mainly due to exchange rates effects and to a lesser extent to changes in the locations.

12. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities at September 30, 2014 and at March 31, 2014 are detailed in the table below; the descriptions indicate the nature of temporary differences:

(in thousands of Euro)	September 30, 2014	March 31, 2014
Deferred tax assets:		
Net Impact of the returns reserve	1,574	1,574
Write off on intercompany gains and inventory margins	6,835	6,337
Exchange loss differences	304	403
Provision for doubtful accounts not deductible	891	916
Write downs of inventories	2,451	2,451
Credit losses	146	146
Provisions on lawsuits	125	55
Financial interests in excess	1,794	1,820
Fiscal losses	1,900	2,046
Other timing differences of a taxation nature	409	702
Total deferred tax assets	**16,429**	**16,450**

Deferred tax liabilities:		
Exchange differences	208	52
Other timing differences of a taxation nature	213	306
Deferred taxation on capital gains	37	49
Total deferred tax liabilities	**458**	**407**

13. INVENTORIES

The following table provides a breakdown of the item at September 30, 2014 and at March 31, 2014:

(in thousands of Euro)	September 30, 2014	March 31, 2014
Raw materials, semi-finished goods and advance payments	14,963	12,590
Finished products and goods	79,990	73,155
Total inventories	**94,953**	**85,745**

Net value of inventories at September 30, 2014 showed an increase of Euro 9,208 thousands compared to March 2014 related to the seasonality of the procurement process. The comparison with September 30, 2013 (Euro 92,412 thousands), more relevant, shows a limited increase of Euro 2,541 thousands.
Please note that the item finished products and goods includes goods delivered to customers but for which at the end of the period were not met the conditions for the recognition of revenues. The amount was Euro 5,426 thousands, value decreased compared to March 31, 2014 (Euro 5,988 thousands).
The value of inventories at September 30, 2014 was net of Euro 10,285 thousands inventory write-down (Euro 10,445 thousands at March 31, 2014); the change was due to marginal use in the half period. At September 30, 2014 the management’s assessment did not detect any changes in the risk of commercial obsolescence of the stocks that require additional provisions.

14. TRADE RECEIVABLES

The following table provides a breakdown of the item at September 30, 2014 and at March 31, 2014:

(in thousands of Euro)	September 30, 2014	March 31, 2014
Trade receivables, gross	**40,551**	**47,469**
Provision for doubtful accounts	(4,600)	(4,587)
Fund for returns on sales from customers	(11,167)	(12,339)
Impact of Net Present Value calculation of receivables	(7)	(18)
Total net trade receivables	**24,777**	**30,525**

The decrease in net trade receivables from March 31, 2014 for Euro 5,748 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 fund for returns, 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 bad debt reserves and the changes in the fund for returns, amounted to Euro 1,012 thousands, are accounted 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, 2014 showed a balance of Euro 464 thousands compared to Euro 497 thousands at March 31, 2014 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, 2014 and at March 31, 2014:

(in thousands of Euro)	September 30, 2014	March 31, 2014
VAT receivables from the Tax Authorities	4,895	3,839
Prepayments on exchanges of goods	-	28
Deposits to suppliers	1,138	857
Prepayments	2,018	2,065
Receivables from other	900	533
Total other current assets	**8,951**	**7,322**

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

17. CASH AND CASH EQUIVALENTS

The following table provides a breakdown of the item at September 30, 2014 and at March 31, 2014:

(in thousands of Euro)	September 30, 2014	March 31, 2014
Bank and post accounts	8,069	10,200
Cash on hand	133	264
Total cash and cash equivalents	**8,202**	**10,464**

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, 2014 the Shareholders' equity amounted to Euro 63,431 thousands, in decrease by Euro 2,964 thousands compared to March 31, 2014. The changes in shareholders' equity of the first half ended September 30, 2014 (which are shown in the consolidated statement of changes in shareholders' equity) were the following:

- The net loss of the period for Euro 3,733 thousands (of which Euro 302 thousands related to non-controlling interest)
- 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 858 thousands
- The increase of stock option reserve for Euro 107 thousands due to the fair value of share-based plans according to IFRS 2;
- Actuarial loss on defined benefits plans for employees recognized in accordance with IAS 19 (2011) for Euro 196 thousands.

As regards treasury shares is reported that in April-September 2014 have not been purchased or sold shares. Therefore, at September 30, 2014 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 the item with evidence of current and medium/long term portion to September 30, 2014 and March 31, 2014 is as follows:

(in thousands of Euro)	September 30, 2014	March 31 2014	Note
Non current portion			
Loan A	-	1,500	a
Loan B	2,334	1,690	b
Loan C	404	745	c
Loan D	5,000	5,000	d
Loan E	6,012	6,012	e
Loan F	2,904	2,904	f
Financial Leasing	6,523	7,127	g
Total non current portion of medium/long term financial liabilities	**23,177**	**24,978**	
Current portion			
Loan A	3,000	3,000	a
Loan B	259	-	b
Loan C	1,676	664	c
Loan D	-	-	d
Loan E	-	-	e
Loan F	-	-	f
Financial Leasing	1,034	1,038	g
Total current portion of medium/long term financial liabilities	**5,969**	**4,702**	
Total medium/long term financial liabilities	**29,146**	**29,680**	

The following is a breakdown of key information relating to loans granted by banks and related parties at September 30, 2014.

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

b) Loan B form a deposit of 86% 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. Based on the progress of the investments the advance was paid in four separate tranches: the first of Euro 904 thousands in June 2013, the second of Euro 786 thousands in December 2013, the third of Euro 205 thousands in April 2014 and the quarter of Euro 698 thousands in September 2014. The total amount of funding is Euro 3,011,869, with a repayment schedule of seven year, after the first two of grace, in six-monthly installments and an effective annual rate of 0.5%.

c) Loan C 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 36 monthly installments starting from May 2013. On this loan are paid interests at a rate equal to Euribor three months + spread 3%.
More Euro 1,000 thousands were paid in September 2014, with repayment in nine monthly installments from October 2014. On this tranche are paid interests at a rate equal to Euribor three months + spread 2.6%.

d) 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 to September 30, 2019 and repayment at maturity in one installment and an annual fixed interest rate of 5.5%, with deferred payment in annual installments, the first of which December 31, 2014.

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

At the closing date of the previous financial year (March 31, 2014) and in subsequent interim financial statements of June 30, 2014 and September 30, 2014 the financial covenants are not fully respected. After the date of approval of the consolidated financial statements for the year 2013/2014 by the Shareholders' Meeting (July 24, 2014) the Company has provided on September 23, 2014 the declaration of conformity to the lenders, in accordance with the loan agreement, in which it formally reported non-compliance with the covenants. It has therefore started a process of renegotiation with the pool of banks to reformulate the contents of the original agreement that, upon approval of this financial report, is still in progress. Based on the above and in consideration of the validity of the commitment of major shareholders, the classification of the liability on the balance sheet was maintained according to the contractual maturity.

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

Moreover, in the table has showed the debt for leasing on buildings for Euro 7,557 thousands and related to n. 3 contracts for the sale of properties to related parties, which are treated as sale and lease back arrangements under IAS 17. These real estate units are Damiani and Rocca store locations.

The table below shows the detail of Net financial position at September 30, 2014 and at March 31, 2014:

Net financial position (*) (in thousands of Euro)	**Situation at September 30, 2014**	**Situation at March 31, 2014**	**change**
Current portion of loans and financing	4,935	3,664	1,271
Drawndown of credit lines, short term financing and others	26,061	21,554	4,507
Current portion of loans and financing with related parties	1,034	1,038	(4)
Current financial indebtedness	**32,030**	**26,256**	**5,774**
Non current portion of loans and financing	11,654	12,851	(1,197)
Non current portion of loans and financing with related parties	11,523	12,127	(604)
Non current financial indebtedness	**23,177**	**24,978**	**(1,801)**
Total gross financial indebtedness	**55,207**	**51,234**	**3,973**
Cash and cash equivalents	(8,202)	(10,464)	2,262
Net financial position (*)	**47,005**	**40,770**	**6,235**

(*) 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 position at September 30, 2014 showed a negative balance of Euro 47,005 thousands with a worsening of Euro 6,235 thousands compared to March 31, 2014 as a consequence of the needs arising from operations of the Group in the first half and investments related to the development of retail channel, mainly abroad.

20. EMPLOYEES' TERMINATION INDEMNITIES

During the first half ended September 30, 2014 the employees' termination indemnities underwent the following changes:

(in thousands of Euro)	
Termination Indemnities at March 31, 2014	**5,005**
Cost related to current work performed	21
Financial expenses	51
Paid benefits	(143)
Actuarial Loss (Profit)	295
Termination Indemnities at September 30, 2014	**5,229**

The changes reflect the accruals and the outgoings, including the advances that were given, which were posted in the six months period ended September 30, 2014. The actuarial loss arises from the different financial assumptions compared to the previous period, with the contraction of the index Inbox Corporate AA with duration 7-10 used (from 2.08 in March 2014 to 1.23 in September 2014).

Details of the assumptions adopted are as follows.

Financial hypotheses	
Annual rate for the Net Present Value	1.23%
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, 2014 risks reserves amounted to Euro 780 thousands, an increase of Euro 199 thousands compared to March 31, 2014, in order to cover estimated costs of litigation. The new provision made in the first half, for risks assessed as "probable" associated with legal disputes with former agents and trading counterparties was Euro 322 thousands. In the six months the reserves have been used to Euro 123 thousands.

22. OTHER NON CURRENT LIABILITIES

The amount of the item increased from Euro 468 thousands at March 31, 2014 to Euro 484 thousands at September 30, 2014, and includes mainly termination indemnities of directors.

23. TRADE PAYABLES

The amount of the item increased from Euro 49,183 thousands at March 31, 2014 to Euro 50,021 thousands at September 30, 2014, result of purchases of finished goods and investments in the retail sector during the period.

24. SHORT TERM BORROWINGS

Debts relating to use of credit lines in the short time to September 30, 2014 amounted to Euro 26,061 thousands, an increase of Euro 4,507 thousands compared to March 31, 2014. The use of short term credit lines is intended to finance working capital. The increased exposure in the short term compared to March 31, 2014 did not result in adverse effects in terms of burden for the Group, as interests paid on short term debt are currently lower than those paid on medium/long term and short term credit lines are underutilized.

25. TAX PAYABLES

The following table provides a breakdown of the item at September 30, 2014 and at March 31, 2014:

(in thousands of Euro)	**September 30, 2014**	**March 31, 2014**
VAT payables	330	555
Taxes withheld from employees (IRPEF)	260	305
Current income tax payables (IRES and IRAP)	1,208	1,437
Other tax payables	151	43
Total tax payables	**1,949**	**2,340**

26. OTHER CURRENT LIABILITIES

The following table provides a breakdown of the item at September 30, 2014 and at March 31, 2014:

(in thousands of Euro)	**September 30, 2014**	**March 31, 2014**
Payables to social security institutions	1,258	1,363
Payables to employees	2,580	2,863
Other liabilities	379	709
Deferred income	1,187	1,214
Total other current liabilities	**5,404**	**6,149**

Payables to social security institutions include the debt for social security and social contributions and insurance.
The item payables to employees includes 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, 2014 and September 30, 2013:

(in thousands of Euro)	**I Half 2014/2015**	**I Half 2013/2014**
Revenues from sales and services	62,088	65,033
Other revenues	22	20
Total revenues	**62,110**	**65,053**

The breakdown of revenues by sales channel is the following:

Revenues by Sales Channel (in thousands of Euro)	**I Half 2014/2015**	**I Half 2013/2014**	**Change**	**Change %**
Retail	**27,399**	**26,993**	**406**	**1.5%**
Percentage on total revenues	*44.1%*	*41.5%*		
Wholesale	**34,689**	**38,040**	**(3,351)**	**-8.8%**
Percentage on total revenues	*55.9%*	*58.5%*		
Total revenues from sales and services	**62,088**	**65,033**	**(2,945)**	**-4.5%**
Percentage on total revenues	*100.0%*	*100.0%*		
Other revenues	**22**	**20**	**3**	**12.8%**
Percentage on total revenues	*0.0%*	*0.0%*		
Total Revenues	**62,110**	**65,053**	**(2,942)**	**-4.5%**

Consolidated revenues for the first half period ended September 30, 2014 amounted to Euro 62,110 thousands, compared to Euro 65,053 thousands in the first half ended September 30, 2013, showing a decrease by Euro 2,943 thousands, corresponding to -4.5%, already commented in the report on operations.

The following is a breakdown of other revenues for the first half ended September 30, 2014 and September 30, 2013.

(in thousands of Euro)	**I Half 2014/2015**	**I Half 2013/2014**
Leases and rentals	18	18
Franchising	-	-
Revenue from sale of advertising material	4	2
Total other revenues	**22**	**20**

28. COST FOR RAW MATERIALS AND CONSUMABLES

The table below shows the cost for raw materials and consumables (including purchases of finished products) for the six months period ended September 30, 2014 and September 30, 2013:

(in thousand of Euro)	**I Half 2014/2015**	**I Half 2013/2014**
Purchases	43,228	44,317
Change in inventory of finished products	(7,006)	(8,718)
Change in inventory of raw materials and consumables	(1,844)	92
Total cost of raw materials and consumables	**34,378**	**35,691**

The costs went from Euro 35,691 thousands in the six months period ended September 30, 2013 to Euro 34,378 thousands in the period ended September 30, 2014, with a decrease of Euro 1,313 thousands. The trend was related to the contraction of revenues and their mix.

29. COST OF SERVICES

The table below shows the breakdown of the item for the six months ended September 30, 2014 and September 30, 2013:

(in thousands of Euro)	I Half 2014/2015	I Half 2013/2014
Functional expenses	3,080	3,870
Advertising expenses	4,254	4,455
Other commercial expenses	1,327	1,565
Production costs	1,511	1,744
Consultancy	1,481	1,700
Travel/transport expenses	1,671	1,598
Directors' Fees	348	365
Usage of third party assets	4,674	4,822
Total cost of services	**18,346**	**20,119**

The cost of services decreased by Euro 1,773 thousands compared to the same period of the previous financial year, due to generalized saving measures on the different components implemented in the year before and that benefits are fully manifesting in the current year.

30. PERSONNEL COST

The table below shows the breakdown of the item for the six months ended September 30, 2014 and September 30, 2013:

(in thousand of Euro)	I Half 2014/2015	I Half 2013/2014
Wages and salaries	9,096	9,291
Social security costs	2,304	2,519
Termination indemnity	449	460
Other personnel costs	159	98
Total personnel cost	**12,008**	**12,368**

The reduction of Euro 377 thousands was determined by the actions implemented in the parent company, through the reduction of staff in the central departments and the temporary use (starting from June 2014) of social safety nets according to national laws. Overall, the average staff employed by the Group for the half year increased compared to the same period of the previous financial year, as a result of the expansion abroad through Damiani directly managed flagship stores (particularly in the Far East).

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

Labour category	I Half 2014/2015	I Half 2013/2014
Executive and Managers	51	44
Clerks	506	436
Workers	37	96
Total	**594**	**576**

The 71% of the Group's staff carries out its work in Italy (it was 75% in the first half of the previous financial year).

31. OTHER NET OPERATING (CHARGES) INCOMES

The table below shows the breakdown of the item for the six months ended September 30, 2014 and September 30, 2013:

(in thousand of Euro)	I Half 2014/2015	I Half 2013/2014
Other operating (charges) incomes	2,980	2
(Provision)/release doubtful accounts	(239)	80
Total other net operating (charges) incomes	**2,741**	**82**

In the first half of the financial year 2014/2015 the balance was positive for Euro 2,741 thousands, while in the first half of the financial year 2013/2014 the balance was positive for Euro 82 thousands. The increase was due to the following main factors: i) income of Euro 1,891 thousands for sale to third parties on May 2014 of the business unit (inclusive of the lease) for the multi-brand store Rocca in Rome. The store sold was not-profitable for the Group; ii) partial release of the fund for returns on sales and restructuring provisions in Damiani USA Corp., accounted in previous financial years, because given the contraction of activities in the US subsidiary, such funds are currently overestimated. Overall, the net income accounted in the income statement was Euro 704 thousands.

32. AMORTIZATION, DEPRECIATION AND WRITE DOWNS

The table below shows the breakdown of the item for the six months ended September 30, 2014 and at September 30, 2013:

(in thousand of Euro)	I Half 2014/2015	I Half 2013/2014
Amortization of intangible assets	159	165
Depreciation of property, plant and equipment	1,677	1,414
Write downs of intangible and tangibles assets	507	-
Total Amortization, depreciation and write downs	**2,343**	**1,579**

The increase in depreciation of property, plant and equipment was related to greater depreciable consistency generated by investments in the retail segment. The write downs of assets relates mainly (Euro 498 thousands) to the write-off of the net book value of non-current assets sold to third parties in the above described operation, which affected the multi brand store Rocca in Rome.

33. FINANCIAL (EXPENSES) AND INCOMES

The table below shows the breakdown of financial incomes and expenses for the six months ended September 30, 2014 and September 30, 2013:

(in thousand of Euro)	**I Half 2014/2015**	**I Half 2013/2014**
Net exchange gains/(losses)	(83)	(521)
Other financial charges	(1,373)	(1,089)
Other financial revenues	46	341
Total financial (expenses) and incomes	**(1,410)**	**(1,269)**

The balance in the first half of the financial year 2014/2015 was a loss of Euro 1,410 thousands, a decrease of Euro 141 thousands compared to the negative balance of Euro 1,269 thousands in the first half of the financial year 2013/2014. While benefiting from lower foreign exchange losses, financial management was penalized by higher average debt exposure in the period and a more expensive component of financial means in the medium/long term, obtained from the banks and by the shareholders in the previous financial year to support the development abroad of the Group.

34. INCOME TAXES

In the first half of the financial year 2014/2015 income taxes had a negative impact of Euro 104 thousands compared to a loss of Euro 520 thousands in the first half of the financial year 2013/2014.

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 periods ended September 30, 2014 and September 30, 2013, 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 business units, private bond).
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, 2014.

(in thousands of Euro)	I Half 2014/2015		Balance at September 30, 2014			
	Net operating costs	Financial expenses	Other current assets	Financial debt (including leasing)	Other current liabilities	Trade payables
D.Holding S.A.	(85)	-	43	-	-	(850)
Imm.re Miralto S.r.l.	(172)	(8)	650	(216)	-	(1,203)
Montenapoleone 10 S.r.l.	(206)	(179)	-	(1,927)	-	(957)
Duomo 25 S.r.l.	-	(180)	-	(5,414)	-	(941)
Majority Shareholders	-	(138)	-	(5,000)	(275)	-
Executives with strategic responsibilities	(38)	-	-	-	-	(11)
Total with related parties	(501)	(505)	692	(12,557)	(275)	(3,961)
Total from Consolidated	(64,334)	(1,456)	8,951	(55,207)	(5,404)	(50,021)
%age weight	1%	35%	8%	23%	5%	8%

- 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 jewelries 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, 2014 amounted to Euro 650 thousands). In addition, in the period there were also financial expenses of Euro 8 thousands, corresponding to the interest portion for

the repayment of the debt in respect of the sale and lease back transaction for a building in Padova, used for a Rocca boutique. The debt outstanding at September 30, 2014 amounted to Euro 216 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 costs to Montenapoleone 10 S.r.l. relate 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 179 thousands, corresponding to the interest portion for the repayment of the debt in respect of the sale and lease back transaction for a building in Milan, used for a Damiani boutique. The debt outstanding at September 30, 2014 amounted to Euro 1,927 thousands.
- The financial expenses to Duomo 25 S.r.l. for Euro 180 thousands correspond to the interest portion for the repayment of the debt in respect of the sale and lease back transaction for a building in Milan, used for a Rocca boutique. The debt outstanding at September 30, 2014 amounted to Euro 5,414 thousands.
- The financial liabilities 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 in September 2013. On this liability accrues interest at a rate of 5.5% per annum, with postpaid annual installments whose first deadline is scheduled for December 31, 2014.
- 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, 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 Consolidated	(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 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 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 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. On this liability accrues interest at a rate of 5.5% per annum, with effect from October 1, 2013.
- Costs relating to executives with strategic responsibilities referred to services which fall under the ordinary operations of the Group.

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

36. COMMITMENTS AND CONTINGENT LIABILITIES

There are outstanding commitments and liabilities arising from obligations under way and which is likely the use of resources to fulfill the obligation which are not already reflected in the values of the financial statements at September 30, 2014.

On September 26, 2012 the Provincial Directorate of Como of the Tax Agency has notified the Italian Tax Representative of Damiani International B.V. notice of assessment on the control on value added tax for the year 2007. The observations in the assessment mainly relate to the non-deductibility of VAT on a lease, in addition to other minor points, resulting in a higher tax, in addition to administrative penalties, for an amount of Euro 155 thousands. Damiani International B.V. filed an appeal in the Provincial Tax Commission of Como for the cancellation of the assessment. On September 10, 2013 the first-instance judgment of the Provincial Tax Commission of Como was filed has welcomed the approach advocated by the applicant Damiani International B.V. for the year 2007 and has condemned the Tax Agency to pay the costs. While waiting for the judgment of the Commission, the Provincial Directorate of Como of the Tax Agency has notified notice of assessment on the same subject (non-deductible VAT on lease contracts) with reference to the years 2008, 2009 and 2010. On July 28, 2014 the Provincial Tax Commission of Como has filed the first-instance judgment with which dismissed the appeal for such annuities. The contradictory nature of the two judgment of first instance on the same matter is further endorsed by the second-instance judgment of the Tax Court of Milan on October 21, 2014 which rejected the appeal of the Tax Office and confirmed the deductibility of VAT on the lease for 2007.

On September 5, 2012 the Provincial Directorate II of the Tax Agency in Milan initiated in Rocca S.p.A. a tax audit on IRES and IRAP (income taxes) for the period 2009/2010 and for VAT purposes for the year 2009. On July 2, 2014 the Office has notified Rocca S.p.A. notice of assessment formulating a series of reliefs: i) improper deductions of costs on income taxes of Euro 126 thousands; ii) higher VAT for Euro 101 thousands; iii) penalties for Euro 50 thousands for formal errors in the 2010 tax return. With regard to the findings i) and ii) the company has appealed to the Provincial Tax Commission on October 16, 2014 and IPEC model relatively to the income taxes on October 14, 2014. With regard to the finding iii) the application was submitted on October 3, 2014.

On March 13, 2014 the Provincial Directorate of the Tax Agency in Alessandria has initiated an audit in Damiani S.p.A. in the field of transfer pricing with reference to the tax period 2011/2012. The Company has provided on April 1, 2014 all the required documentation, and proceeded to a subsequent integration on May 29, 2014 and September 10, 2014. The audit is then in progress.

On July 11, 2014 with the Act of Accession ended the dispute with the Provincial Directorate of the Tax Agency in Alessandria relating to the notice of assessment for IRES (income tax) for the tax year 2008/2009 which was notified on December 20, 2013 to the company New Mood S.p.A. (incorporated in Damiani S.p.A. in the financial year 2012/2013), which states a higher taxable income of Euro 1,106 thousands. The higher taxable income resulted from the sum of three separate surveys: i) improper deduction of costs for royalties for Euro 97 thousands; ii) higher revenues not declared for Euro 252 thousands on sales abroad, according to an inductive reconstruction of the Tax Agency; iii) extraordinary expenses wrongly deducted as not related for Euro 757 thousands. With the accession the taxable rectification has been reduced to Euro 943 thousands, which reduced the amount of previous fiscal losses.

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

In the first half of the financial year 2014/2015 there were no positions or transactions deriving from atypical and/or unusual transactions as defined in the Consob ruling n.15519 as of July 27, 2006.
In the first half of the financial year 2014/2015 it should be noted as non-recurring operation:

- On May 26, 2014 the subsidiary Rocca S.p.A. sold to third parties the business unit (inclusive of the lease) for the multi-brand store in Rome. The price agreed between the parties was Euro 1,980 thousands. Because of the simultaneous write-off of the net book values of the assets transferred (and related costs), which totally amounted to Euro 587 thousands, the net income of the Group amounted to Euro 1,393 thousands. The multi-brand store in Rome was not-profitable nor strategic for the Group.

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 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, July 26, 2013 and July 24, 2014.
The following section provides information on the shares used in calculating basic and diluting earnings/(losses) per share:

Basic Earnings (Losses) per share	**I Half 2014/2015**	**I Half 2013/2014**
Number of ordinary shares at the beginning of the period	82,600,000	82,600,000
Number of ordinary shares at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of basic earnings per share	77,509,099	77,593,683
Basic Earnings per share (amount in Euro)	**(0.04)**	**(0.08)**

Diluted Earnings (Losses) per share	**I Half 2014/2015**	**I Half 2013/2014**
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of diluited earnings per share	79,110,174	79,110,174
Weighted average number of ordinary shares for computation of basic earnings per share	77,509,099	77,593,683
Diluted Earnings per hare (amount in Euro)	**(0.04)**	**(0.08)**

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

After the end of the period, Group's ordinary activities continued, according to a typical quarter of high seasonality. There were no significant events related to the extra-ordinary management which may be relevant in term of economic or financial impacts.

40. CAPITAL MANAGEMENT

At September 30, 2014 the Damiani Group had a net financial debt of about Euro 47 million, in worsening of about Euro 6.2 million compared to March 31, 2014. This change was due to the cash flows absorbed by operating activities, related to the seasonal trends of the operating working capital, and by the investments in the first half. The Group continues to operate with a prudent policy of financial risk management maintaining an appropriate balance between sources and uses, albeit as part of a strategic line of expansion of its international presence that in the short term may result in an aggravation of net financial position. The *debt/equity ratio* of about 0.7 at September 30, 2014 is still on an adequate level of financial soundness.
The risk's profile to which the Group is subject has not changed significantly from March 31, 2014, closing date of the previous financial year. Therefore, in the following paragraphs provides a summary description of the main risks, according to a descending order of importance.

Liquidity risk and interest rate risk

As part of the overall financial requirement, for the ordinary management and for supporting the development, the Group uses together various forms of medium/long term (with the banking system and bond) and short term financing (credit lines and factor), with the goal to reduce the cost and the risk of fluctuations of interest rates and to maintain a constant balance outgoing cash flows, caused by the repayment of sources, and cash inflows, from the realization of uses. The following indicators, albeit synthetic, provide an indication of the Group's financial solidity and its substantial stability over time:

Capital ratio	September 30, 2014	September 30, 2013
Shareholders' equity/Total assets	0.35	0.38
Current assets/Current liabilities	1.54	1.50

In this regard, during the financial year 2013/2014 the Group had entered into new medium-term loans that have rebalanced the financial position in terms of temporal relationship between the maturities of investments and non-current and current sources of coverage (debt and net equity). Overall, in the previous financial year were switched loans for Euro 17,606 thousands and the Group has reached an incidence of 49% of the medium/long term over the gross financial liabilities. This situation allows the Group to better manage liquidity risk even in the early stages of expansion of debt related both to the seasonal dynamics of the cash flows and the start-up of development initiatives abroad. All steps that were recorded in the first half of the financial year 2014/2015.
Furthermore, the use of forms of short term debt to cover working capital requirements are not currently more expensive, because the related interest rates are lower than medium/long term, nor affected by credit crunch because the short lines available are partially used (maximum availability at September 30, 2014 to Euro 56.6 millions). In addition there are other Euro 5 million relating to long term financing in pool (described in detail below), not yet disbursed.
Among the medium term liabilities with the banking system also includes the loan obtained by Damiani S.p.A. on November 6, 2013 with a pool of banks for a maximum amount of Euro 11,000 thousands payables for coverage of capital expenditure and the initial stock related to the development of the retail channel. Disbursements are subject to the effective realization of the investment plan of the Group and to comply with financial covenants contractually provided and quarterly verified by the financial institutions. Until March 31, 2014 the amount disbursed was Euro 6,012 thousands. At that date, and in the subsequent interim financial statements, the financial covenants contractually provided were not fully complied, as deduced from the declaration of conformity that the Company has provided to the banks on September 23, 2014. Without prejudice to the obligation of Damiani S.p.A. and major shareholders who have signed the *Equity Commitment*, consisting of financial support to remedy any violations of contractual covenants, the Company has therefore initiated a phase of renegotiation of contract terms and financial commitments with the pool of banks that at the time of approval of this interim financial report is still in progress nor has proceeded to request additional disbursement of the loan.

Exchange rate risk

The Damiani Group's functional currency is the Euro and, therefore, exchange rate fluctuations of the currencies 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, 2014 there were outstanding currency forward contracts entered by the Group for a total of Euro 8,419 thousands. The policies for hedging exchange rate risk have not undergone significant changes in the first half of the financial year 2014/2015 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.
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, albeit in a context where market conditions are impaired (mainly in Italy). 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 2014/2015 the average price of gold remained steady around 30.7 Euro/gram, not far from the average of the previous twelve months (financial year 2013/2014) which was 31.8 Euro/gram. This stability is particularly positive at the moment because it is possible to plan the purchase of raw materials and finished products by supplier companies outside the Group on reasonable elements of certainty. In this view the price risk is currently content.
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.
The Group in order to further reduce the risk due to fluctuations in the price of raw materials, entered into contracts of forward purchase of gold. At September 30, 2014 there were outstanding contracts for the purchase of 42 kilos of gold for a total amount of Euro 1,291 thousands.

41. EXCHANGE RATES

The exchange rates at September 30, 2014 and at September 30, 2013 used for the translation of financial statements in foreign currencies were the following.

Currency	Average I Half 2014/2015	Spot September 30, 2014	Average I Half 2013/2014	Spot September 30, 2013
U.S. Dollar	1.35	1.26	1.32	1.35
Japanese Yen	138.84	138.11	130.06	131.78
Swiss franc	1.22	1.21	1.23	1.22
G.B.Pound	0.80	0.78	0.85	0.84
Hong Kong Dollar	10.45	9.77	10.21	10.47
Pataca Macau	10.76	10.06	10.51	10.79
Peso Messicano	17.60	17.00	16.71	17.85
Indian Rupee	81.12	77.86	77.79	84.84
Renminbi Cinese	8.35	7.73	8.08	8.26
Won Korea del Sud	1,385.13	1,330.30	1,468.08	1,451.84

For the Board of Directors
Chairman & 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, Chairman 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, 2014.

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 28 2014

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

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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 statement of cash flows and the related explanatory notes, of Damiani S.p.A. and its subsidiaries (the "Damiani Group") as of September 30, 2014. 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.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on June 27, 2014 and on November 29, 2013, respectively.

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, 2014 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 28, 2014

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

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

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