DAMIANI S.p.A.

Consolidated Interim Financial Report at September 30, 2015

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 27, 2015

INDEX

CORPORATE BODIES **Board of Directors** [(1)]

Guido Grassi Damiani (Chairman)

Giorgio Grassi Damiani (Vice President & CEO)

Silvia Grassi Damiani (Vice President)

Roberta Benaglia (Director)

Stefano Graidi (Director)

Giancarlo Malerba (Director)

Elena Garavaglia (Director)

Board of Statutory Auditors [(2)]

Gianluca Bolelli (President)

Simone Cavalli (Statutory Auditor)

Laura Braga (Statutory Auditor) [(3)]

Fabio Massimo Micaludi (Alternate Auditor)

Paola Mignani (Alternate Auditor) [(3)]

Independent Auditors

Reconta Ernst & Young S.p.A.

Audit, Risk, Remuneration and Transaction with related parties Committee

Elena Garavaglia (President)

Roberta Benaglia

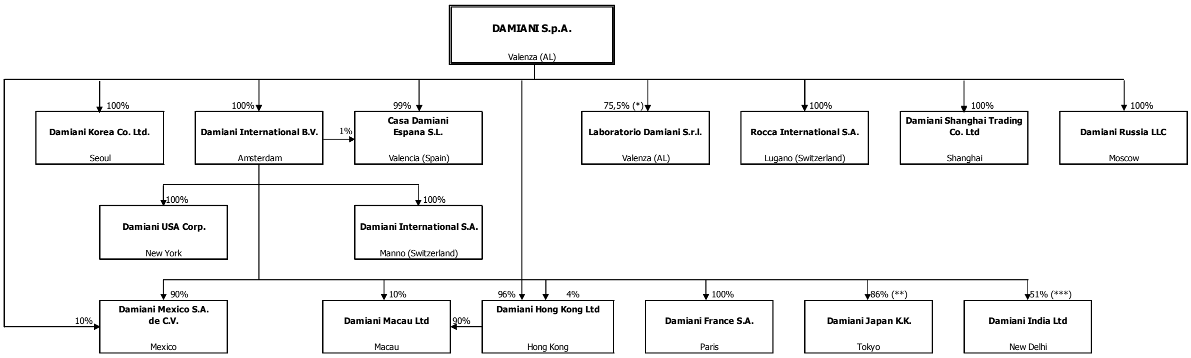
Giancarlo Malerba

---

[1] Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 23, 2015 and in office for the period 2015-2018, until the approval of the Financial statements for the year ended March 31, 2018.
[2] Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 26, 2013 and in office for the period 2013-2016, until the approval of the Financial statements for the year ended March 31, 2016.
[3] As of July 23, 2015 Mrs. Laura Braga replaced Mrs. Paola Mignani as Statutory Auditor.

REPORT ON OPERATIONS [4]

Structure and business activities of the Damiani Group



(*) 24,5% is held by Simone Rizzetto
(**) 14% is held by Itochu Corporation
(***) 49% is held by Mehta family, Indian partner of the JV

The Damiani Group (hereinafter also "Group") has been operating for 90 years in the jewelry industry, with a significant presence in Italy and in the major foreign markets that has emerged over time thanks to the quality and beauty of its products, recognized by customers around the world who appreciate the luxury Made in Italy.
The Group, leader in Italy, works abroad with direct commercial subsidiaries that oversee the major markets.
The parent company is Damiani S.p.A. (hereinafter also "Company" or "Parent Company"), which in addition to directly carry out production and commercial activities, also covers the role of industrial and financial holding company, developing the strategic direction of the Group, managing and coordinating initiatives and providing technical, financial and administrative assistance to the companies, directly or indirectly, controlled.
Since November 2007 Damiani S.p.A. has been listed on the Italian Stock Exchange electronic market.
Compared with March 31, 2015, in the first half of the financial year 2015/2016 the composition of the Group changed as follows:

- On July 14, 2015 Damiani S.p.A. acquired shares in Laboratorio Damiani S.r.l. held by Christian Rizzetto, 24.5% of the share capital of the company, for a value equivalent to the corresponding portion of shareholders' equity at March 31, 2015. Following this transaction, Damiani S.p.A. holds 75.5% of the share capital of Laboratorio Damiani S.r.l.
- On August 5, 2015 the company Damiani Russia LLC was set up. It's based in Moscow and has a capital of 10,000 rubles, wholly owned by Damiani S.p.A. The company aims to market the Group's brands in the Russian territory in the wholesale and retail channels. At September 30, 2015, the company was not yet operational.

The Damiani Group offers wide coverage of the main market segments and thanks to its different brands provides customers with a large range of differently priced jewelry. The Group's portfolio is made up of five brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni.
Furthermore, through the fully owned network "Rocca 1794", the Group distributes prestigious third party brands, mainly in the timepiece sectors.
The distribution of the Group products takes place through two different channels in Italy and abroad:

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

---

[4] *The Damiani Group closes its financial year at March 31, and therefore the period from April 1 to September 30, 2015 represents the first six months of the financial year that will end on March 31, 2016 (hereafter the financial year 2015/2016). For comparative purposes are shown data for the prior year period, first half of the financial year 2014/2015.*

As of September 30, 2015 the Point of Sales ("POS") directly managed in Italy and abroad were 55 and franchisees were 20, with the geographical distribution shown in the table:

Boutiques and corners	Italy	Japan	Greater China (*)	Rest of the World	**Total**
Mono-brand Damiani	11	11	9	11	**42**
Multi-brand Rocca	12	-	-	1	**13**
Total DOS	**23**	**11**	**9**	**12**	**55**
Franchising	**-**	**-**	**4**	**16**	**20**

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

Board of Directors of Damiani S.p.A.

The Board of Directors of Damiani S.p.A. currently in office (and reported on page 3 of this Interim financial report) has been appointed by the Shareholders' Meeting on July 23, 2015 for the three years from 2015 to 2018 until the approval of the financial statements for the year ended March 31, 2018. The Board of Directors consists of seven members and respects the gender balance established by the current law.
The new Board of Directors of Damiani S.p.A. which met for the first time on July 23, 2015 appointed Guido Grassi Damiani as Chairman, Giorgio Grassi Damiani as Vice-President and CEO, Silvia Grassi Damiani as Vice-President, and Elena Garavaglia as Lead Independent Director.
Following the verification of the requirements of non-executive and independent directors, pursuant to article 148 of the Legislative Decree n. 58/1998 and article 3 of the Self-Regulation Code for Listed companies, the Directors Elena Garavaglia, Roberta Benaglia and Giancarlo Malerba were designated to form the Audit, Risk, Remuneration and Transaction with related parties Committee.
On July 23, 2015 the Board of Directors of Damiani S.p.A. appointed Giorgio Grassi Damiani as Director responsible for the internal control system and risk management.
The Board of Directors of July 23, 2015 also approved the remuneration for Directors with special powers, pursuant to art. 2389, paragraph 3, of the Civil Code.

Share buy-back program

The Shareholders' Meeting of July 23, 2015 renewed the authorization- subject to revocation, for the part non executed of the resolution adopted by the Shareholders' Meeting of July 24, 2014 – to the purchase and disposal of treasury shares pursuant to art. 132 of Legislative Decree n. 58/1998 and article. 144-bis of the Regulation adopted by Consob resolution n. 11971/99.
The authorization to purchase treasury shares is structured as follows:

- Damiani S.p.A. may purchase a maximum of ordinary shares whose nominal value does not exceed the limit of the law, up to a maximum of n. 16,520,000 ordinary shares, at a nominal value of 0.44 euro each, corresponding to the fifth part of the share capital.
- The authorization was granted for a period of 18 months starting from the Shareholders' Meeting date and lasting until the date of January 23, 2017.
- The purchase price of each share, including additional expenses of purchase, must be as a minimum not less than 20% and a maximum not more than 20% of the official price registered by the share in the trading session before each exchange transaction.
- The price of the sale to third parties must be not less than 90% of the average price recorded on the MTA in the five days preceding the sale. This price limit can be exceeded in the context of the implementation of industrial and / or commercial projects of interest for the Company and in case of assignment and / or transferring, in return for payment or free of charge, of shares or options to the directors , employees, contractors, agents, consultants of the Damiani Group.

At September 30, 2015 Damiani S.p.A. holds 5,556,409 shares, equal to 6.73% of the share capital, and no treasury shares have been purchased or sold in the period from April to September 2015 or subsequently until the approval of this interim financial report.

Stock option plans

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

- Stock Option Plan 2009 approved by the Shareholders' Meeting of July 22, 2009 and implemented by the Board of Directors of September 24, 2009 and concerning the sale of options to the management of the Group, in one or more tranches, for the purchase of maximum n. 3,500,000 Damiani shares. The implementation cycle was subsequently amended by the Board of Directors of Damiani S.p.A. of July 26, 2012 and it is still valid.
- Stock Option Plan 2010, approved by the Shareholders' Meeting of July 21, 2010 and concerning the free allocation of options for the purchase of a maximum of n. 3,500,000 Damiani shares to directors, executives, managers, other employees, consultants and contributors, including agents, of the Damiani Group in one or more tranches within five years from the date of approval. The Plan was amended by the Shareholders' Meeting of July 27, 2011 and was the subject of three cycles of implementation so far declared by: i) the first cycle by the Board of Directors on April 21, 2011 (subsequently amended on February 10, 2012) and still valid; ii) the second and the third cycles by the Board of Directors on June 12, 2014.

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

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

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

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

Main risks and uncertainties for the Damiani Group

The first half of 2015 grew weaker in the world than the forecasts made earlier this year. The drop in commodity prices, low investments, the depreciation of some currencies combined with the volatility of financial markets, especially in Asia, and with the continued political turmoil in some areas (the former Soviet Union and Arab countries) have been reflected in a decline in volume of commercial transactions worldwide and thus in a slowing down of the growth trends in both advanced and emerging countries. The latest forecasts of worldwide ([5]) GDP growth for 2015 amounted to + 3.1% (+ 3.5% in the initial forecasts),

[5] *World Economic Outlook – International Monetary Fund, edition October 2015.*

with the advanced economies at + 2% (+ 2.4% in the initial forecasts) and emerging at + 4.0% (+ 4.3% initially).
On almost all of the countries where the Group currently operates, updated estimates confirm overall trends initially expected or, as in Italy, record a slight improvement. Only Japan records a slowdown than originally expected, but more due to the reduction in exports than in the domestic consumption.
At the same time, in 2015, the luxury market is continuing its positive trend, as recently confirmed by Altagamma Observatory ([6]). In Personal Luxury sector the expected growth in the year 2015 is equal to 13% at current exchange rates, for a total value of 253 billion euro. In real terms, the growth forecast is much more contained (+ 2%), but positive signs coming from many markets with Europe up 5% and Japan up 9%. America is stable in real terms, while there's a slight decrease in China (-2%) and the critical situation of Russia still remains, both internally and as purchases abroad made by Russian citizens.
Therefore, there aren't striking changes compared with the macroeconomic scenario and the market condition considered when preparing budget for year 2015/2016. Consequently, a different risk profile or new uncertainties that could heavily affect the financial results of the Damiani Group are not considered.

In terms of liquidity, the risk profile as of September 30, 2015 is lower than the one as of March 31 2015, due both to the cash flow generated by the non-recurring transaction described below and to the conclusion of the process of revision of the financing in pool signed by Damiani S.p.A. in November 2013. Regarding to it, Damiani S.p.A. signed on July 31, 2015 with the lending banks the act amending the contract of the financing in pool, which set a medium / long term credit line for a maximum of Euro 11,000 thousands (of which Euro 6,012 thousands already shelled out in the previous financial year). The review, which is altogether suitable for Damiani S.p.A., made the following main changes to the loan agreement: i) reduction of the spread applied on the amount paid out of the line; ii) reduction of the commitment fee; iii) review of the financial covenants, based on the targets of the new three-year plan 2015-2018 of the Group, annually rather than quarterly as originally planned (the first check is going to take place on March 31, 2016). The restore of the credit line, temporarily suspended during the review phase, was made in October 2015, with the disbursement of the remaining amount of EUR 4,988 thousands.
Moreover, when signing the review of the financing in pool with the lending banks, the interest rate on the non-convertible bond of Euro 5,000 thousands issued by Damiani S.p.A and signed by the Damiani brothers in September 2013 has been reduced. The rate decreased from 5.5% to 3.9% per annum, with the capitalization of interests and their payment in one installment at the time of repayment of the principal, scheduled on September 30, 2019.

For further details, see the information provided in note 40. 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 2015/2016 the overall cost incurred for product development amounted to Euro 269 thousands, fully charged to the income statement.
In July 2015, the Italian Ministry of Economic Development has granted the facilities to the manufacturing company of the Group, Laboratorio Damiani S.r.l., for the program of research and development of automated solutions for processing gold, implemented in previous years. These facilities consist of: i) a subsidized loan of Euro 1,055,726, representing 60% of the cost eligible for subsidies with an annual rate of interest of 0.5%. On July 10, 2015 the first tranche of Euro 950,153 was disbursed, equal to 90% of the subsidized loan, according to the provisions of the concession decree of the Ministry of Economic Development of March 5, 2014; ii) a contribution to the cost of Euro 703,817 which integrates the subsidized loan. The disbursement of 90% of this contribution, amounting to Euro 633,435 was made on October 6, 2015.

---

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

Key Data

Share Capital	**September 30, 2015**	**March 31, 2015**
Number of shares issued	82,600,000	82,600,000
Par value per share	0.44	0.44
Share capital (in euro)	36,344,000	36,344,000
Ownership	**% on shares issued**	**% on shares issued**
Leading Jewels S.A. (1)	58.83%	58.83%
Sparkling Investment S.A. (1)	0.03%	0.03%
Guido Grassi Damiani	5.99%	5.99%
Giorgio Grassi Damiani	6.11%	6.11%
Silvia Grassi Damiani	5.30%	5.30%
Damiani S.p.A. (treasury shares) (2)	6.73%	6.73%
Market	17.01%	17.01%

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

Individual	**Office held**	**Number of shares**
Guido Grassi Damiani (total n. 59,120,736) (3)	Director	4,943,850
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,379,371
Strategic executives		13,000

(1) Companies traceable to Damiani Family.

(2) The Shareholders' Meeting of July 23, 2015 approved the authorization, for the part not executed of the resolution of the Shareholders' Meeting of July 24, 2014, for the purchase of treasury shares up to a maximum of n. 16,520,000 ordinary shares of Damiani S.p.A., within a period of 18 months from the date of the Shareholders' resolution. As of September 30, 2015 the treasury shares in portfolio were n. 5,556,409, equal to 6.73% of the share capital.

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

Main economic data *(in thousands of Euro)*	**I Half 2015/2016**	**I Half 2014/2015**	**Change**	**Change %**
Revenues from sales and services	**68,726**	**62,088**	6,638	10.7%
Total revenues	68,741	62,110	6,631	10.7%
Cost of production	(52,990)	(61,991)	9,001	-14.5%
EBITDA (*)	**15,751**	**119**	15,632	n.m.
EBITDA %	***22.9%***	***0.2%***		
Depreciation, amortization and write downs	(5,242)	(2,343)	(2,899)	123.7%
Operating result	**10,509**	**(2,224)**	12,733	n.m.
Operating result %	***15.3%***	***-3.6%***		
Net financial incomes (expenses)	(937)	(1,410)	473	-33.5%
Result before taxes	9,572	(3,634)	13,206	n.m.
Net result of the Group	5,216	(3,431)	8,647	n.m.
Basic Earnings (Losses) per Share	0.07	(0.04)		
Personnel cost	(12,686)	(12,008)	(678)	5.6%
Average number of employees (**)	601	594	7	1.2%

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

(**)Average number of employees in the two period compared.

Balance sheet Data *(in thousands of Euro)*	**Situation at September 30, 2015**	**Situation at March 31, 2015**	**change**
Fixed Assets	44,166	46,213	(2,047)
Net working capital	75,923	76,298	(375)
Non current Liabilities	(6,805)	(7,413)	608
Net Capital Invested	**113,284**	**115,098**	**(1,814)**
Shareholders' Equity	67,295	64,166	3,129
Net Financial Position (*)	45,989	50,932	(4,943)
Sources of Financing	**113,284**	**115,098**	**(1,814)**

(*)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 with the second half (October-March).
Total revenues of the Damiani Group in the first six months period ended September 30, 2015 resulting in increase of 10.7% compared with those recorded in the corresponding period of the previous year, thanks to the push of the retail segment. The gross operating profit (EBITDA) is a sharp increase, driven also by the non-recurring income recorded in the period and described in the following paragraphs.
Net income attributable to the Group is positive for Euro 5,216 thousands, an increase of Euro 8,647 thousands compared with the first half of 2014/2015, when a loss of EUR 3,431 thousands was recorded.
The following table shows the income statement of the first half of the financial year 2015/2016, compared with the income statement of the same period of the previous financial year, and are commented the trends of the main economic items.

Income Statement *(in thousands of Euro)*	**I Half 2015/2016**	**I Half 2014/2015**	**Change**	**Change %**
Revenues from sales and services	68,726	62,088	6,638	10.7%
Other revenues	15	22	(7)	-31.8%
Total revenues	**68,741**	**62,110**	6,631	10.7%
Cost of production	(52,990)	(61,991)	9,001	-14.5%
EBITDA *	**15,751**	**119**	15,632	n.m.
EBITDA %	***22.9%***	***0.2%***		
Depreciation, amortization and write downs	(5,242)	(2,343)	(2,899)	123.7%
Operating result	**10,509**	**(2,224)**	12,733	n.m.
Operating result %	***15.3%***	***-3.6%***		
Net financial incomes (expenses)	(937)	(1,410)	473	-33.5%
Result before taxes	**9,572**	**(3,634)**	13,206	n.m.
Result before taxes %	***13.9%***	***-5.9%***		
Taxes	(4,689)	(99)	(4,590)	n.m.
Net result	**4,883**	**(3,733)**	8,616	n.m.
Net result %	***7.1%***	***-6.0%***		
Non controlling interests	(333)	(302)	(31)	-10.3%
Net result of the Group	5,216	(3,431)	8,647	n.m.
Net result of the Group %	*7.6%*	*-5.5%*		

(*) 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 2015/2016 were Euro 68,726 thousands, an increase of 10.7% compared with those booked in the first half of the previous financial year (+9.0% at constant exchange rates).

The following table shows the breakdown of revenues by channels.

Revenues by Sales Channel *(in thousands of Euro)*	**I Half 2015/2016**	**I Half 2014/2015**	**Change**	**Change %**
Retail	**35,240**	**27,399**	**7,841**	**28.6%**
Percentage on total revenues	*51.3%*	*44.1%*		
Wholesale	**33,486**	**34,689**	**(1,203)**	**-3.5%**
Percentage on total revenues	*48.7%*	*55.9%*		
Total revenues from sales and services	**68,726**	**62,088**	**6,638**	**10.7%**
Percentage on total revenues	*100.0%*	*100.0%*		
Other revenues	15	22	(7)	-31.8%
Percentage on total revenues	*0.0%*	*0.0%*		
Total Revenues	**68,741**	**62,110**	**6,631**	**10.7%**

- In the retail channel the revenues amounted to Euro 35,240 thousands, an increase by 28.6% at current exchange rates and by 25.4% at constant exchange rates, compared with the first half of the previous financial year. The growth was due both to the positive sales performance of the Damiani brand, in single-brand and multi-brand directly managed stores (at current exchange rates the increase was 25%), and to the recovery of sales of third party brands in the Italian multibrand boutiques under network "Rocca 1794", which last year had been penalized by the decline in flows of foreign customers. For the first time in the history of the Group, the weight of the retail revenues exceeded 50% of total revenues from sales, reaching 51.3%, in line with the objectives of the strategy adopted in recent years that has resulted in significant investment in this channel.
- In the wholesale channel revenues were Euro 33,486 thousands, -3.5% at current exchange rates and -4% at constant exchange rates compared with the first half of the financial year 2014/2015. This reduction is entirely due to lower sales in non-ordinary channels, on which the Group did not initiate effective actions in a context however of growth of the ordinary channels and in view of the fact that such sales usually generate lower margins.

Cost of production

Overall, the net costs of production in the first half of the financial year 2015/2016 were Euro 52,990 thousands, with a decrease of Euro 9,001 thousands (-14.5%) compared with the same period of the previous financial year (Euro 61,991 thousands).
In details the trend of the main items in the six months period ended September 30, 2015:

- **Cost for raw materials and other materials, including purchases of finished goods,** amounted to Euro 34,667 thousands with a slight increase by 0.8% compared with the first half of the financial year 2014/2015 (Euro 34,378 thousands). The change is proportionally lower than the trend of increasing revenues, in which there is the growing weight of sales in the retail channel, through which the Group achieves a higher profitability.
- **Cost of services** were Euro 23,253 thousands, +26.7% compared with the first half of the previous financial year (Euro 18,346 thousands). The increase, which affected in a generalized way the various components of expenditure, is related mainly to the development of the retail channel and to the initiatives taken to promote the awareness of brands in Italy and especially at international customers.
- **Personnel cost** was Euro 12,686 thousands with an increase by 5.6% compared with the same period of the previous financial year (Euro 12,008 thousands). The change has focused on foreign subsidiaries,

in which the Group proceeded to strengthen the commercial organization to support international expansion.

- The **Other net operating (charges)/incomes** showed a positive balance of Euro 17,616 thousands in the first half of the financial year 2015/2016 compared with a positive balance of Euro 2.741 thousands in the first half of the financial year 2014/2015. In both periods the other net incomes include the benefits of non-recurring transactions (shown separately in the consolidated income statement): respectively for the key money collected for the sale to third parties of the lease of a boutique in the first half of the current year, and for sale to third parties of the business unit (inclusive of the lease) relating to a shop in Italy in the previous year. Both stores were not profitable at the time of their closure.

EBITDA

The combined trend of revenues and net costs of production described above results in a positive EBITDA in the six months period ended September 30, 2015 equal to Euro 15,751 thousands, an improvement of Euro 15,632 thousands compared with the gross operating result of the same period of the previous financial year (Euro 119 thousands). This result is significantly influenced by the non-recurring net income from the transaction above described.

Amortization, depreciation and write downs

In the first half ended September 30, 2015 amortization, depreciation and write downs of non-current assets amounted to Euro 5,242 thousands, an increase compared with the same period of the last year (Euro 2,343 thousands). This was due both to the greater depreciable consistency generated by investments made primarily to support the development of the retail segment and, above all, to the write-off of the net book values of the assets transferred in the non-recurring transaction above described.

Operating result

The operating performance of the Group in the six months period ended September 30, 2015 was positive for Euro 10,509 thousands, compared with the loss of Euro 2,224 thousands recorded in the same period of the previous financial year.

Net financial incomes (expenses)

The balance in the first half of the financial year 2015/2016 was negative for Euro 937 thousands, an improvement of Euro 473 thousands compared with the negative balance of Euro 1,410 thousands in the first half of the financial year 2014/2015. The change was mainly due to income from exchange rates.

Current, prepaid and deferred taxes

In the six months period ended September 30, 2015 current and deferred taxes had a negative impact of Euro 4,689 thousands compared with a negative balance of Euro 99 thousands in the first half of the financial year 2014/2015.
The increase is mainly due to the fiscal impact, in a foreign subsidiary, of the non-recurring income above described.

Net Result

Consolidated net income of the Group for the first half of the financial year 2015/2016 was Euro 5,216 thousands, a significant improvement compared with the same period of the last financial year, in which a loss of Euro 3,431 thousands was recorded. This economic performance was mainly influenced by the net non-recurring income above described.

Balance sheet and financial situation

The following table shows the reclassified consolidated balance sheet of Damiani Group at September 30, 2015, compared with that of March 31, 2015, and then commented the main changes.

Balance sheet Data *(in thousands of Euro)*	**Situation at September 30, 2015**	**Situation at March 31, 2015**	**change**
Fixed Assets	44,166	46,213	(2,047)
Net working capital	75,923	76,298	(375)
Non current Liabilities	(6,805)	(7,413)	608
Net Capital Invested	**113,284**	**115,098**	**(1,814)**
Shareholders' Equity	67,295	64,166	3,129
Net Financial Position (*)	45,989	50,932	(4,943)
Sources of Financing	**113,284**	**115,098**	**(1,814)**

(*)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, 2015 the fixed assets of the Group were Euro 44,166 thousands, decreased by Euro 2,047 thousands if compared with March 31, 2015 (Euro 46,213 thousands). The growth in the six months period for capex (equal to Euro 3,656 thousands) was completely offset by the amortization, depreciation and write-down of the period (for Euro 5,242 thousands, of which Euro 2,610 thousands related to non-recurring transactions), above described. Among the other components of fixed assets, the increase in non-current financial receivables due to higher security deposits (paid in relation to the development of international retail) offsets the reduction in deferred tax assets.

Net working capital

At September 30, 2015 the net working capital was Euro 75,923 thousands, with a slight decrease by Euro 375 thousands if compared with March 31, 2015. 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, 2015 the non-current liabilities amounted to Euro 6,805 thousands, a decrease compared with the previous financial year (equal to Euro 7,413 thousands), mainly for the reduction in the employees termination indemnities, partially offset by the provision for risks and charges.

Shareholders' equity

At September 30, 2015 the Shareholders' equity amounted to Euro 67,295 thousands, with an increase by Euro 3,129 thousands if compared with March 31, 2015, mainly due to the positive result of the six months period (equal to Euro 4,883 thousands, including the portion attributable to the minority, made up of a loss of Euro 333 thousands), to the increase in the stock option reserve for the share-based payments of Euro 72 thousands and to discounted income detected on defined benefit plans for employees (equal to Euro 154 thousands), which were offset by negative changes for exchange differences for Euro 1,980 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, 2015 and its change from March 31, 2015.

Net financial position (*) *(in thousands of Euro)*	**Situation at September 30, 2015**	**Situation at March 31, 2015**	**change**
Current portion of loans and financing	1,863	2,705	(842)
Drawndown of credit lines, short term financing and others	30,527	35,009	(4,482)
Current portion of loans and financing with related parties	1,035	1,031	4
Current financial indebtedness	**33,425**	**38,745**	**(5,320)**
Non current portion of loans and financing	11,262	11,048	214
Non current portion of loans and financing with related parties	10,434	10,893	(459)
Non current financial indebtedness	**21,696**	**21,941**	**(245)**
Total gross financial indebtedness	**55,121**	**60,686**	**(5,565)**
Cash and cash equivalents	(9,132)	(9,754)	622
Net financial position (*)	**45,989**	**50,932**	**(4,943)**

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

The Group at September 30, 2015 showed a net financial position of Euro 45,989 thousands, with an improvement of Euro 4,943 thousands if compared with March 31, 2015, as a result of cash flow generated from the non-recurring transactions above described. These resources have been used both to support the operational management and investment initiatives of the Group and to proceed with a further rebalancing of external sources, with the reduction of those with short-term maturities. The short term credit lines continue to be only partially used (total amount to Euro 49 million).
It has to be noted that at September 30, 2015 the net financial position includes Euro 11,469 thousands of payables towards related parties both for real estate operations booked as sale and lease-back (at September 30, 2015 this debt component amounted to Euro 6,268 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 5,201 thousands (including the accrued interest up to September 30, 2015 that will be paid at the time of the repayment of the principal in September 2019) (the different components of debt in the medium-long term are detailed 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 subsidiary Laboratorio Damiani S.r.l. which operates as manufacturing firm;
ii) **Foreign countries** segment that includes revenues and operating costs of Damiani S.p.A. attributable to foreign markets, and commercial subsidiaries with registered offices outside the national borders and which primarily distribute the Group's products in their local markets.

The reorganization of the Group implemented during the previous financial years resulted in the reallocation and the simplification of operational activities within the Italian and foreign companies. Therefore, the division between Italy and Foreign countries is the main dimension on which the Group proceeds to the analysis and evaluation of the business, both in term of revenues and operating profitability. To maintain comparability between periods in the information by geographic region data taken from internal

management systems of the Group are also considered, in order to allocate properly revenues and operating costs on the relevant areas.
In the following table are shown revenues by geographical sectors in the first half ended September 30, 2015 and in the same period of the previous financial year.

Revenues by Geographical Area *(in thousands of Euro)*	**I Half 2015/2016**	% of total	**I Half 2014/2015**	% of total	**change**	**change %**
Italy	**48,389**	70.4%	**41,654**	67.1%	6,735	16.2%
- revenues from sales and services	48,375		41,636			
- other revenues	14		18			
Foreign countries	**20,352**	29.6%	**20,456**	32.9%	(104)	-0.5%
- revenues from sales and services	20,351		20,452			
- other revenues	1		4			
Total revenues	**68,741**	**100%**	**62,110**	**100%**	6,631	10.7%

Revenues by geographic area showed the following trends:

- Revenues in **Italy** grew by 16.2% compared with the first half of the previous year, benefiting from the strong increase in sales in the retail channel, single and multi-brand DOS (overall +38%, also thanks to the flow of foreign clients in the stores located in the major tourist centers of the country). Essentially stable revenues on the wholesale channel, due to the reduction in sales of minor brands.
- The **Foreign countries** sector is substantially stable in revenues, with growth in Japan, the second largest market after the Italian one, offset by lower sales in the markets of the former Soviet Union because of the drop in consumption due to the economic and political crisis of this area.

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

EBITDA by Geographical Area * *(in thousands of Euro)*	**I Half 2015/2016**	% on total	**I Half 2014/2015**	% on total	change %
Italy	**4,312**	27.4%	**972**	n.m.	n.m.
Foreign countries	**11,439**	72.6%	**(853)**	n.m.	n.m.
Consolidated EBITDA	**15,751**		**119**		n.m.
% on Revenues	*22.9%*		*0.2%*		

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

In **Italy** the increase in sales revenues resulted in the improvement of the EBITDA.
The strong increase in operating performance in the **Foreign countries** was mainly due to the non-recurring income previously described.

Related parties transactions

The operations carried out by the Damiani Group with related parties are mainly of real estate nature (leases of shops and offices) and financial (bond signed by the Executive directors and shareholders, Damiani brothers).
Data concerning dealings of the Group with related parties in the six months period ended September 30, 2015 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 2015/2016**		**Situation at September 30, 2015**		
	Net operating costs	Financial expenses	Other current assets	Financial debt (including leasing)	Trade payables
Total with related parties	(572)	(319)	748	(11,469)	(1,640)
Total from Consolidated financial statements	(58,232)	(1,543)	9,140	(55,121)	(50,277)
%age weight	1%	21%	8%	21%	3%

(in thousands of Euro)	**I Half 2014/2015**		**Situation 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 financial statements	(64,334)	(1,456)	8,951	(55,207)	(5,404)	(50,021)
%age weight	1%	35%	8%	23%	5%	8%

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 2015/2016 it should be noted as non-recurring operation:

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

Significant events of the first half period

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

On April 27, 2015 Damiani received the “Leonardo Quality Italy” award, on the occasion of the "Day of Italian Quality", promoted by the Leonardo Committee and dedicated to companies that promote the image, style and excellence of Made in Italy in the world. Guido Damiani, President of the Group, was honored in Rome at the Quirinal Palace by Italian President Sergio Mattarella.
The initiative, now in its 20th edition, is promoted by the Leonardo Committee and aims to promote and strengthen the image of excellence of Italy in the world. Members of the Leonardo Committee - Italian Quality Committee - are companies that enjoy an international indisputable reputation, in terms of product quality and their international projection. Among the members of the Committee, there are some of the most famous brands of the Made in Italy.

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

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

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

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

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

In late June, Damiani has opened a new temporary boutique in Hong Kong, in the prestigious department store Landmark. The inauguration was also attended by the former Japanese footballer Hidetoshi Nakata, founder of the humanitarian *Take action* and promoter of the *Metropolitan Dream* collection by H. Nakata, developed by the Damiani brand and linked to charities in Africa.

On the 7th and 8th of July, Damiani participated as a speaker at the Social Business Forum in Milan. The event, sponsored by Microsoft, IBM and SAP, is the European leader in technological innovation linked to the social world. Damiani was the only luxury brand invited to bring his witness to the forum, telling its strategy focused on knowledge of customer expectations to carry out targeted actions on its consumption profile.

In July a new multi-brand Rocca 1794 boutique was inaugurated at the International Airport Terminal 1 of Milan-Malpensa. The store hosts prestigious watch brands in addition to the jewelry of the Damiani Group.

On August 8, 2015 the new Damiani boutique in Tokyo was inaugurated, in the central and exclusive Chuo-dori in the Ginza district. The flagship store is located in a nine-floors building fully used by the Group that has moved there the headquarters of the Japanese subsidiary. Japan is the main export market of the Group. In Japan it already has 11 stores in the best department stores, and local customers have appreciated for years our Made in Italy products.

In August a new Damiani directly-managed boutique was inaugurated in the prestigious Pangyo Hyndai department store in the city of Seongnam in South Korea. This store is to be added to the other three already existing in the country in which the Group recently made its entrance, immediately obtaining the appreciation of the local customers.

On September 9, 2015 the conference to present the 72 ° Italian Open of Golf took place at the Royal Villa of Monza. For the second consecutive year it has Damiani as presenting sponsor. The greatest national golf event was held from Thursday 17 to Sunday 20 September, in the beautiful scenery of Milano Golf Club located inside the Park of Monza. The event was attended a public which registered a record in audience and the Trophy winner, Swedish Karlberg, also received, as reward, the gold cufflinks designed by Damiani and created specifically for the event. Damiani creations were also the protagonists of the gala dinner at the clubhouse of the Golf Club in the final evening of the event.

On September 9, 2015 the second Damiani boutique in Taipei, at 101Mall, was inaugurated. It's located in one of the tallest skyscrapers in the world in the financial and commercial heart of the island of Taiwan. The boutique, managed in franchising, is located on the second floor of the skyscraper, where there are the most important luxury brands.

Significant events after the end of the first half period

On October 6, 2015 the amount of Euro 633,435 was granted, equal to 90% of the contribution provided for by Decree of the Ministry of Economic Development on March 5, 2014.

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

On October 16 Damiani presented in London, at the exclusive Morton's club, the Metropolitan Dream collection by H. Nakata. The event was attended clients and celebrities around the world, including the star Lindsay Lohan, the actress Emma Miller and model Hofit Golan.

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

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

Business outlook

In the first half of 2015/2016 the Damiani Group recorded a positive trend in revenues driven by a further increase in the retail segment. This confirms the right strategy adopted in the recent past and strengthens the will to continue on the path of development in the near future. At the same time, this strategy leads to a strong pressure on the operating costs, which, in the short term, can compress the operating profitability. Therefore, aware of this relationship, the Group continued its careful consideration of the performance of individual stores taking, if profitable, opportunities in the real estate market to acquire new financial resources needed both to strengthen the capital structure of the Group and to support additional needs related to the development of the Group.
This global vision will continue to characterize the management also in the follow of this financial year, aware of the impacts that may result in the short term but also in the medium-term benefits that can be generated on the trends of revenues and profitability.
In the current context, however, not without macroeconomic uncertainties dependent on exogenous variables, we believe that the Damiani Group will confirm, in the second half of the current financial year, the good overall results in terms of sales, improving its economic and financial performance coming from recurring activities.

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

Milan, November 27 2015

For the Board of Directors
CEO
Giorgio Grassi Damiani

DAMIANI S.p.A.

Condensed consolidated financial statements as of September 30, 2015

Index

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2015 and at March 31, 2015

(in thousands of Euro)	Note	September 30, 2015	March 31, 2015
NON-CURRENT ASSETS			
Goodwill	7	4,723	4,723
Other Intangible Assets	8	1,022	4,324
Property, plant and equipment	9	17,276	16,048
Investments	10	113	167
Financial receivables and other non current assets	11	5,625	4,658
Deferred tax assets	12	15,407	16,293
TOTAL NON CURRENT ASSETS		**44,166**	**46,213**
CURRENT ASSETS			
Inventories	13	103,348	92,598
Trade receivables	14	26,363	34,198
of which towards related parties		-	4
Tax receivables	15	403	845
Other current assets	16	9,140	8,656
of which towards related parties		*748*	*608*
Cash and cash equivalents	17	9,132	9,754
TOTAL CURRENT ASSETS		**148,386**	**146,051**
TOTAL ASSETS		**192,552**	**192,264**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		23,735	28,851
Group net income (loss) for the period		5,216	(3,454)
TOTAL GROUP SHAREHOLDERS' EQUITY		**65,295**	**61,741**
NON CONTROLLING INTEREST			
Non controlling interest share capital and reserves		2,333	2,570
Non controlling interest net income (loss) for the period		(333)	(145)
TOTAL NON CONTROLLING INTEREST		**2,000**	**2,425**
TOTAL SHAREHOLDERS' EQUITY	18	**67,295**	**64,166**
NON CURRENT LIABILITIES			
Non current portion of long term financial liabilities	19	21,696	21,941
of which towards related parties		*10,434*	*10,893*
Employees' Termination Indemnities	20	4,209	5,013
Deferred Tax liabilities	12	763	1,133
Provision for risks and charges	21	1,348	764
Other non current liabilities	22	485	503
TOTAL NON CURRENT LIABILITIES		**28,501**	**29,354**
CURRENT LIABILITIES			
Current portion of long term financial liabilities	19	2,898	3,736
of which towards related parties		*1,035*	*1,031*
Trade payables	23	50,277	51,811
of which towards related parties		*1,640*	*1,658*
Short term borrowings	24	30,527	35,009
Tax payables	25	6,009	2,384
Other current liabilities	26	7,045	5,804
of which towards related parties		-	*69*
TOTAL CURRENT LIABILITIES		**96,756**	**98,744**
TOTAL LIABILITIES		**125,257**	**128,098**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**192,552**	**192,264**

CONSOLIDATED INCOME STATEMENT

For the six months periods ended September 30, 2015 and September 30, 2014

(in thousands of Euro)	**Note**	**I Half 2015/2016**	**I Half 2014/2015**
Revenues from sales and services		68,726	62,088
Other revenues		15	22
TOTAL REVENUES	27	**68,741**	**62,110**
Cost for raw materials and consumables	28	(34,667)	(34,378)
Cost of services	29	(23,253)	(18,346)
of which towards related parties		*(572)*	*(501)*
of which not recurring cost of services		*(250)*	-
Personnel cost	30	(12,686)	(12,008)
Other net operating (charges) incomes	31	17,616	2,741
of which not recurring incomes		*19,000*	*1,891*
Amortization, depreciation and write downs	32	(5,242)	(2,343)
of which not recurring write downs		*(2,610)*	(498)
TOTAL OPERATING EXPENSES		**(58,232)**	**(64,334)**
OPERATING INCOME (LOSS)		**10,509**	**(2,224)**
Financial Expenses	33	(1,543)	(1,456)
of which towards related parties		*(319)*	*(505)*
Financial Incomes	33	606	46
INCOME (LOSS) BEFORE INCOME TAXES		**9,572**	**(3,634)**
Taxes	34	(4,689)	(99)
NET INCOME (LOSS) FOR THE PERIOD		**4,883**	**(3,733)**
Attributable to:			
Equity holders of the parent		5,216	(3,431)
Non controlling interests		(333)	(302)
Basic Earnings (Losses) per share(*)		**0.07**	**(0.04)**
Diluted Earnings (Losses) per share(*)		**0.07**	**(0.04)**

(*)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 the six months periods ended September 30, 2015 and September 30, 2014

(in thousands of Euro)	**I Half 2015/2016**	**I Half 2014/2015**
Net income (loss) for the period	**4,883**	**(3,733)**
Other gains (losses) that will be reclassified to net income for the period:		
Gains (losses) on exchange differences on translating foreign operations	(1,983)	1,104
Tax effect	3	(246)
Other gains (losses) that will not be reclassified to net income for the period:		
Gains (losses) on the remeasurement of defined benefit plans	224	(277)
Tax effect	(70)	81
Total comprehensive income (loss) for the period	**3,057**	**(3,071)**
Equity holders of the parent	3,482	(2,818)
Non controlling interests	(425)	(253)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months periods ended September 30, 2015 and September 30, 2014.

(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**

(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, 2015	**36,344**	**65,756**	**2,434**	**8,618**	**791**	**(8,134)**	**(40,078)**	**(535)**	**(3,454)**	**61,741**	**2,425**	**64,166**
Allocation of the result for the period							(3,454)		3,454			
Other comprehensive income(loss)							(1,882)	148	5,216	3,482	(425)	3,057
Stock option					72					72		72
Balances at September 30, 2015	**36,344**	**65,756**	**2,434**	**8,618**	**863**	**(8,134)**	**(45,414)**	**(387)**	**5,216**	**65,295**	**2,000**	**67,295**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months periods ended September 30, 2015 and September 30, 2014

(in thousand of Euro)	**I Half 2015/2016**	**I Half 2014/2015**
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	4,883	(3,733)
Adjustments to reconcile the income (loss) for the period to the cash flow from/(used in) by operations:		
Amortization, depreciation and write downs	5,242	2,343
Costs/(revenues) for stock option	72	107
(Gains)/Losses from sale of non current assets	-	3
Accrual of allowance for doubtful accounts	175	239
Accrual of provision for risk and charges	785	269
Changes in the fair value of financial instruments	13	(413)
Accrual to employees' termination indemnity	(181)	367
Employees' termination indemnity payments	(623)	(143)
Changes in the deferred tax assets and liabilities	516	72
	10,882	(889)
Changes on operational assets and liabilities		
Trade receivables	7,660	5,509
Inventories	(10,750)	(9,208)
Trade payables	(1,534)	838
Tax receivables	442	33
Tax payables	3,625	(391)
Provisions for risks and charges	(201)	(70)
Other current assets and current and non current liabilities	726	(1,945)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	**10,850**	**(6,123)**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposal of intangible assets and property, plant and equipment	221	92
Purchase of property, plant and equipment	(3,222)	(365)
Purchase of intangible assets	(434)	(9)
Net change in the other non current assets	(913)	(118)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES (B)	**(4,348)**	**(400)**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of long term loans	(2,797)	(2,437)
Issuance of long-term debt	1,714	1,903
Net change in short-term financial liabilities	(4,482)	4,507
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES (C)	**(5,565)**	**3,973**
TOTAL CASH FLOW (D=A+B+C)	**937**	**(2,550)**
Effect of exchange rates on cash (E)	(1,559)	288
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR (F)	**9,754**	**10,464**
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (G=D+E+F)	**9,132**	**8,202**

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 1794 network some prestigious third parties brand, particularly regarding watches.
The registered office of the parent company Damiani S.p.A. is in Italy, in Valenza (AL), Piazza Damiano Grassi Damiani n.1.

Basis of presentation

The condensed consolidated financial statements of the Damiani Group at September 30, 2015 relating to the six months period from April 1, 2015 to September 30, 2015, 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 27, 2015.
The structure of the statement of financial position follows the classification by "current assets" and "non-current assets" while the income statement is classified 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 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, 2015. 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, 2015, to which we refer for a fuller disclosure, also considering what described in note 3. Accounting standards, amendments and interpretations effective from April 1, 2015.
The Condensed interim financial statements at September 30, 2015 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, 2015 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, 2015 are compared with those at March 31, 2015.
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, 2015:

Company name	Registered office	Currency	Share Capital (local currency)	Held by	% Direct (*)	% of the Group
Laboratorio Damiani S.r.l.	Valenza (AL), Italy	EUR	850,000	Damiani S.p.A.	75.50%	75.50%
Damiani International B.V.	Amsterdam, Netherland	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan K.K.	Tokyo, Japan	JPY	495,000,000	Damiani International B.V.	0.00%	86.00%
Damiani USA, Corp.	New York, USA	USD	900,000	Damiani International B.V.	0.00%	100.00%
Casa Damiani Espana S.L.	Valencia, Spain	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Hong Kong Ltd	Hong Kong	HKD	72,500,000	Damiani S.p.A.	96.00%	100.00%
Damiani France S.A.	Paris, France	EUR	38,500	Damiani International B.V.	0.00%	100.00%
Damiani Macau Ltd	Macau	MOP	22,500,000	Damiani Hong Kong Ltd	0.00%	100.00%
Rocca International S.A.	Lugano, Switzerland	CHF	600,000	Damiani S.p.A.	100.00%	100.00%
Damiani Mexico S.A. de C.V.	Mexico Distrito Federal	MXN	3,000,000	Damiani International B.V.	10.00%	100.00%
Damiani Shanghai Trading Co. Ltd	Shanghai, China	CNY	45,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani Korea Co. Ltd	Seoul, South Korea	KRW	1,900,000,000	Damiani S.p.A.	100.00%	100.00%
Damiani India Co. Ltd	New Delhi, India	INR	44,285,710	Damiani International B.V.	0.00%	51.00%
Damiani International S.A.	Manno, Switzerland	CHF	250,000	Damiani International B.V.	0.00%	100.00%
Damiani Russia LLC	Moscow, Russia	RUB	10,000	Damiani S.p.A.	100.00%	100.00%

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

During the first half of the year 2015/2016 the Group's composition has changed as follows respect to March 31, 2015:

- On July 14, 2015 Damiani S.p.A. bought the stake in Laboratorio Damiani S.r.l. held by Christian Rizzetto, 24.5% of the share capital of the company, for a value of Euro 946 thousand, equivalent to the corresponding portion of shareholders' equity at March 31, 2015. Following this transaction, Damiani S.p.A. holds 75.5% of the share capital of Laboratorio Damiani S.r.l.
- On August 5, 2015, the company Damiani Russia LLC was set up. It's based in Moscow and has a capital of 10,000 rubles, wholly owned by Damiani S.p.A. The company aims to market the Group's brands in the Russian territory in the wholesale and retail channels. At September 30, 2015, the company was not yet operational.

Associated companies

Associated companies are those in which the Group owns at least 20% of voting rights or exercises significant influence, but not control, over financial and operating policies.
At September 30, 2015 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 of September 30, 2015 for a total value of Euro 113 thousands.

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	72	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, 2014

3. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATION EFFECTIVE FROM APRIL 1, 2015

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, 2015, except for the adoption of new standards, amendments and interpretations effective from April 1, 2015. These changes do not have any impact on the Group; the following lists the new standards / amendments considered in this analysis:

- IAS 19 - Employee benefits: employee contributions (revised). IAS 19 calls for an entity to consider the contributions by employees or third parties when accounting defined benefit plans. When contributions are linked to the performance of the service, they should be attributed to the period of service as a negative benefit. The amendment states that if the amount of the fees is independent of the number of years of service, it's permitted to an entity to recognize these contributions as a reduction of cost of service during the period in which the service is provided, instead of allocating contributions to periods of service. This change is effective for annual periods beginning on or after July 1, 2014.
- IFRIC 21 - Taxes: clarifies that an entity recognizes a liability for taxes at the earliest when the event (to which the payment is linked) occurs, in accordance with applicable law. For payments that are due only to the passing of a certain minimum threshold, the liability is recognized only when the threshold is reached. It's required retrospective application for IFRIC 21. This interpretation must be applied in financial statements beginning on or after January 1, 2015.
- Annual cycle of improvements IFRS 2010-2012. The improvements are applicable for annual periods beginning on or after July 1, 2014. They include:
  - IFRS 2 - Share based payment: definition of vesting condition.
  - IFRS 3 - Business Combination: recognition of contingent consideration in a business combination.
  - IFRS 8 – Operating segments: information on the aggregation of operating segments and reconciliation between the total assets of the operating segments with the total assets of the company.
  - IAS 16 Property, plant and equipment and IAS 38 – Intangible assets: revaluation method: proportional restatement of accumulated depreciation.
  - IAS 24 Related Party Disclosures: a management company that provides management services with strategic responsibilities should be considered as a related party.
- Annual cycle of improvements IFRS 2011-2013. The improvements are applicable for annual periods beginning on or after July 1, 2014. They include:
  - IFRS 3 – Business combinations: it clarifies that the principle does not apply in accounting for the establishment of an agreement to joint control.
  - IFRS 13 Fair value measurement: changed the scope of the section on portfolio exception.
  - IAS 40 Investment property: clarifies that, in determining whether a transaction is the purchase of an asset or a business combination must be used IFRS 3 and not the description of ancillary services in IAS 40.

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 indicators 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 Cash Generating Unit (CGU) – Alfieri & St. John.
In view of the evolution of business developments related to that CGU, 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 provisions 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 2015/2016 has remained essentially unchanged compared to the situation existing at the end of the previous financial year, nor the Group, which recorded a positive trend in revenues, consequently recognized the need to make changes to its strategy that could lead to economic and financial impacts different than expected in the foreseeable future. Therefore, analyzes carried out with reference to item i) confirmed the recoverability of the goodwill recorded on the statement of financial position, without determining the need to make any write-down. Furthermore, for the points ii), iii) and iv) analyzes performed have not resulted in significant changes on the existing provisions while for point v) the funds have been integrated in relation to the valuation of risks for the Group related to legal and fiscal matters as at September 30, 2015.

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 size of which directors attribute objectives and responsibilities and management works is the geographical one, with the articulation already indicated in report on operations and which provide the figures for the first half of 2015/2016 and, for comparative purposes, of the same period of financial year 2014/2015.
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 2015/2016)

I Half 2015/2016 *(in thousands of Euro)*	**Italy**	**Foreign Countries**	**Eliminations**	**Consolidated**
Revenues from Sales and Services	48,375	20,351	-	**68,726**
Other revenues	14	1	-	**15**
Intercompany sales	16,267	5,123	(21,390)	**-**
Total Revenues	**64,656**	**25,475**	**(21,390)**	**68,741**
Operating Expenses	**(61,776)**	**(17,846)**	**21,390**	**(58,232)**
Operating income (loss)	**2,880**	**7,629**	-	**10,509**

Situation at September 30, 2015 *(in thousands of Euro)*	**Italy**	**Foreign Countries**	**Eliminations**	**Consolidated**
Capex	1,803	1,853	-	3,656

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

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, 2015 and at March 31, 2015:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
Goodwill, boutiques	465	465
Goodwill, Alfieri & St.John	4,258	4,258
Total goodwill	**4,723**	**4,723**

The item, unchanged compared with March 31, 2015, 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. (merged in Damiani S.p.A. in the fiscal year 2012/2013) and to Euro 465 thousands for goodwill paid by the Parent company for the acquisition of two single-brand stores directly managed.

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 assessments of the recoverable amount have been updated, compared to what determined in the financial statements at March 31, 2015 in order to consider the most recent commercial developments of the CGU. In particular:
- The foreseeable cash flows for the CGU have been reviewed at Corporate level on the basis of updated economic and financial forecasts;
- The cash flows have been discounted using the weighted average cost of capital (WACC), including tax expense, calculated according to the following elements:
  - Risk free rate*:* yield on the ten-years bonds 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 remuneration 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 7.3% net of the related tax effect in line with the value of March 31, 2015, determined on the basis of conservative assumptions of the quantitative assumptions (in particular with regard to the expected long-term growth rate “g”).
The update of the impairment test performed, has confirmed the recoverability of the carrying value of goodwill. For goodwill relating to the boutique, allocated to the Damiani CGU, the economic performance in the first half 2015/2016 has fully confirmed the interim performance expectations and hence consistency with respect to the overall scenario used for impairment test at March 31, 2015.

8. OTHER INTANGIBLE ASSETS

The following table provides a breakdown of the item at September 30, 2015 and at March 31, 2015:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
Industrial rights and patents	197	182
Key Money	809	3,429
Intangible assets under construction	16	714
Total other intangible assets	**1,022**	**4,324**

The reduction of Euro 3,302 thousands in other intangible assets is due, in addition to the depreciation of the period, also, primarily, to the write-off of the key money not yet amortized relating to the boutique abroad that has been closed during the period, concurrently with the transfer to third parties of its lease, and the share of a store ceased in Turin. The reduction in construction in progress refers instead to the reclassification to the final accounts (included among tangible assets) of costs incurred for improvements to leased properties, mainly used as shops.

9. PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown of the item at September 30, 2015 and at March 31, 2015:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
Land and buildings	7,135	7,589
Plant and machinery	515	432
Industrial and commercial equipment	140	170
Other assets	9,486	7,852
Assets under construction	-	4
Total property, plant and equipment	**17,276**	**16,048**

Property, plant and equipment increased, compared with March 31, 2015, of Euro 1,228 thousands due to investments in the period (mainly for assets used in the directly operated stores which have been restored and furnished in the period), partially offset by depreciation and disposals.
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 was Euro 5,825 thousands at September 30, 2015 and Euro 6,263 thousands at March 31, 2015. The corresponding depreciation charge for the period amounted to Euro 438 thousands.
The item Other assets includes furniture, furnishings, office equipment, vehicles and leasehold improvements (costs incurred to adapt/refurbish the boutiques).

10. INVESTMENTS

At September 30, 2015 this item referred exclusively to non-controlling interests in Fin.Or.Val S.r.l. and Banca d'Alba for a total of Euro 113 thousands. The change of Euro 54 thousands compared with March 31, 2015 was recognized to adjust the value of the investment in Fin.Or.Val S.r.l., to the corresponding share of equity.

11. FINANCIAL RECEIVABLES AND OTHER NON CURRENT ASSETS

The following table provides a breakdown of the item at September 30, 2015 and at March 31, 2015:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
Guarantee deposits	5,574	4,607
Other receivables	51	51
Total financial receivables and other non current assets	**5,625**	**4,658**

The increase in guarantee deposits compared with March 31, 2015 to Euro 967 thousands was mainly due to payments made by foreign subsidiaries.

12. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities at September 30, 2015 and at March 31, 2015 are detailed in the table below; the descriptions indicate the nature of temporary differences:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
Deferred tax assets:		
Net Impact of the returns reserve	1,212	1,212
Write off on intercompany gains and margins	6,084	6,855
Exchange loss differences	44	347
Provision for doubtful accounts not deductible	784	838
Director wages	60	-
Write downs of inventories	2,411	2,411
Credit losses	146	146
Provisions on lawsuits	243	103
Financial interests in excess	2,244	2,103
Fiscal losses	1,877	1,956
Other timing differences of taxation	302	321
Total deferred tax assets	**15,407**	**16,293**
Deferred tax liabilities:		
Exchange differences	449	897
Other timing differences of taxation	289	211
Deferred taxation on capital gains	25	25
Total deferred tax liabilities	**763**	**1,133**

The decrease in deferred tax assets is mainly due to the progressive reduction related to the decrease in intercompany stocks which in the past had generated margins not yet realized with third parties.

13. INVENTORIES

The following table provides a breakdown of the item at September 30, 2015 and at March 31, 2015:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
Raw materials, semi-finished goods and advance payments	14,128	12,911
Finished products and goods	89,220	79,687
Total inventories	**103,348**	**92,598**

The net value of inventories at September 30, 2015 showed an increase of Euro 10,750 thousands compared with March 31, 2015 related to the seasonality of the procurement process. In the same period of the previous year the increase was Euro 9,208 thousands, thus showing a similar order of magnitude and a more appropriate comparison.
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 4,483 thousands, value substantially unchanged compared with March 31, 2015 (Euro 4,502 thousands).
The value of inventories at September 30, 2015 was net of Euro 10,441 thousands inventory write-down (Euro 10,334 thousands at March 31, 2015); the change was due to marginal use in the half period as well as currency translation effects. At September 30, 2015 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, 2015 and at March 31, 2015:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
Trade receivables, gross	**39,537**	**47,632**
Provision for doubtful accounts	(4,042)	(4,264)
Fund for returns on sales from customers	(9,126)	(9,164)
Impact of Net Present Value calculation of receivables	(6)	(6)
Total net trade receivables	**26,363**	**34,198**

The decrease in net trade receivables compared with March 31, 2015 to Euro 7,835 thousands is mainly due to the timing of incoming cash flows related to the sales seasonality.
The balance of the trade receivables is net of provision for doubtful accounts and fund for returns on sales, 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 in the period to provision for doubtful accounts, amounted to Euro 175 thousands, are accounted in the item "Other net operating (charges) incomes" of the income statement. The trend of returns of the period did not require additional provisions to adjust the overall fund.
There are not trade receivables with a contractual duration longer than 5 years.

15. TAX RECEIVABLES

At September 30, 2015 tax receivables showed a balance of Euro 403 thousands compared with Euro 845 thousands at March 31, 2015 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, 2015 and at March 31, 2015:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
VAT receivables from the Tax Authorities	2,375	2,693
Prepayments on exchanges of goods	647	-
Deposits to suppliers	1,793	1,713
Prepayments	2,536	2,493
Receivables from other	1,789	1,758
Total other current assets	**9,140**	**8,656**

The increase in prepayments on exchanges of goods refers to new contracts for the purchase of advertising (against which products in stock were sold) the cost of which will be registered simultaneously with the use of it.

17. CASH AND CASH EQUIVALENTS

The following table provides a breakdown of the item at September 30, 2015 and at March 31, 2015:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
Bank and post accounts	8,956	9,568
Cash on hand	176	186
Total cash and cash equivalents	**9,132**	**9,754**

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, 2015 the Shareholders' equity amounted to Euro 67,295 thousands, in increase by Euro 3,129 thousands compared with March 31, 2015. The changes in shareholders' equity of the first half ended September 30, 2015 (which are shown in the consolidated statement of changes in shareholders' equity) were the following:
- The net income of the period for Euro 4,883 thousands (including 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 1,980 thousands;
- The increase of stock option reserve for Euro 72 thousands due to the fair value of share-based plans according to IFRS 2;
- Actuarial gain on defined benefits plans for employees recognized in accordance with IAS 19 (2011) for Euro 154 thousands.

As regards treasury shares it is reported that in April-September 2015 have not been purchased or sold shares. Therefore, at September 30, 2015 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, 2015 and March 31, 2015 is as follows:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**	**Note**
Non current portion			
Loan A	-	-	a
Loan B	2,108	2,074	b
Loan C	-	58	c
Loan D	5,201	5,000	d
Loan E	5,186	6,012	e
Loan F	2,904	2,904	f
Loan G	950	-	g
Loan H	114	-	h
Financial Leasing	5,233	5,893	i
Total non current portion of medium/long term financial liabilities	**21,696**	**21,941**	
Current portion			
Loan A	-	1,500	a
Loan B	603	519	b
Loan C	404	687	c
Loan D	-	-	d
Loan E	826	-	e
Loan F	-	-	f
Loan G	-	-	g
Loan H	30	-	h
Financial Leasing	1,035	1,031	i
Total current portion of medium/long term financial liabilities	**2,898**	**3,736**	
Total medium/long term financial liabilities	**24,594**	**25,677**	

The following is a breakdown of key information relating to loans granted by banks and other lenders at September 30, 2015.

a) Loan A was originally granted to Damiani S.p.A. in June 2009 for a total of Euro 15,000 thousands with a repayment plan based on constant six-monthly installments for the period from December 31, 2010 to June 30, 2015. This loan was regularly paid at the end of June 2015.
b) Loan B referred to a subsidized loan signed in February 2013 by Damiani S.p.A. to implement development programs in China within 24 months following the signing of the contract. Based on the progress of investments the loan, of total Euro 3,012 thousands, was paid in five separate tranches and provides a repayment plan in seven years, after the first two years grace period, in half-yearly installments and at an effective annual rate of 0.5%. In the month of August 2015 the first installment of repayment for the amount of Euro 301 thousands was paid.
c) Loan C was granted to Rocca S.p.A. (merged into Damiani S.p.A. in December 2014) 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 (the last installment will be repaid in April 2016). On this loan interests are paid at a rate equal to Euribor three months + spread 3%.
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 3.9%. Interests have to be capitalized from 1 January 2015 and paid in a single installment at the time of loan repayment. Until December 31, 2014 annual interests paid were 5.5%.

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, equal to Euro 6,012 thousands at September 2015, are subject to the effective implementation of the investment plan of the Group and to comply with financial covenants contractually established. Failure to comply with these covenants has led, last year, to a renegotiation process between Damiani S.p.A. and the pool of financial institutions, which ended on July 31, 2015 with the signing by the parties of an act amending the initial loan agreement, which introduced some changes. In particular: i) reduction of the spread applied on the amount paid from 6.05% to 3.90% per year; ii) reduction of the spread applied on the commitment fee from 2% to 1.30% per year; iii) review of the financial covenants, based on the targets of the new three-year plan 2015-2018 of the Group, annually rather than quarterly as originally planned (the first check is going to take place on March 31, 2016). Following the signing of the amendment, in October 2015 Damiani S.p.A. has been granted the remaining part of the credit line, which had been temporarily suspended. The repayment of the credit line runs from the 30th month following the signature of the contract, to be completed after 66 months of signing, according to the established plan. Therefore, on May 2016 the first installment will be repaid.
f) Loan F was completed on December 31, 2013 and consists in the financial contribution of HK$ 29,826,000 (equivalent to Euro 2,904 thousands) by Simest S.p.A. (66.7% of the total) and by the Venture Capital Fund of the Ministry of Economic Development (the remaining 33.3%) in the subsidiary Damiani Hong Kong Ltd to support its development in the Greater China. In legal terms, the transaction is considered as a capital increase for Damiani Hong Kong Ltd. From an accounting standpoint, given the commitments stipulated in the contract signed between Damiani S.p.A. and Simest S.p.A. (and with the Venture Capital Fund), which provides for the repurchase of shares at a predetermined minimum price (at least equal to the initial) at the end of the agreed period (starting from September 30, 2018 and until September 30, 2021), as well as a flat-rate annual fee to be paid to Simest S.p.A. (and to the Venture Capital Fund) benchmarked to the initial payment, translated in Euro, this contribution can be configured as a medium-long term financing and as such accounted in the financial statements of the Damiani Group.
g) It refers to the subsidized loan granted in the month of July 2015 by the Italian Ministry of Economic Development to Laboratorio Damiani S.r.l., for the program of research and development of automated solutions for processing gold, implemented in previous years. The loan provides for an interest of 0.5% per annum and the repayment in ten annual installments from March 2019 (expiring in March 2028).
h) It refers to the financial leasing of security systems signed by Damiani Japan K.K. for an initial amount of Euro 149 thousands.

Moreover, in the table (point i) the debt for leasing on buildings for Euro 7,557 thousands are showed. They are 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 1794 store locations.

The table below shows the detail of Net financial position at September 30, 2015 and at March 31, 2015:

Net financial position (*) *(in thousands of Euro)*	**Situation at September 30, 2015**	**Situation at March 31, 2015**
Current portion of loans and financing	1,863	2,705
Drawndown of credit lines, short term financing and others	30,527	35,009
Current portion of loans and financing with related parties	1,035	1,031
Current financial indebtedness	**33,425**	**38,745**
Non current portion of loans and financing	11,262	11,048
Non current portion of loans and financing with related parties	10,434	10,893
Non current financial indebtedness	**21,696**	**21,941**
Total gross financial indebtedness	**55,121**	**60,686**
Cash and cash equivalents	(9,132)	(9,754)
Net financial position (*)	**45,989**	**50,932**

(*)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, 2015 was a net loss of Euro 45,989 thousands, an improvement of Euro 4,943 thousands compared with March 31, 2015 due to the cash flow generated from non-recurring transactions, partially offset by needs of the Group in the first half resulting from the operational management and the capital expenditure.

20. EMPLOYEES' TERMINATION INDEMNITIES

During the first half ended September 30, 2015 the employees' termination indemnities underwent the following changes:

(in thousands of Euro)	
Termination Indemnities at March 31, 2015	**5,013**
Cost related to current work performed	24
Financial expenses	19
Paid benefits	(623)
Actuarial Loss (Profit)	(224)
Termination Indemnities at September 30, 2015	**4,209**

The changes reflect the accruals and the payments, including the advances that were given, which were posted in the six months period ended September 30, 2015. The actuarial profit arises from the different financial assumptions compared with the previous period, with the change of the index Inbox Corporate AA with duration 7-10 used (from 0.80 in March 2015 to 1.46% in September 2015).

Details of the assumptions adopted as of September 30, 2015 are as follows.

Financial hypotheses	
Annual rate for the Net Present Value	1.46%
Annual inflation rate	0,60% in 2015 1,20% in 2016 1,50% in 2017 and 2018 2,00% from 2019 onwards

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

21. PROVISIONS FOR RISKS AND CHARGES

At September 30, 2015 risks reserves amounted to Euro 1,348 thousands, an increase of Euro 584 thousands compared with March 31, 2015, 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 and with tax authorities was Euro 785 thousands. In the six months period the reserves have been used to Euro 201 thousands.

22. OTHER NON CURRENT LIABILITIES

The amount of the item increased from Euro 503 thousands at March 31, 2015 to Euro 485 thousands at September 30, 2015, and includes mainly termination indemnities of directors.

23. TRADE PAYABLES

The amount of the item increased from Euro 51,811 thousands at March 31, 2015 to Euro 50,277 thousands at September 30, 2015, result of purchases of finished goods and capex in the retail sector during the period.

24. SHORT TERM BORROWINGS

Debts relating to use of credit lines in the short term amounted to Euro 30,527 thousands at September 30, 2015, a decrease of Euro 4,482 thousands compared with March 31, 2015. The use of short term credit lines is intended to finance working capital. The less exposure in the short term respect to March 31, 2015 is related to the cash flow from non-recurring operations, which led to the partial repayment of short-term debt in view of the rebalancing of the sources of financing in relation to the duration of uses.
The short term credit lines available are only partially used.

25. TAX PAYABLES

The following table provides a breakdown of the item at September 30, 2015 and at March 31, 2015:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
Taxes withheld from employees (IRPEF)	392	266
Current income tax payables	5,518	1,997
Other tax payables	99	122
Total tax payables	**6,009**	**2,384**

The increase is mainly due to the tax debt generated from the company Damiani France S.A. that comes from the previously mentioned non-recurring income realized in the first half.

26. OTHER CURRENT LIABILITIES

The following table provides a breakdown of the item at September 30, 2015 and at March 31, 2015:

(in thousands of Euro)	**September 30, 2015**	**March 31, 2015**
Payables to social security institutions	1,235	1,214
Payables to employees	2,765	2,724
Other liabilities	886	433
Prepaid income and accrued liabilities	2,159	1,433
Total other current liabilities	**7,045**	**5,804**

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, 2015 and September 30, 2014:

(in thousands of Euro)	**I Half 2015/2016**	**I Half 2014/2015**
Revenues from sales and services	68,726	62,088
Other revenues	15	22
Total revenues	**68,741**	**62,110**

The breakdown of revenues by sales channel is the following:

Revenues by Sales Channel *(in thousands of Euro)*	**I Half 2015/2016**	**I Half 2014/2015**
Retail	**35,240**	**27,399**
Percentage on total revenues	*51.3%*	*44.1%*
Wholesale	**33,486**	**34,689**
Percentage on total revenues	*48.7%*	*55.9%*
Total revenues from sales and services	**68,726**	**62,088**
Percentage on total revenues	*100.0%*	*100.0%*
Other revenues	15	22
Percentage on total revenues	*0.0%*	*0.0%*
Total Revenues	**68,741**	**62,110**

Consolidated revenues for the first half period ended September 30, 2015 amounted to Euro 68,741 thousands, compared with Euro 62,110 thousands in the first half ended September 30, 2014, showing an increase by Euro 6,631 thousands, corresponding to +10.7%, already commented in the report on operations.
The Other revenues, of residual amount, mainly refer to active rents, in both the six months periods.

28. COST FOR RAW MATERIALS AND CONSUMABLES

Costs for raw materials and consumables (including purchase of finished products) are for the six months periods ended September 30, 2015 and September 30, 2014 as follows:

(in thousand of Euro)	**I Half 2015/2016**	**I Half 2014/2015**
Purchases	44,872	43,228
Change in inventory of finished products	(9,798)	(7,006)
Change in inventory of raw materials and consumables	(407)	(1,844)
Total cost of raw materials and consumables	**34,667**	**34,378**

The costs went from Euro 34,378 thousands in the six months period ended September 30, 2014 to Euro 34,667 thousands in the period ended September 30, 2015, with an increase of only Euro 289 thousands, significantly less than the percentage of growth in revenues. This mismatch between the two trends depends on a different sales mix, particularly concentrated on the channels with higher margins.

29. COST OF SERVICES

The table below shows the breakdown of the item for the six months periods ended September 30, 2015 and September 30, 2014:

(in thousands of Euro)	**I Half 2015/2016**	**I Half 2014/2015**
Functional expenses	3,510	3,080
Advertising expenses	5,938	4,254
Other commercial expenses	1,556	1,327
Production costs	1,539	1,511
Consultancy	1,824	1,481
Travel/transport expenses	1,830	1,671
Directors' Fees	776	348
Usage of third party assets	6,280	4,674
Total cost of services	**23,253**	**18,346**

The cost of services grew overall by Euro 4,907 thousands compared with the same period of the previous year. The growth, generalized on the different components, was directly related to the expansion of the Group in the retail channel (higher costs for usage of third party assets refer to rents related mainly to new stores opened abroad) and to the initiatives undertaken to support the development and the awareness internationally, especially for Damiani brand. The increase in directors' fees was due to their revision approved by the Board of Directors of Damiani S.p.A. on July 23, 2015 with reference to the various charges and positions held by the directors in the Group. It’s to be noted that in the previous year the major shareholders, the Damiani brothers, had given up their fees originally planned with reference to their charges in the Group.

30. PERSONNEL COST

The table below shows the breakdown of the item for the six months periods ended September 30, 2015 and September 30, 2014:

(in thousand of Euro)	**I Half 2015/2016**	**I Half 2014/2015**
Wages and salaries	9,787	9,096
Social security costs	2,242	2,304
Termination indemnity	457	449
Other personnel costs	200	159
Total personnel cost	**12,686**	**12,008**

The increase in personnel costs of Euro 678 thousands was determined by the development of the Group abroad, by expanding the workforce directly engaged in the retail channel and support to commercial activities (marketing, customer services, area managers). Overall, the average staff employed by the Group in the six months period increased by 7 units compared with the same period of the previous year.

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

Labour category	**I Half 2015/2016**	**I Half 2014/2015**
Executive and Managers	48	51
Clerks	461	447
Workers	92	96
Total	**601**	**594**

The weight of foreign workforce grew in the first half to 35% of the total Group (it was 29% in the first half of the previous year).

31. OTHER NET OPERATING (CHARGES) INCOMES

The table below shows the breakdown of the item for the six months periods ended September 30, 2015 and September 30, 2014:

(in thousand of Euro)	**I Half 2015/2016**	**I Half 2014/2015**
Other operating (charges) incomes	17,791	2,980
Provision for doubtful accounts	(175)	(239)
Total other net operating (charges) incomes	**17,616**	**2,741**

In the first half of the financial year 2015/2016 the balance was positive for Euro 17,616 thousands, while in the first half of the financial year 2014/2015 the balance was positive for Euro 2,741 thousands. The balance of the first half of 2015/2016 mainly includes: i) the gross income of Euro 19,000 thousands from the sale to third parties in the month of June 2015 of the lease of a boutique abroad (the store was not profitable for the Group); ii) risk provisions for lawsuits and taxes of Euro 785 thousands.
In the first half of the previous financial year, the main components of the net balance were: i) income of Euro 1,891 thousands for sale to third parties on May 2014 of the business unit (inclusive of the lease) for a multi-brand store 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 were 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 periods ended September 30, 2015 and at September 30, 2014:

(in thousand of Euro)	**I Half 2015/2016**	**I Half 2014/2015**
Amortization of intangible assets	109	159
Depreciation of property, plant and equipment	2,041	1,677
Write downs of non-current assets	3,092	507
Total Amortization, depreciation and write downs	**5,242**	**2,343**

The increase in depreciation of property, plant and equipment was related to greater depreciable consistency generated by investments in the retail segment. The write-down of fixed assets mainly relates to both the write-off of net book values of non-current assets sold to third parties as part of the real estate deal realized abroad and to the write-down of the net assets of the location (store and offices) ceased in Tokyo simultaneously with the transfer to new premises (the move was completed in August 2015) and of the space used in Turin for a former store ceased.

33. FINANCIAL (EXPENSES) AND INCOMES

The table below shows the breakdown of financial incomes and expenses for the six months periods ended September 30, 2015 and September 30, 2014:

(in thousand of Euro)	**I Half 2015/2016**	**I Half 2014/2015**
Net exchange gains/(losses)	527	(83)
Other financial charges	(1,543)	(1,373)
Other financial incomes	79	46
Total financial (expenses) and incomes	**(937)**	**(1,410)**

The balance in the first half of the financial year 2015/2016 was a loss of Euro 937 thousands, an improvement of Euro 473 thousands compared with the negative balance of Euro 1,410 thousands in the first half of the financial year 2014/2015. It benefits from foreign exchange gains, while in the first half of the previous financial year foreign exchange losses were registered.

34. TAXES

In the first half of the financial year 2015/2016 income taxes had a negative impact of Euro 4,689 thousands compared with a loss of Euro 99 thousands in the first half of the financial year 2014/2015. The significant increase in tax burden depends on the subsidiary Damiani France S.A., due to the non-recurring income realized in the first half (the impact on the subsidiary is Euro 4,145 thousands).

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, 2015 and September 30, 2014, 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, 2015.

(in thousands of Euro)	**I Half 2015/2016**		**Situation at September 30, 2015**		
	Net operating costs	Financial expenses	Other current assets	Financial debt (including leasing)	Trade payables
D.Holding S.A.	(85)	0	0	0	(1,020)
Imm.re Miralto S.r.l.	(278)	(7)	558	(182)	(61)
Montenapoleone 10 S.r.l.	(123)	(155)	0	(1,482)	0
Duomo 25 S.r.l.	0	(157)	190	(4,604)	(290)
Caesarea SA (Luxembourg)	0	0	0	0	(193)
Il Bricco (simple company)	(33)	0	0	0	0
Majority Shareholders	0	0	0	(5,201)	0
Executives with strategic responsibilities	(53)	0	0	0	(76)
Total with related parties	(572)	(319)	748	(11,469)	(1,640)
Total from Consolidated financial statements	(58,232)	(1,543)	9,140	(55,121)	(50,277)
%age weight	1%	21%	8%	21%	3%

In detail:

- the costs of Euro 85 thousands towards the company D. Holding SA refer to the fee paid by the subsidiary Damiani International S.A. under the agreement granting the use for special event of jewels winners of *Diamonds International Awards*, owned by the related party;
- the net costs towards Immobiliare Miralto S.r.l. relate to real estate lease expenses for the premises in Turin, for a Rocca 1794 boutique and for other premise used for offices. To the building in Turin also refers other current assets, for the prepayment of the maxi initial installment paid by Rocca S.p.A. (now Damiani S.p.A.)

in the financial year 2010/2011 when it signed the lease of the boutique in Turin (the value to September 30, 2015 amounted to Euro 558 thousands). In addition, in the period there were also financial expenses of Euro 7 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 1794 boutique. The debt outstanding at September 30, 2015 amounted to Euro 182 thousands;

- the net costs to Montenapoleone 10 S.r.l. relate to the rents paid for the sublease of office space (up to July 31, 2015) and showroom in Milan. In addition, in the period there were also financial expenses of Euro 155 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, 2015 amounted to Euro 1,482 thousands;
- the financial expenses towards Duomo 25 S.r.l. for Euro 157 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 1794 boutique. The debt outstanding at September 30, 2015 amounted to Euro 4,604 thousands;
- trade payables towards Caesarea S.A. are related to the rents accrued in previous years for the property located in New York, used by the subsidiary Damiani USA Corp.. The contract was terminated;
- the cost towards the company The Bricco refers to the lease of a prestigious property located in Valenza, used to organize promotional events. The annual fee is Euro 100 thousands, effective June 1, 2015;
- the financial debt for Euro 5,000 thousands to the major shareholders refers to the reserved non-convertible bond issued by Damiani S.p.A. and signed by the Damiani Brothers in September 2013. On this bond interests accrue at a fixed rate of 3.90% per annum, which will be paid in one installment at the time of repayment of the principal;
- the costs referred to the key executives relate to the provision of services, which fall under the ordinary operations of the Group.

The following table shows the details of the relationships between the Group companies and the related parties in the first half period ended September 30, 2014.

(in thousands of Euro)	**I Half 2014/2015**		**Situation 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 financial statements	(64,334)	(1,456)	8,951	(55,207)	(5,404)	(50,021)
%age weight	1%	35%	8%	23%	5%	8%

In detail:

- 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 1794 boutique. To this building also refer other current assets, for the prepayment of the maxi initial installment paid by Rocca S.p.A. (now Damiani 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 1794 boutique. The debt outstanding at September 30, 2014 amounted to Euro 216 thousands. Finally, the trade payables to the related party refer 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 costs recharged;
- the net costs to Montenapoleone 10 S.r.l. relate to the rents paid for the sublease of office spaces 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 1794 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 refer to the private bond issued by Damiani S.p.A. and signed by the Damiani brothers in September 2013. On this liability accrued interest at a rate of 5.5% per annum, with annual installments postpaid on December 31, 2014;
- 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 not 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, 2015.
With regard to tax audits in progress, it is provided an update at the date of approval of these interim financial statements.
On September 26, 2012 the Provincial Directorate of Como of the Tax Agency has notified the Italian Tax Representative of Damiani International B.V. notice of assessment on the control on value added tax for the year 2007. The observations in the assessment mainly relate to the non-deductibility of VAT on a lease, in addition to other minor points, resulting in a higher tax, in addition to administrative penalties, for an amount of Euro 155 thousands. Damiani International B.V. filed an appeal in the Provincial Tax Commission of Como and on September 10, 2013 the first-instance judgment of the Provincial Tax Commission of Como was filed. It has welcomed the approach advocated by the applicant Damiani International B.V. for the year 2007 and has condemned the Tax Agency to pay the costs. Meanwhile, the Provincial Directorate of Como Tax Agency had notified a notice of assessment on the same subject (non-deductible VAT on lease contracts) with reference to years 2008, 2009 and 2010. On July 28, 2014, the Provincial Tax Commission of Como has filed the first-instance judgment in which it dismissed the appeal for these years. The contradictory nature of the two judgments of first instance on the same matter is further endorsed by the second-instance judgment of the Tax Court of Milan, that on September 16, 2014, again rejected the appeal of the Office confirming the deductibility of VAT on the lease contract for the 2007. None of the parties appealed to the Supreme Court and the judgment is now legally enforceable.
On March 13, 2015 an appeal for years 2008, 2009 and 2010 was sent to the Regional Tax Commission of Milan. The hearing for the discussion of the case was held on November 16, 2015 and the Company is waiting for the judgment.

On September 5, 2012 the Provincial Directorate II of the Tax Agency in Milan initiated in Rocca S.p.A. (later merged into Damiani S.p.A.) a tax audit on IRES and IRAP (income taxes) for the period 2009/2010 and for VAT purposes for the year 2009. On July 2, 2014 the Office notified Rocca S.p.A. an assessment notice for formulating a relief for an amount of Euro 321 thousands. The company filed an appeal to the Provincial Tax Commission in Milan and on November 6, 2015 it was held the hearing to deal with the dispute. The Company is waiting for the judgment.

On March 13, 2014 the Provincial Directorate of the Tax Agency in Alessandria has initiated an audit in Damiani S.p.A. in the field of transfer pricing with reference to the tax period 2011/2012. The Company has provided on April 1, 2014 all the required documentation, and proceeded to a subsequent integration providing additional documentation required by the Tax Agency until the first days of the month of May 2015. The Company currently has not received yet the summary report about this matter (called "PVC") from the Tax Agency.

On February 13, 2015 the tax police – department of Alessandria (Italy) - started an audit for VAT at the Administrative Offices of the former subsidiary Rocca S.p.A., merged in Damiani S.p.A. on December 16, 2014.

Specifically, the tax audit focused on sales transactions made pursuant to art. 38c of Presidential Decree 633/72 (sales for personal use to people domiciled and resident outside the European Community) done from Rocca 1794 boutiques in the three years 2010/2011/2012. On May 19, 2015, the financial police drew up the report "PVC" reporting reliefs for Euro 442 thousands. On September 18, 2015 the Provincial Directorate II of the Tax Agency in Milan issued notices of assessment relating to reliefs for years 2010 and 2011, with sanctions relating to VAT amounting to Euro 409 thousands. On November 17, 2015 an assessment notice with affiliation has been submitted to the Tax Agency in Milan and the Company is now defining its line of defense to be presented to the Tax authority.

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

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

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

38. EARNINGS (LOSSES) PER SHARE

The basic earnings (losses) per share were calculated dividing the net result for the period 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, July 24, 2014 and July 23, 2015.
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 2015/2016**	**I Half 2014/2015**
Number of ordinary shares at the beginning of the period	82,600,000	82,600,000
Number of ordinary shares at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of basic earnings per share	77,447,079	77,509,099
Basic Earnings per share (amount in Euro)	**0.07**	**(0.04)**

Diluted Earnings (Losses) per share	**I Half 2015/2016**	**I Half 2014/2015**
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	77,447,079	77,509,099
Diluted Earnings per hare (amount in Euro)	**0.07**	**(0.04)**

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.

Among the significant events related to the extraordinary management it should be noted that the Italian Ministry of Economic Development on October 6, 2015 paid Euro 633,435 to Laboratorio Damiani S.r.l. for contribution expenses recognized as part of the funding for the program of research and development of automated solutions for the processing of gold, made in previous years. This facility shall be equal to 90% of the amount set aside for this purpose with the concession decree of the Ministry of Economic Development of March 5, 2014, which also includes a subsidized loan already disbursed in the month of July 2015.

40. MANAGEMENT OF RISKS

At September 30, 2015 the Group had a net financial debt of about Euro 45.9 million, a decrease of about Euro 5 million compared with March 31, 2015. This change was due to the cash flows generated from non-recurring transactions partially offset 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 0.68 at September 30, 2015 is on an adequate level of financial soundness.
The risk’s profile to which the Group is subject has improved compared with March 31, 2015, closing date of the previous financial year.
Therefore, in the following sections it provides a brief description of the main risks to which the Group is subject (in addition to the market risk a general overview of which has been provided in report on operations), in 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 goals to reduce the cost and the risk of fluctuations of interest rates and to maintain a constant balance between 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 gradual improvement in half:

Capital ratio	September 30, 2015	March 31, 2015
Shareholders' equity/Total assets	0.35	0.32
Current assets/Current liabilities	1.52	1.48

In the first half the inflow of considerable financial resources from non-recurring transactions has contributed not only to provide the necessary resources to support the Group in its growth path, but also to balance further sources and uses. To this aim has also contributed to the positive end, in July 2015, of the review of the clauses relating to the loan agreement signed by Damiani S.p.A. in November 2013 with a pool of banks. This review process was started after Damiani S.p.A. had formally reported to the pool, its failure to comply with covenants, contractually expected. For this cause it was also suspended the disbursement of the remaining part of the credit line: as part of total maximum amount of Euro 11,000 thousands, the amount paid by financial institutions was only Euro 6,012 thousands. The review, attested in July 2015 by the signatures of the amending act, made the following main changes to the loan agreement: i) reduction of the spread applied on the amount paid, from 6.05% to 3.90% per year; ii) reduction of the spread applied on the commitment fee from 2% to 1.30% per year; iii) review of the financial covenants, based on the targets of the new three-years plan 2015-2018 of the Group, annually rather than quarterly as originally planned (the first check is going to take place on March 31,2016). The review also included an undertaking by Damiani S.p.A. to pay the lending banks a waiver fee of Euro 24 thousands, upon acceptance of the changes.
Moreover, when signing the review of the financing in pool with the lending banks, the interest rate on the non-convertible bond of Euro 5,000 thousands issued by Damiani S.p.A. and signed by the Damiani brothers on September 2013 has been reduced. The rate decreased from 5.5% to 3.9% per annum (in line with the one agreed with lenders in pool), with the capitalization of interests and their payment in one installment at the time

of repayment of the principal, scheduled for September 30, 2019.

Overall, the incidence of medium/long-term financial debt on the total financial debt reached 39.4% in September 2015, while it was 36% in March 2015. This situation allows the Group to better manage liquidity risk even during the increasing debt phases related both to the seasonal dynamics of the cash flows and to the development initiatives, in Italy and especially abroad, which require a significant initial financial support.
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 of about one percentage point, nor affected by credit crunch because the short lines available are only partially used (maximum availability at September 30, 2015 to Euro 49 million).

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, 2015 there were outstanding currency forward contracts entered by the Group for a total of Euro 385 thousands. The policies for hedging exchange rate risk have not undergone significant changes in the first half of the financial year 2015/2016 compared with 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 its interests and on which there are timely risk assessments 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 2015/2016 the price of gold remained fairly steady around an average of 33.6 Euro/gram, an increase of 5.75% compared with the average of the previous twelve months (financial year 2014/2015: average of 31.8 Euro/gram). The absence of strong and rapid oscillations 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, 2015 there were outstanding contracts for the purchase of 80 kilos of gold for a total amount of Euro 2,672 thousands.

41. EXCHANGE RATES

The exchange rates at September 30, 2015 and at September 30, 2014 used for the translation of financial statements in foreign currencies were the following.

Currency	Average I Half 2015/2016	Spot September 30, 2015	Average I Half 2014/2015	Spot September 30, 2014
U.S. Dollar	1.11	1.12	1.35	1.26
Japanese Yen	135.10	134.69	138.84	138.11
Swiss franc	1.06	1.09	1.22	1.21
G.B.Pound	0.72	0.74	0.80	0.78
Hong Kong Dollar	8.59	8.68	10.45	9.77
Pataca Macau	8.85	8.94	10.76	10.06
Mexican Peso	17.63	18.98	17.60	17.00
Indian Rupee	71.23	73.48	81.12	77.86
Chinese Renminbi	6.94	7.12	8.35	7.73
South Korea Won	1,258.73	1,328.20	1,385.13	1,330.30
Russian Ruble	74.89	73.24	-	-

For the Board of Directors
CEO
Giorgio 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. Giorgio Grassi Damiani, CEO, and Mr. Gilberto Frola, Executive in charge of drawing up the accounting documents of Damiani S.p.A., also considering the provisions of article 154-bis, paragraph 3 and 4, of the Legislative Decree n. 58 of February 24, 1998, certify:
   - The adequacy in relation to the characteristics of the company and
   - The effective application of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements as of September 30, 2015.

2. Furthermore it is 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.

Milan, November 27 2015

Giorgio Grassi Damiani	Gilberto Frola
______________________________	______________________________
CEO	Executive in charge of drawing up the accounting documents

Building a better working world

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

Tel: +39 02 722121
Fax: +39 02 72212037
ey.com

Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Damiani S.p.A.

Introduction

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 30 September 2015. The Directors of Damiani S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

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, 2015 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 27 November 2015

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

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