DAMIANI S.p.A.

Consolidated Interim Financial Report as of September 30, 2016

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

December 30, 2016

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)

Mirja Cartia D'Asero (Director) [2]

Board of Satutory Auditors [3]

Gianluca Bolelli (President)

Simone Cavalli (Statutory Auditor)

Laura Braga (Statutory Auditor)

Fabio Massimo Micaludi (Alternate Auditor)

Paola Mignani (Alternate Auditor)

Independent Auditors [4]

BDO Italia 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.

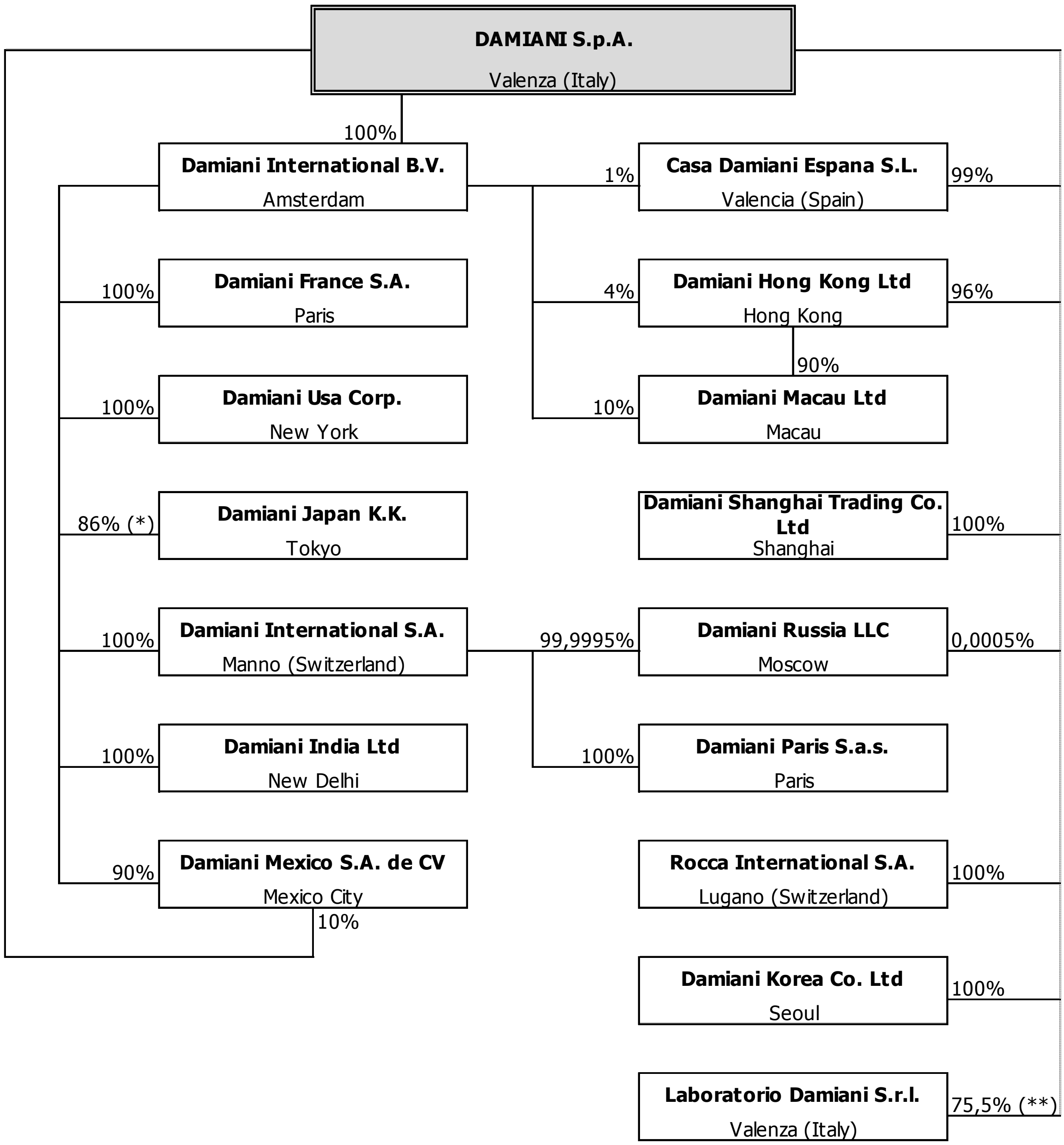
[2] Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 21, 2016 and in office until the approval of the Financial statements for the year ended March 31, 2018.

[3] Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 21, 2016 and in office for the period 2016-2019, until the approval of the Financial statements for the year ended March 31, 2019.

[4] Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 21, 2016 for the nine years from 2017 to 2025.

INTERIM MANAGEMENT REPORT [5]

Structure and business of the Damiani Group



(*) 14% is held by Itochu Corporation
(**) 24,5% is held by Simone Rizzetto

[5] *The Damiani Group closes its financial year at March 31, and therefore the period from April 1 to September 30, 2016 represents the first six months of the financial year that will end on March 31, 2017 (hereafter the financial year 2016/2017). For comparative purposes are shown data for the prior year period, first half of the financial year 2015/2016.*

The Damiani Group (hereinafter also "Group") has been operating for over 90 years in the jewelry and watch 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 financial and industrial holding company.
Since November 2007 Damiani S.p.A. has been listed on the Italian Stock Exchange electronic market.
The condensed interim consolidated financial statements at September 30, 2016 include the financial statements of the parent company Damiani S.p.A. and those of the companies it controls, either directly or indirectly, in accordance with article 2359 of the Italian Civil Code.

Compared with March 31, 2016 in the first half of the financial year 2016/2017 the composition of the Group changed as follows:

- On June 14, 2016 the French company Damiani Paris Sas was set up. It has a share capital of 6,500,000 euros, and it is fully owned by Damiani International S.A. The company aims to manage the new Damiani boutique located in Paris, the opening of which took place in August.

The Damiani Group, focused on the production and distribution of jewelry and watches in Italy and abroad, offers wide coverage of the main market segments with a large range of different priced products provided to the customers. The Group's portfolio is made up of five brands: Damiani, Salvini, Bliss, Alfieri & St. John 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 products takes place through two different channels:

- the wholesale channel, consisting of independent multi-brands jewelers, distributors, department stores and franchisees (at September 30, 2016 franchised single-brand are 19).
- the retail channel, consisting of the stores (boutiques, shop-in-shop and corners), directly managed by the Group. At September 30, 2016 the DOS are 59.

The geographical distribution of DOS and franchised stores is shown in the table:

Boutiques and corners	Italy	Foreign countries	**Total**
Mono-brand Damiani/Salvini	14	33	**47**
Multi-brand Rocca 1794	11	1	**12**
Total DOS	**25**	**34**	**59**
Franchising	**-**	**19**	**19**

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 Shareholders' Meeting on July 21, 2016 approved the appointment of a new Director, non-executive and independent, whose office will expire with the approval of the financial statements at March 31, 2018. Therefore, the Board of Directors currently consists of eight members and respects the gender balance established by the current law.
The Board of Directors of Damiani S.p.A. which met 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 dated July 23, 2015 also approved the remuneration for Directors with special powers, pursuant to art. 2389, paragraph 3, of the Civil Code.

Independent auditors

The Shareholders' Meeting on July 21, 2016 appointed the new independent auditors BDO Italia S.p.A. Pursuant article 17, paragraph 1, of the Legislative Decree 39/2010 with the approval of the financial statements at March 31, 2016, is in fact expired the mandate of nine years to the previous independent auditors, conferred in 2007 to Ernst & Young S.p.A. Therefore, the Shareholders' Meeting, based on the proposal of the Board of Statutory auditors, has appointed the new independent auditors in compliance with article 14 of the aforementioned Legislative Decree 39/2010 in charge for the next nine fiscal years (as well as for the limited review of the condensed interim half-year reports), and therefore until the approval of the separate and consolidated financial statements at March 31, 2025.
The Shareholders' Meeting on July 21, 2016 also approved the fees due to the auditing firm for the entire term.

Share buy-back program

The Shareholders' Meeting of July 21, 2016 renewed the authorization - subject to revocation, for the part non-executed of the resolution adopted by the Shareholders' Meeting of July 23, 2015 – to the purchase and disposal of treasury shares pursuant to article 132 of Legislative Decree n. 58/1998 and article 144-bis of the Regulation adopted by Consob (Italian SEC) resolution n. 11971/99.
The authorization to purchase treasury shares is structured as follows:

- Damiani S.p.A. may purchase a maximum of ordinary shares whose nominal value does not exceed the limit of the law, up to a maximum of n. 16,520,000 ordinary shares, at a nominal value of 0.44 euro each, corresponding to the fifth part of the share capital.
- The authorization was granted for a period of 18 months starting from the Shareholders' Meeting date and lasting until the date of January 20, 2018.
- 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. In any case it must be ensured equal treatment of shareholders and compliance with all rules, including European.
- 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, 2016 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 2016 or subsequently until the approval of this interim financial report.

Stock option plans

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

- 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 and still valid.

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 article 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

In the first half of 2016 the growth of world GDP was weaker than initially expected, and the elements of uncertainty, whose impacts are complex, tended to raise. To global islamic terrorism, to the physiological slowing growth in some emerging economies and to low prices of raw materials, which in recent years have supported the development projects of many growing economies, in recent months other factors of uncertainty have added. The intensification of migration from many conflict areas (Africa and Middle East) to Europe, against which opposed divisive populist movements but not effective and shared communitary policies; the unexpected result of Brexit and of the US presidential elections, whose effects in terms of commercial and financial relationships between UK, US and Europe and the consequent macroeconomic performance of the countries directly or indirectly involved are currently not clear; the growing and widespread trade protectionism, which determine the slowdown in the worldwide flow of goods and finances. The most recent forecasts of 2016 have therefore been revised downwards: from +3.2% to 3.1% worldwide, with the largest contraction in advanced economies (from 1.9% to 1.6%), compared to a stability in the overall emerging ones (+4.2% in 2016) [6].
Even the field of luxury goods, where Damiani Group operates, is no exception to this climate of widespread uncertainty. The latest market surveys predict for 2016 a contraction of 1%, worldwide, in purchases of personal luxury goods [7]. Also for 2017 the forecast is for a modest increase (+3% at constant exchange rates), but with negative estimates (-1%) in the hard-luxury segment (jewelry and watches). The entire segment of luxury goods seem to be affected primarily by the slowdown in purchases by Russian and especially Chinese citizens, that in the recent past were the main lever of consumption not only at home but also abroad, in the United States and in Europe [8]. In addition, recent data (October 2016) show a decline of 11% in global sales of Swiss-made watches in 2016 and especially less interest in high end product by the generation of millennials.

[6] *World Economic Outlook – International Monetary Fund, October 2016.*
[7] *Worldwide Markets Monitor, presented in Milan October 20, 2016 by Fondazione Altagamma and Bain & Co. – The worldwide turnover 2016 of personal luxury goods is expected to reach 249 billion euro.*
[8] *The drop in purchases of Chinese citizens in Europe is also confirmed by the recent Global Blue tax free report (October 2016) for the first nine months of 2016. The drop in Chinese tourists shopping (-22%) determined the contraction of tax free sales in Europe by 12% (-11% in Italy).*

The persistence of these elements of uncertainty, both political and economic, and related effects in the luxury market, also in terms of changing consumer tastes, may determine consequences on future economic and financial performance of the Group.

In terms of risks associated with fluctuations of commodity prices, in the first half of the financial year 2016/2017 (April to September) the price of gold continued to rise. The average price for the period reached 37.2 Euro/gram, an increase of almost 11% compared to the average price of the entire previous year.
The Group proceeds to the forward purchase of gold, according to production needs and to mitigate the effects associated with price fluctuations, but the continuation of an upward trend of gold prices necessarily determine a negative impact on production costs which may adversely affect the profitability of the Group.

In terms of liquidity, at September 30, 2016 the risk profile is to a moderate increase compared to the closing of the annual financial statements at March 31, 2016 mainly as a result of the cash flows used for the acquisition of new retail spaces to be used in the development of the direct managed network of boutiques as well as for the seasonal dynamics of operating cash flow. The composition of the sources is still adequately balanced with approximately 41% of the gross debt consists of loans with medium/long term maturity and partly in subsidized rates (the average rate of total financing sources used is around 3%).

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 2016/2017 the overall cost incurred for product development amounted to Euro 265 thousand, fully charged to the income statement.

Key Data

Share Capital	**September 30, 2016**	**March 31, 2016**
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	6.11%	6.11%
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	16.89%	16.89%

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. 59,220,736) (3)	Director	5,043,850
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,379,371
Strategic executives		15,000

(1) Companies traceable to Damiani Family.

(2) The Shareholders' Meeting of July 21, 2016 approved the authorization, for the part not executed of the resolution of the Shareholders' Meeting of July 23, 2015, 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, 2016 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 2016/2017**	**I Half 2015/2016 (restated)***	**Change**	**Change %**
Revenues from sales and services	**69,738**	**67,861**	1,877	2.8%
Total revenues	69,801	68,741	1,060	1.5%
Cost of production	(67,022)	(52,990)	(14,032)	26.5%
EBITDA (**)	**2,779**	**15,751**	(12,972)	-82.4%
EBITDA %	***4.0%***	***22.9%***		
Depreciation, amortization and write downs	(1,891)	(5,242)	3,351	-63.9%
Operating result	**888**	**10,509**	(9,621)	-91.6%
Operating result %	***1.3%***	***15.5%***		
Net financial incomes (expenses)	(1,124)	(937)	(187)	20.0%
Result before taxes	(236)	9,572	(9,808)	n.m.
Net result of the Group	(787)	5,216	(6,003)	n.m.
Basic Earnings (Losses) per Share	(0.01)	0.07		
Personnel cost	(13,364)	(12,686)	(678)	5.3%
Average number of employees (***)	608	601	7	1.2%

(*) The figures for the interim financial report at September 30, 2015 have been reclassified to conform to the economic and financial representation adopted in the interim financial report at September 30, 2016.
(**) 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 financial periods compared.

Balance sheet *(in thousands of Euro)*	**Situation at September 30, 2016**	**Situation at March 31, 2016**	**change**
Fixed Assets	44,751	39,113	5,638
Net working capital	93,086	87,673	5,413
Non current liabilities	(7,056)	(6,538)	(518)
Net Capital Invested	**130,781**	**120,248**	**10,533**
Shareholders' Equity	67,434	67,747	(313)
Net Financial Position (*)	63,347	52,501	10,846
Sources of Financing	**130,781**	**120,248**	**10,533**

(*) 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 of the financial year (April-September) compared with the second half (October-March).
Revenues from sales and services of the Damiani Group in the first six-months period ended September 30, 2016 resulted in increase of 2.8% compared with those recorded in the corresponding period of the previous year, thanks to the push of the wholesale segment. The gross operating profit (EBITDA), net of non-recurring items recorded in the two half-periods compared (and described below), increased by Euro 4,238 thousand and benefited both the increase in revenues and the contraction of some cost components.
Net income attributable to the Group is negative for Euro 787 thousand, a decrease compared with the first half of the previous financial year as a result of the absence of substantial non-recurring incomes of which the first half of 2015/2016 had benefited.
The following table shows the income statement of the first half of the financial year 2016/2017, 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 2016/2017**	**I Half 2015/2016 (restated)***	**Change**	**Change %**
Total Revenues	**69,801**	**68,741**	**1,060**	**1.5%**
Revenues from sales and services	69,738	67,861	1,877	2.8%
Other revenues	63	880	(817)	-92.8%
Total revenues	**69,801**	**68,741**	1,060	1.5%
Cost of production	(67,022)	(52,990)	(14,032)	26.5%
of which incomes not recurring	*1,540*	*18,750*		
EBITDA **	**2,779**	**15,751**	(12,972)	-82.4%
EBITDA %	***4.0%***	***22.9%***		
Depreciation, amortization and write downs	(1,891)	(5,242)	3,351	-63.9%
of which not recurring write downs		*(2,610)*		
Operating result	**888**	**10,509**	(9,621)	-91.6%
Operating result %	***1.3%***	***15.3%***		
Net financial incomes (expenses)	(1,124)	(937)	(187)	20.0%
Result before taxes	**(236)**	**9,572**	(9,808)	n.m.
Result before taxes %	***-0.3%***	***13.9%***		
Taxes	(817)	(4,689)	3,872	-82.6%
Net result	**(1,053)**	**4,883**	(5,936)	n.m.
Net result %	***-1.5%***	***7.1%***		
Non controlling interests	(266)	(333)	67	20.1%
Net result of the Group	(787)	5,216	(6,003)	n.m.
Net result of the Group %	*-1.1%*	*7.6%*		

(*) The figures for the interim financial report at September 30, 2015 have been reclassified to conform to the economic and financial representation adopted in the interim financial report at September 30, 2016.

(**) 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 2016/2017 were Euro 69,738 thousand, an increase of 2.8% compared with those booked in the first half of the previous financial year (+1.8% at constant exchange rates).

The following table shows the breakdown of revenues by channels.

Revenues by Sales Channel *(in thousands of Euro)*	**I Half 2016/2017**	**I Half 2015/2016 (restated) ***	**Change**	**Change %**
Retail	**34,447**	**35,240**	**(793)**	**-2.3%**
Percentage on total revenues	*49.4%*	*51.3%*		
Wholesale	**35,291**	**32,621**	**2,670**	**8.2%**
Percentage on total revenues	*50.6%*	*47.5%*		
Total revenues from sales and services	**69,738**	**67,861**	**1,877**	**2.8%**
Percentage on total revenues	*99.9%*	*98.7%*		
Other revenues	**63**	**880**	**(817)**	**-92.8%**
Percentage on total revenues	*0.1%*	*1.3%*		
Total Revenues	**69,801**	**68,741**	**1,060**	**1.5%**

(*) The figures for the interim financial report at September 30, 2015 have been reclassified to conform to the economic and financial representation adopted in the interim financial report at September 30, 2016.

- In the retail channel the revenues amounted to Euro 34,447 thousand, a decrease by 2.3% at current exchange rates (-3.0% at constant exchange rates), compared with the first half of the previous financial year. The trend was penalized by the Italian boutique performances that mostly affected by lower inflow of foreign clients.
- In the wholesale channel revenues were Euro 35,291 thousand, +8.2% at current exchange rates (+7.1%

at constant exchange rates) compared with the first half of the financial year 2015/2016. The increase was due to the good trend in the domestic market, with the customers that also expressed interest in minor brands of the Group.

The major "Other revenues" recorded in the previous half-period were related to insurance reimbursements for robberies suffered, an event that has not occurred in the current year.

Cost of production (net)

Overall, the net costs of production in the first half of the financial year 2016/2017 were Euro 67,022 thousand, an increase of Euro 14,032 thousand compared with the same period of the previous financial year (Euro 52,990 thousand). The increase was due to non-recurring incomes that especially in the first half 2015/2016 had a significant impact. Net of non-recurring items, are in fact recorded a decrease in cost of production equal to Euro 3,178 thousand, as a result of the trends described below:

- **Cost for raw materials and other materials, including purchases of finished goods,** amounted to Euro 34,277 thousand with a slight decrease of 1.1% compared with the first half of the financial year 2015/2016 (Euro 34,667 thousand).
- **Cost of services** were Euro 20,981 thousand, -9.8% compared with the first half of the previous financial year (Euro 23,253 thousand).
- **Personnel cost** was Euro 13,364 thousand with an increase by 5.3% compared with the same period of the previous financial year (Euro 12,686 thousand). The change has focused on foreign subsidiaries, in which the Group proceeded to strengthen the commercial organization to support international expansion. The average workforce of the Group increased by 1.2%.
- The **Other net operating (charges)/incomes** showed a positive balance of Euro 1,600 thousand in the first half of the financial year 2016/2017 compared with a positive balance of Euro 17,616 thousand in the first half of the financial year 2015/2016. In both periods the other net incomes include the benefits of non-recurring transactions (shown separately in the consolidated income statement), for key money collected for sale to third parties of rental contracts of closed shops.

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, 2016 equal to Euro 2,779 thousand, compared with a positive EBITDA of Euro 15,751 thousand in the same period of the previous financial year. Both results are affected by net incomes resulting from non-recurring operations, previously mentioned. Net of those components, more important in the previous six months, the core business generated an EBITDA of Euro 1,239 thousand in the first half of the financial year 2016/2017, an increase by Euro 4,238 thousand compared with the negative gross operating result of Euro 2,999 thousand in the same period of the previous financial year.

Amortization, depreciation and write downs

In the first half ended September 30, 2016 amortization and depreciation amounted to Euro 1,891 thousand, a decrease of Euro 3,351 thousand compared with the same period of the last year, in which was recorded the write-off of the net book values of the assets transferred in the non-recurring transaction above described (for Euro 2,610 thousand).

Operating result

The operating performance of the Group in the six-months period ended September 30, 2016 was positive for Euro 888 thousand, compared with the positive result of Euro 10,509 thousand recorded in the same period of the previous financial year. Net of all non-recurring items mentioned above, the operating result would be negative for Euro 652 thousand in the first half of the financial year 2016/2017, but in strong recover compared with the operating loss of Euro 5,631 thousand in the first half of the previous financial year.

Net financial incomes (expenses)

The balance in the first half of the financial year 2016/2017 was negative for Euro 1,124 thousand, compared with the negative balance of Euro 937 thousand in the first half of the financial year 2015/2016. The change was mainly due to these reasons: i) different impact of net foreign exchange effects: positive in both periods for Euro 78 thousand in 2016/2017 and for Euro 527 thousand in the previous financial year; ii) write-downs of minority investments and financial fixed assets totaling Euro 258 thousand in the first half of the previous financial year.

Current, prepaid and deferred taxes

In the six-months period ended September 30, 2016 current and deferred taxes had a negative impact of Euro 817 thousand compared with the amount of Euro 4,689 thousand in the first half of the financial year 2015/2016. The high amount of the first half of the financial year 2015/2016 was due to current taxes recorded in the foreign subsidiary that had realized the non-recurring income above described.

Net Result

Consolidated net result of the Group for the first half of the financial year 2016/2017 was negative for Euro 787 thousand, compared with the net income for Euro 5,216 thousand in the same period of the last financial year. The better net result in the first half of the previous year was significantly affected by the net income from the non-recurring operation above described.

Balance sheet and financial situation

The following table shows the reclassified consolidated balance sheet of Damiani Group at September 30, 2016, compared with that of March 31, 2016, and then commented the main changes.

Balance sheet *(in thousands of Euro)*	**Situation at September 30, 2016**	**Situation at March 31, 2016**	**change**
Fixed Assets	44,751	39,113	5,638
Net working capital	93,086	87,673	5,413
Non current liabilities	(7,056)	(6,538)	(518)
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Shareholders' Equity	67,434	67,747	(313)
Net Financial Position (*)	63,347	52,501	10,846
Sources of Financing	**130,781**	**120,248**	**10,533**

(*) 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, 2016 the fixed assets of the Group were Euro 44,751 thousand, an increase by Euro 5,638 thousand if compared with March 31, 2016 (Euro 39,113 thousand). The growth in the six-months period was mainly due to the capex (equal to Euro 6,889 thousand) made to develop the direct managed network of stores (included the key money paid to acquire the availability of some new locations), partially offset by the amortization and depreciation of the period.

Net working capital

At September 30, 2016 the net working capital was Euro 93,086 thousand, an increase by Euro 5,413 thousand if compared with March 31, 2016. The dynamics of its components are related to the normal seasonal trend of the production/distribution process, with the increase in the inventories for the distribution in Christmas campaign. In the six-months period were also paid the taxes of the foreign subsidiary, that had recorded the non-recurring income (at March 31, 2016 the tax liability was accounted among the items of the working capital).

Non-current liabilities

At September 30, 2016 the non-current liabilities amounted to Euro 7,056 thousand, an increase by Euro 518 thousand compared with the end of the previous financial year (equal to Euro 6,538 thousand). The change was mainly due to the liabilities for deferred taxes recorded in the Parent company and related to latent gains on foreign exchange.

Shareholders' equity

At September 30, 2016 the Shareholders' equity amounted to Euro 67,434 thousand, with a slight decrease if compared with March 31, 2016 when it was Euro 67,747 thousand. The change was due to: i) the negative result of the six-months period for Euro 1,053 thousand, including the portion attributable to the minority, made up of a loss of Euro 266 thousand; ii) the increase in the stock option reserve for the share-based payments of Euro 16 thousand; iii) the discounted loss detected on defined benefit plans for employees for Euro 126 thousand; iv) the positive changes for exchange differences for Euro 850 thousand.
In the six-months period from April to September 2016 the Group didn't purchase or sell any treasury shares.

Net financial position

The following table shows the composition of the net financial position at September 30, 2016 and its change from March 31, 2016.

Net financial position (*) *(in thousands of Euro)*	**Situation at September 30, 2016**	**Situation at March 31, 2016**	**change**
Current portion of loans and financing	5,424	4,013	1,411
Drawndown of credit lines, short term financing and others	35,330	28,378	6,952
Current portion of loans and financing with related parties	1,046	1,036	10
Current financial indebtedness	**41,800**	**33,427**	**8,373**
Non current portion of loans and financing	15,642	18,045	(2,403)
Non current portion of loans and financing with related parties	13,228	9,847	3,381
Non current financial indebtedness	**28,870**	**27,892**	**978**
Total gross financial indebtedness	**70,670**	**61,319**	**9,351**
Cash and cash equivalents	(7,323)	(8,818)	1,495
Net financial position (*)	**63,347**	**52,501**	**10,846**

(*) 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, 2016 showed a net financial position of Euro 63,347 thousand, worsening of Euro 10,846 thousand if compared with March 31, 2016. The change was the direct consequence of the cash flow needed by the capex and the working capital, as described above. Part of these needs was covered by an higher use of the short term credit lines that continue to be only partially used (total amount to Euro 56 million).
It has to be noted that at September 30, 2016 the net financial position includes Euro 14,274 thousand of payables towards related parties. These debts refer to: i) real estate operations booked as sale and lease-back (at September 30, 2016 this debt component amounted to Euro 4,871 thousand); ii) a non-convertible and reserved bond signed by major shareholders, Guido, Giorgio and Silvia Grassi Damiani, for an amount of Euro 5,403 thousand (including the accrued interest up to September 30, 2016 that will be paid at the time of the repayment of the principal in September 2019); iii) a loan of Euro 4,000 thousand delivered by the majority shareholder Leading Jewels S.A. (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 the commercial subsidiaries with registered offices outside the national borders and which primarily distribute the Group's products in their local markets.

The division between Italy and Foreign countries is the main dimension on which the Group proceeds to the analysis and evaluation of its business, both in term of revenues and operating profitability. 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, 2016 and in the same period of the previous financial year.

Revenues by Geographical Area *(in thousands of Euro)*	**I Half 2016/2017**	% of total	**I Half 2015/2016 (restated)***	% of total	**change**	**change %**
Italy	**47,866**	68.6%	**48,389**	70.4%	(523)	-1.1%
- revenues from sales and services	47,809		47,510			
- other revenues	57		879			
Foreign countries	**21,935**	31.4%	**20,352**	29.6%	1,583	7.8%
- revenues from sales and services	21,929		20,351			
- other revenues	6		1			
Total revenues	**69,801**	**100%**	**68,741**	**100%**	1,060	1.5%

(*) The figures for the interim financial report at September 30, 2015 have been reclassified to conform to the economic and financial representation adopted in the interim financial report at September 30, 2016.

Revenues by geographic area showed the following trends:
- Revenues in **Italy** decreased by 1.1% compared with the first half of the previous year, due to the contraction of sales in the retail channel, both mono and multi-brand (lower inflow of foreign customers and less sales of watches). Increasing revenues on the wholesale channel, due to increased interest of retailers towards the minor brands.
- The **Foreign countries** sector recorded an increase by 7.8% at current exchange rates (+4.6% at constant exchange rates), with the growth in Japan, second market of the Group after the Italian one, and good performance in markets where the Group's direct presence is recent (Russia and South Korea).

The following table shows the EBITDA breakdown by geographical areas in the first half of the financial year 2016/2017 and in the same period of the prior financial year.

EBITDA by Geographical Area * *(in thousands of Euro)*	**I Half 2016/2017**	% of total	**I Half 2015/2016**	% of total	change %
Italy	**7,100**	n.m.	**4,312**	27.4%	64.7%
Foreign countries	**(4,321)**	n.m.	**11,439**	72.6%	n.m.
Consolidated EBITDA	**2,779**		**15,751**		n.m.
% on Revenues	*4.0%*		*22.9%*		*-82.4%*

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

The improvement in **Italy**, due to the reduction in operating costs for services and staff, offset the deterioration in the gross operating result in the **Foreign countries** that had benefited of non-recurring items in the first half of the previous financial year. Net of these items, even the Foreign countries would record an improvement, even if the performance remains negative.

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; loan from the majority shareholder Leading Jewels SA).
Data concerning dealings of the Group with related parties in the six-months period ended September 30, 2016 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 2016/2017		Balance at September 30, 2016		
	Net operating costs	Financial expenses	Other current assets	Financial debt (including leasing)	Trade payables
Total with related parties	(746)	(263)	500	(14,274)	(1,148)
Total from financial statements	(68,913)	(1,286)	9,084	(70,670)	(54,822)
%age weight	1%	20%	6%	20%	2%

(in thousands of Euro)	I Half 2015/2016		Balance 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 financial statements	(58,232)	(1,543)	9,140	(55,121)	(50,277)
%age weight	1%	21%	8%	21%	3%

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 2016/2017 it should be noted as non-recurring operation:
- On May 2016 the lease on a boutique of the Group has been sold to third parties. The income for the Group resulting from the transaction was approximately Euro 1.5 million, and it has been recognized in the income statement. The operation is part of the activities to enhance and/or reposition the Group's directly operated network.

Significant events of the first half period

In April 2016 Damiani's new advertising campaign was presented. It tells a fascinating journey in Italy. Images taken by the famous photographer Greg Williams, match the beauty and artistic excellence of the country to the new brand ambassador, actress Nicoletta Romanoff, a direct descendant of the tsar of Russia, who perfectly embodies modern elegance of Damiani jewelry.

In the first half continued the development of the Group's retail segment with the opening of new stores directly managed in Italy and abroad. In particular:
- In conjunction with the celebrations of the first thirty years of Salvini brand, and as part of the development strategy in Italy and strengthening international visibility of the brand, the first two directly operated single-brand boutiques were opened in Milan (end of June) and Florence (July), places of reference for national and international customers who appreciates jewelry Made in Italy.
- In August it was inaugurated the new Damiani boutique in Paris, in the Place Vendome, a reference point in the French capital of international luxury brands.
- On September 12 it was inaugurated the new Damiani boutique in Venice, near Piazza San Marco, the heart of the lagoon city unique in the world.

Significant events after the end of the first half period

In October 2016 it opened the new Damiani boutique in Kuala Lumpur, Malaysia, in the futuristic shopping mall Pavilion located in the luxury neighborhood of Bukit Bintang. The boutique, in franchisee, repeats the usual elements of sophistication and elegance of Italian style of Damiani and helps to strengthen the visibility and awareness of the brand in Asia.

Also in October it was inaugurated the new Damiani boutique in Florence.
In December it was started the new multi-brand Rocca 1794 boutique in Venice.

Business outlook

In the first half of the financial year 2016/2017 the Damiani Group recorded a positive trend of sales growth, in an environment still not particularly favorable, and a significant improvement in profitability, net of non-recurring items. At the same time, the Group continued to invest to improve its reputation and its offer towards national and international customers. The considerable financial effort clearly goes in that direction, and the immediate penalization in terms of capital ratios is in line with expectations and related to the developments of the mid term strategy of the Group.
Although it remains a climate of uncertainty about the luxury market in which the Group operates, certified also by the latest reports from analysts, and in the macroeconomic scenario affected by the unpredictable impact of the political context (national and international), the signals that the Group recorded even in the more recent months confirm the economic trends of the first half. Therefore, the Damiani Group believes to confirm in the second half of the financial year the positive economic results and also expects a better financial performance.

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, December 30 2016

For the Board of Directors
CEO
Giorgio Grassi Damiani

DAMIANI S.p.A.

Condensed consolidated financial statements as of September 30, 2016

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2016 and at March 31, 2016

(in thousands of Euro)	Note	September 30, 2016	March 31, 2016
NON-CURRENT ASSETS			
Goodwill	7	2,760	2,760
Other Intangible Assets	8	7,248	2,255
Property, plant and equipment	9	16,019	15,818
Investments	10	206	207
Financial receivables and other non current assets	11	4,198	3,949
Deferred tax assets	12	14,320	14,124
TOTAL NON CURRENT ASSETS		**44,751**	**39,113**
CURRENT ASSETS			
Inventories	13	118,506	103,361
Trade receivables	14	29,033	34,111
of which towards related parties		-	*5*
Tax receivables	15	1,102	1,034
Other current assets	16	9,084	7,745
of which towards related parties		*500*	*541*
Cash and cash equivalents	17	7,323	8,818
TOTAL CURRENT ASSETS		**165,048**	**155,069**
TOTAL ASSETS		**209,799**	**194,182**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		31,083	24,643
Group net income (loss) for the period		(787)	5,623
TOTAL GROUP SHAREHOLDERS' EQUITY		**66,640**	**66,610**
NON CONTROLLING INTEREST			
Non controlling interest share capital and reserves		1,060	1,339
Non controlling interest net income (loss) for the period		(266)	(202)
TOTAL NON CONTROLLING INTEREST		**794**	**1,137**
TOTAL SHAREHOLDERS' EQUITY	18	**67,434**	**67,747**
NON CURRENT LIABILITIES			
Non current portion of long term financial liabilities	19	28,870	27,892
of which towards related parties		*13,228*	*9,847*
Employees' Termination Indemnities	20	4,440	4,376
Deferred Tax liabilities	12	1,187	745
Provision for risks and charges	21	1,012	1,026
Other non current liabilities	22	417	391
TOTAL NON CURRENT LIABILITIES		**35,926**	**34,430**
CURRENT LIABILITIES			
Current portion of long term financial liabilities	19	6,470	5,049
of which towards related parties		*1,046*	*1,036*
Trade payables	23	54,822	44,680
of which towards related parties		*1,148*	*623*
Short term borrowings	24	35,330	28,378
Tax payables	25	1,634	5,983
Other current liabilities	26	8,183	7,915
TOTAL CURRENT LIABILITIES		**106,439**	**92,005**
TOTAL LIABILITIES		**142,365**	**126,435**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**209,799**	**194,182**

CONSOLIDATED INCOME STATEMENT

For the six months periods ended September 30, 2016 and September 30, 2015

(in thousands of Euro)	**Note**	**I Half 2016/2017**	**I Half 2015/2016 (restated)***
Revenues from sales and services		69,738	67,861
Other revenues		63	880
TOTAL REVENUES	27	**69,801**	**68,741**
Cost for raw materials and consumables	28	(34,277)	(34,667)
of which towards related parties		(69)	
Cost of services	29	(20,981)	(23,253)
of which towards related parties		*(677)*	*(572)*
of which not recurring		-	*(250)*
Personnel cost	30	(13,364)	(12,686)
Other net operating (charges) incomes	31	1,600	17,616
of which not recurring		*1,540*	*19,000*
Amortization, depreciation and write downs	32	(1,891)	(5,242)
of which not recurring		-	*(2,610)*
TOTAL OPERATING EXPENSES		**(68,913)**	**(58,232)**
OPERATING INCOME (LOSS)		**888**	**10,509**
Financial Expenses	33	(1,286)	(1,543)
of which towards related parties		*(263)*	*(319)*
Financial Incomes	33	162	606
INCOME (LOSS) BEFORE INCOME TAXES		**(236)**	**9,572**
Taxes	34	(817)	(4,689)
NET INCOME (LOSS) FOR THE PERIOD		**(1,053)**	**4,883**
Attributable to:			
Equity holders of the parent		(787)	5,216
Non controlling interests		(266)	(333)
Basic Earnings (Losses) per share(*)		**(0.01)**	**0.07**
Diluted Earnings (Losses) per share(*)		**(0.01)**	**0.07**

(*) The figures for the interim financial report at September 30, 2015 have been reclassified to conform to the economic and financial representation adopted in the interim financial report at September 30, 2016.

(**) 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 number of shares in circulation during the period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months periods ended September 30, 2016 and September 30, 2015

(in thousands of Euro)	**I Half 2016/2017**	**I Half 2015/2016**
Net income (loss) for the period	**(1,053)**	**4,883**
Other gains (losses) that will be reclassified to net income for the period:		
Gains (losses) on exchange differences on translating foreign operations	693	(1,983)
Tax effect	122	3
Other gains (losses) that will not be reclassified to net income for the period:		
Gains (losses) on the remeasurement of defined benefit plans	(120)	224
Tax effect	29	(70)
Total comprehensive income (loss) for the period	**(329)**	**3,057**
Equity holders of the parent	14	3,482
Non controlling interests	(343)	(425)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months periods ended September 30, 2016 and September 30, 2015

(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			130				(3,584)		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**	**2,564**	**8,618**	**863**	**(8,134)**	**(45,544)**	**(387)**	**5,216**	**65,295**	**2,000**	**67,295**

(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, 2016	**36,344**	**65,756**	**2,564**	**8,618**	**936**	**(8,134)**	**(44,617)**	**(480)**	**5,623**	**66,610**	**1,137**	**67,747**
Allocation of the result for the period							5,623		(5,623)			
Other comprehensive income(loss)							892	(91)	(787)	14	(343)	(329)
Stock option					16					16		16
Balances at September 30, 2016	**36,344**	**65,756**	**2,564**	**8,618**	**952**	**(8,134)**	**(38,102)**	**(571)**	**(787)**	**66,640**	**794**	**67,434**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months periods ended September 30, 2016 and September 30, 2015

(in thousand of Euro)	**I Half 2016/2017**	**I Half 2015/2016**
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	(1,053)	4,883
Adjustments to reconcile the income (loss) for the period to the cash flow from/(used in) by operations:		
Amortization, depreciation and write downs	1,891	5,242
Costs/(revenues) for stock option	16	72
(Gains)/Losses from sale of non current assets	38	
Accrual of allowance for doubtful accounts	189	175
Accrual of provision for risk and charges	-	785
Changes in the fair value of financial instruments	(47)	13
Accrual to employees' termination indemnity	143	(181)
Employees' termination indemnity payments	(79)	(623)
Changes in the deferred tax assets and liabilities	246	516
	1,344	10,882
Changes on operational assets and liabilities		
Trade receivables	4,889	7,660
Inventories	(15,145)	(10,750)
Trade payables	10,142	(1,534)
Tax receivables	(68)	442
Tax payables	(4,349)	3,625
Provisions for risks and charges	(14)	(201)
Other current assets and current and non current liabilities	(998)	726
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	**(4,199)**	**10,850**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposal of intangible assets and property, plant and equipment	23	221
Purchase of property, plant and equipment	(1,650)	(3,222)
Purchase of intangible assets	(5,239)	(434)
Net change in the other non current assets	(248)	(913)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES (B)	**(7,114)**	**(4,348)**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of long term loans	(2,703)	(2,797)
Issuance of long-term debt	5,102	1,714
Net change in short-term financial liabilities	6,952	(4,482)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES (C)	**9,351**	**(5,565)**
TOTAL CASH FLOW (D=A+B+C)	**(1,962)**	**937**
Effect of exchange rates on cash (E)	467	(1,559)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (F)	**8,818**	**9,754**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**7,323**	**9,132**

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 and watches through both the wholesale and the retail channels. Specifically, the Group distributes five prestigious jewelry brands: Damiani, Salvini, Bliss, Alfieri & St. John and Calderoni. Furthermore, the Damiani Group also distributes through the directly managed multi-brand boutiques 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, 2016 relating to the six months period from April 1, 2016 to September 30, 2016, 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 December 30, 2016.
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, according to IAS 7.
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 and article 154 – ter of the Legislative Decree 58/1999 and subsequent amendments. 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, 2016. 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, 2016, to which we refer for a fuller disclosure, also considering what described in note 3. Accounting standards, amendments and interpretations effective from April 1, 2016.
The Condensed interim financial statements at September 30, 2016 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, 2016 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, 2016 are compared with those at March 31, 2016.
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 at September 30, 2016:

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	70,000,000	Damiani International B.V.	0.00%	100.00%
Damiani International S.A.	Manno, Switzerland	CHF	1,000,000	Damiani International B.V.	0.00%	100.00%
Damiani Russia LLC	Moscow, Russia	RUB	20,010,000	Damiani International S.A.	0.00%	100.00%
Damiani Paris SAS	Paris, France	EUR	6,500,000	Damiani International S.A.	0.00%	100.00%

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

During the first half of the year 2016/2017 the Group's composition has changed as follows respect to March 31, 2016:

- On June 14, 2016 the French company Damiani Paris Sas was set up. It has a share capital of 6,500,000 euros, and it is fully owned by Damiani International S.A. The company aims to manage the new Damiani boutique located in Paris, the opening of which took place in August.

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, 2016 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, 2016 for a total value of Euro 207 thousand.

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	71	Damiani S.p.A.	4.36%	4.36%
Banca d'Alba (1)	Euro	46,771	41	Damiani S.p.A.	0.50%	0.50%
Venini S.p.A. (2)	Euro	3,725	94	Damiani International S.A.	5.00%	5.00%

(1) Share capital at December 31, 2015

(2) Share capital as approved by the resolution of January 29, 2016

3. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATION EFFECTIVE FROM APRIL 1, 2016

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, 2016, except for the adoption of new standards, amendments and interpretations effective from April 1, 2016. The Group has not early adopted any new standard, interpretation or amendment issued but not yet effective. 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 revision is effective for annual periods beginning on or after February 1, 2015.
- Annual cycle of improvements IFRS 2010-2012. These improvements are effective for annual periods beginning on or after February 1, 2015. They include:
  - IFRS 2 – Share-based payments: definition of "vesting condition"
  - IFRS 3 – Business combinations: accounting for "contingent consideration" in a business combination
  - IFRS 8 – Segment information: disclosure on the aggregation of operating segments and reconciliation between 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 – Disclosure of related party transactions: a management company that provides management services with strategic responsibilities should be considered as a related party.
- IFRS 11 agreements to joint ventures: acquisition of a share. The amendments require that a joint operator recognizes that the acquisition of a stake in an agreement to joint control, whose activities represent a business, must apply the relevant principles of IFRS 3 regarding the accounting for business combinations. The changes also clarify that, in the maintenance of joint control, the previously held share in an agreement to joint control is not subject to re-measurement at the acquisition of an additional stake. In addition, it has added an exclusion from the scope of IFRS 11 to clarify that the changes do not apply when the parties sharing control, including the reporting entities are under common control of the same last controlling party. The changes apply both to the acquisition of the initial share of participation in an agreement to joint control and to the acquisition of each additional share in the same agreement to joint control. The changes must be applied prospectively for annual periods beginning on January 1, 2016 or later. Earlier application is permitted. No impact is expected on the Group arising from the application of the standard.
- Amendments to IAS 1 - Use of judgment in financial reporting: the amendments to IAS 1 clarify some elements perceived as restrictions on the use of judgment from who draft the financial statements, and are effective for annual periods beginning on January 1, 2016 or later. Earlier application has permitted.
- Amendments to IAS 16 and IAS 38 - Clarification of the allowable methods of depreciation: the changes clarify the principles set out in IAS 16 and IAS 38: revenues reflect a pattern of economic benefits from operating a business, rather than economic benefits that wear out with use of the item. It follows that a method based on sales cannot be used for the depreciation of property, plant and equipment and may be used only in very limited circumstances for the amortization of intangible assets. The changes must be applied prospectively for annual periods beginning on January 1, 2016 or later. Earlier application has permitted. No impact is expected on the Group arising from the application of the amendments.
- Amendments to IAS 27 – Net equity method in the separate financial statements. The amendments will enable the entities to use the equity method to account for investments in subsidiaries, joint-ventures and associates in the separate financial statements. The amendments are effective for annual periods beginning January 1, 2016 or later. Earlier application has permitted. No impact is expected on the Group arising from the application of the amendments.
- Annual cycle of improvements IFRS 2012-2014. These improvements are effective for annual periods beginning on or after January 1, 2016. They include:
  - IFRS 5: reclassification guide to methods provisions
  - IFRS 7: further guidance to service contracts and applicability of IFRS 7 in the interim financial statements
  - IAS 19: clarification of the discounted rate
  - IAS 34: guidance on the meaning of "in other sections of the interim report".

Accounting standards, amendments and interpretations issued but not yet effective

Listed below are the accounting standards, which, at the date of the financial statements of the Group, were already issued but not yet effective. The Group intends to adopt these standards when they come into force.

- IFRS 9 – Financial instruments: in July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that reflects all phases of the project relating to financial instruments and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for the classification, measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning from January 1, 2018 or later. Earlier application is permitted. It is required retrospective application of the principle, but it's not required to provide comparative information. It is permitted early application of the previous versions of IFRS 9 (2009, 2010 and 2013) if the date of initial application is earlier than February 1, 2015. No impact is expected on the Group arising from the application of the amendments.
- IFRS 15 - Revenue from contracts with customers. IFRS was issued in May 2014 and introduces a new model in five stages, which will apply to revenues from contracts with customers. IFRS 15 requires the recognition of revenue for an amount that reflects the compensation which the entity believes to receive in exchange for the transfer of goods or services to the customer. The standard provides a more structured approach to the recognition and measurement of revenue, replacing all current requirements in the other IFRS regarding revenue recognition. IFRS 15 is effective for annual periods beginning from January 1, 2018 onwards, with full retrospective application or modified. Earlier application is permitted. The Group plans to apply the new standards to the mandatory effective date and is assessing the impact.
- IFRS 16 – Leasing. At January 13, 2016 the IASB issued the new accounting standard on leasing that replaces the previous accounting requirements deemed no longer fit to represent lease assets in the financial statements. The new IFRS is effective from January 1, 2019, but earlier application is permitted for entities applying also IFRS 15 – Revenues from contracts with customers. In summary, the standard provides for all types of leasing (financial or operational) a single accounting model that is embodied in the inscription of an asset equal to the sum of fees for the duration of the contract. The Group is assessing the impact of this new standard.

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 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 of the financial year 2016/2017 The Group didn't identify indicators of impairment that change the assessments made at March 31, 2016 with regard to fixed assets with indefinite useful lives. In particular, with regard to the goodwill relating to Alfieri & St. John, that in view of the evolution of the commercial agreement relating to this Cash Generating Unit (CGU) that took place from December 2015, was impaired at March 31, 2016, there are not events that occurred in the first half that have changed the assumptions made and the associated cash flows used for the evaluation at the end of the previous financial year.
Also for the other assets and liabilities there are no situations that could alter significantly the context in which the assessments and estimates at the end of the previous year were built. The Group's management has still made the update estimates to assess the adequacy of existing funds, in order to identify any need of additional provisions.
In particular, the analyzes carried out were as follows: i) the value of the inventories and related existing provisions for obsolescence; ii) the value of trade receivables and related allowances for risk of default; iii) the amount of returns from sales recorded during the period and the corresponding existing funds; iv) other 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 2016/2017 has remained essentially unchanged compared to the situation existing at the end of the previous financial year, nor the Group 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 the

items mentioned above have shown no significant changes that would require integration on existing provisions.

5. SEASONALITY

The Group business, just like those of other players in the same sector, is subject to a significant impact of seasonality. As a matter of facts the sales of jewelry products are concentrated in the quarter October-December (and for the retail channel in December alone), with a consequent push by dealers to purchase in the same period. Therefore, based on historical experience, the Damiani Group achieves lower profitability 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 the Interim management report and which provides the figures for the first half of 2016/2017 and, for comparative purposes, of the same period of financial year 2015/2016.
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, 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 2016/2017)

I Half 2016/2017 *(in thousands of Euro)*	**Italy**	**Foreign Countries**	**Eliminations**	**Consolidated**
Revenues from Sales and Services	47,809	21,929	-	**69,738**
Other revenues	57	6	-	**63**
Intercompany sales	15,092	4,085	(19,177)	**-**
Total Revenues	**62,958**	**26,020**	**(19,177)**	**69,801**
Operating Expenses (net)	**(56,987)**	**(31,103)**	**19,177**	**(68,913)**
Operating income (loss)	**5,971**	**(5,083)**	-	**888**

Situation at September 30, 2016 *(in thousands of Euro)*	**Italy**	**Foreign Countries**	**Eliminations**	**Consolidated**
Capex	1,759	5,130	-	6,889

Geographical area breakdown (first half of the financial year 2015/2016)

I Half 2015/2016 *(in thousands of Euro)*	Italy (restated)*	Foreign Countries	Eliminations	Consolidated
Revenues from Sales and Services	47,510	20,351	-	**67,861**
Other revenues	879	1	-	**880**
Intercompany sales	16,267	5,123	(21,390)	**-**
Total Revenues	**64,656**	**25,475**	**(21,390)**	**68,741**
Operating Expenses (net)	**(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

(*) The figures for the interim financial report at September 30, 2015 have been reclassified to conform to the economic and financial representation adopted in the interim financial report at September 30, 2016.

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, 2016 and at March 31, 2016:

(in thousands of Euro)	September 30, 2016	March 31, 2016
Goodwill, boutiques	465	465
Goodwill, Alfieri & St.John	2,295	2,295
Total goodwill	**2,760**	**2,760**

The item, unchanged compared with March 31, 2016, refers to Euro 2,295 thousand 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 thousand 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 every year, or more frequently if there were indications that during the current year the asset may have suffered a loss in its value.
The *Cash Generating Unit* - CGU Alfieri & St. John at 31 March, 2016 was measured in order to consider the most recent commercial developments of the CGU encountered during the financial year (sale of exclusive licenses to third parties of the worldwide commercial exploitation). The discounted cash flows of CGU which led to the impairment loss of goodwill in the financial statement, in order to align it with the recoverable value. In the first half 2016/2017 there were no event that caused change of the estimates made at March 31, 2016. As a result of this, the value recorded in the financial statement is aligned with its recoverable value.
For goodwill relating to the boutique, allocated to the Damiani CGU, the economic performance in the first half 2016/2017 has fully confirmed the interim performance expectations and hence consistency with respect to the overall scenario used for impairment test at March 31, 2016.

8. OTHER INTANGIBLE ASSETS

The following table provides a breakdown of the item at September 30, 2016 and at March 31, 2016:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**
Industrial rights and patents	233	224
Key Money	6,999	734
Intangible assets under construction	16	1,298
Total other intangible assets	**7,248**	**2,255**

The increase of Euro 5,190 thousand of *key money* is due to the acquisition of availability of new commercial spaces, in Italy and abroad, to launch new single-brand stores directly managed.
The reduction in construction in progress refers instead to the reclassification to the final accounts of *key money* paid at the end of March 2016 (Euro 1,250 thousand), related to two new boutiques opened at the beginning of the first half.

9. PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown of the item at September 30, 2016 and at March 31, 2016:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**
Land and buildings	6,228	6,681
Plant and machinery	513	491
Industrial and commercial equipments	113	136
Other assets	9,133	8,496
Assets under construction	32	13
Total property, plant and equipment	**16,019**	**15,818**

Property, plant and equipment increased, compared with March 31, 2016, of Euro 201 thousand 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 4,949 thousand at September 30, 2016 and Euro 5,387 thousand at March 31, 2016. The corresponding depreciation charge for the period amounted to Euro 438 thousand.
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, 2016 this item referred exclusively to non-controlling interests in Fin.Or.Val S.r.l., Banca d'Alba and Venini S.p.A. for a total of Euro 207 thousand. During the first half there were no changes compared with March 31, 2016 and the values recorded to the financial statement are aligned to the *fair value* from the latest available financial statements.

11. FINANCIAL RECEIVABLES AND OTHER NON CURRENT ASSETS

The following table provides a breakdown of the item at September 30, 2016 and at March 31, 2016:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**
Guarantee deposits	4,147	3,898
Other receivables	51	51
Total financial receivables and other non current assets	**4,198**	**3,949**

The change in guarantee deposits to Euro 248 thousand compared with March 31, 2016, was mainly due to the increase of guarantee deposits for new opening stores abroad and the related exchange rate.

12. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities at September 30, 2016 and at March 31, 2016 are detailed in the table below; the descriptions indicate the nature of temporary differences:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**
Deferred tax assets related to:		
Net impact of the returns reserve	960	960
Write off on intercompany gains and inventory margins	6,252	5,849
Exchange loss differences	164	82
Provision for doubtful accounts not deductible	742	743
Write downs of inventories	2,533	2,533
Provisions on lawsuits	184	184
Financial interests in excess	1,453	1,623
Fiscal losses	1,782	1,782
Effect on stock option plans	160	160
Other timing differences of a taxation nature	90	208
Total deferred tax assets	**14,320**	**14,124**
Deferred tax liabilities related to:		
Exchange differences	969	503
Other timing differences of a taxation nature	218	242
Total deferred tax liabilities	**1,187**	**745**

The increase of Deferred Tax Assets is mainly due to the deferred tax effect related to the margins. These margins are generated by transactions of goods between companies of the Group, that has not been yet sold to third parties. The increase of deferred tax liabilities is due to a rise of the unrealised exchange gain, on assets and liabilities recorded on financial statement.

13. INVENTORIES

The following table provides a breakdown of the item at September 30, 2016 and at March 31, 2016:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**
Raw materials, semi-finished goods and advance payments	15,627	13,492
Finished products and goods	102,879	89,869
Total inventories	**118,506**	**103,361**

The net value of inventories at September 30, 2016 showed an increase of Euro 15,144 thousand compared with March 31, 2016 related to the seasonality of the procurement process and a distribution model more and more retail - oriented. In the same period of the previous year the increase was relevant (Euro 10,750 thousand), 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 4,514 thousand, value substantially unchanged compared with March 31, 2016 (Euro 4,505 thousand).
The value of inventories at September 30, 2016 was net of Euro 11,558 thousand inventory write-down (Euro 11,562 thousand at March 31, 2016); the change was due to marginal use in the half period as well as currency translation effects. At September 30, 2016 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, 2016 and at March 31, 2016:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**
Trade receivables, gross	**42,080**	**46,982**
Provision for doubtful accounts	(3,855)	(3,690)
Fund for returns on sales from customers	(9,189)	(9,175)
Impact of Net Present Value calculation of receivables	(3)	(6)
Total net trade receivables	**29,033**	**34,111**

The decrease in net trade receivables compared with March 31, 2016 to Euro 5,078 thousand 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 189 thousand, 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, 2016 tax receivables showed a balance of Euro 1,102 thousand compared with Euro 1,034 thousand at March 31, 2016 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, 2016 and at March 31, 2016:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**
VAT receivables from the Tax Authorities	2,545	2,062
Prepayments on exchanges of goods	260	-
Deposits to suppliers	1,795	1,638
Prepayments	2,400	3,208
Receivables from other	2,084	837
Total other current assets	**9,084**	**7,745**

The increase is mainly due to receivables from tax authorities (V.A.T), and to receivables from tax authorities for a dispute for omitted withholding taxes, on which the Parent Company believes it has valid reasons to support on appeal.
Damiani S.p.A had to paid one third of the tax assessed (more interests), for a total amount of Euro 943 thousand, when it decided to bring an action against the assessment notice. The amount paid have been recorded in the item Receivables from other (for further details see note 36 Commitments and contingent liabilities).

17. CASH AND CASH EQUIVALENTS

The following table provides a breakdown of the item at September 30, 2016 and at March 31, 2016:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**
Bank and post accounts	7,022	8,599
Cash on hand	301	219
Total cash and cash equivalents	**7,323**	**8,818**

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, 2016 the Shareholders' equity amounted to Euro 67,434 thousand, in decrease by Euro 313 thousand compared with March 31, 2016. The changes in shareholders' equity of the first half ended September 30, 2016 (which are shown in the consolidated statement of changes in shareholders' equity) were the following:
- The net loss of the period for Euro 1,053 thousand (including minority interests);
- The positive 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 850 thousand;
- The increase of stock option reserve for Euro 16 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 126 thousand.

As regards treasury shares it is reported that in April-September 2016 have not been purchased or sold shares. Therefore, at September 30, 2016 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 thousand 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 non current portion to September 30, 2016 and March 31, 2016 is as follows:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**	**Notes**
Non current portion			
Loan A	9,180	10,880	a
Loan B	5,403	5,301	b
Loan C	1,507	1,808	c
Loan D	2,904	2,904	d
Loan E	1,000	1,400	e
Loan F	-	-	f
Loan G	950	950	g
Loan H	4,000	-	h
Loan I	-	-	i
Loan J	100	103	j
Financial Leasing	3,826	4,546	k
Total non current portion of medium/long term financial liabilities	**28,870**	**27,892**	
Current portion			
Loan A	3,400	2,720	a
Loan B	-	-	b
Loan C	602	602	c
Loan D	-	-	d
Loan E	800	600	e
Loan F	-	58	f
Loan G	-	-	g
Loan H	-	-	h
Loan I	586	-	i
Loan J	36	33	j
Financial Leasing	1,046	1,036	k
Total current portion of medium/long term financial liabilities	**6,470**	**5,049**	
Total medium/long term financial liabilities	**35,340**	**32,941**	

The following is a breakdown of key information relating to loans granted by banks and other lenders at September 30, 2016.

a) The medium-term loan A has been signed by Damiani S.p.A. with a pool of three banks on November 6, 2013 for an amount up to a maximum of Euro 11,000 thousand, which aims to support the continued operation of the Damiani Group, mainly by financing industrial investments and the inventory, required for the development of the retail channel. Disbursements were subject to the effective implementation of the investment plan of the Group and compliance with the financial covenants contractually established and verified quarterly by the lenders. Failure to comply with these covenants, resulted in the renegotiation of the agreement between Damiani S.p.A. and lenders. This process 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) review of the financial covenants, based on the targets of the new three-year plan 2015-2018 of the Group, annually verified (on March 31, 2016, the covenants were respected). On December 18, 2015 was signed a second amending act between the parties in which has been enshrined in the adhesion to the financing of a new lender that has provided Damiani S.p.A. an additional line of Euro 2,600 thousand, under the same terms and conditions agreed in the first amending act of July 2015. 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 has been repaid.

b) The private non-convertible bond (item B) was signed by the executive directors Guido, Giorgio and Silvia Grassi Damiani, who represent the majority shareholders of Damiani S.p.A. It 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 January 1, 2015 and paid in a single installment at the time of loan repayment.
c) Loan C referred to a subsidized loan signed in February 2013 by Damiani S.p.A. with Simest 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 thousand, 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 was paid.
d) Loan D was completed on December 31, 2013 and consists in the financial contribution of HK$ 29,826,000 (equivalent to Euro 2,904 thousand) 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.
e) Loan E was signed on October 29, 2015 with a bank for the amount of Euro 2,000 thousand and three years duration. On this loan accrues annual interest determined from Euribor 6 months + 1.53% spread. The refund will be in 10 constant quarterly installments, the first installment of repayment was paid in September 2016.
f) Loan F 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 thousand with a repayment plan in 36 monthly installments starting from May 2013. The last installment has been repaid in April 2016.
g) It is the subsidized loan granted in July 2015 by the Ministry of Economic Development to the company Laboratorio Damiani S.r.l., for the research and development of automated solutions for the processing of gold, made in previous years. The loan pays an annual interest rate of 0.5% and it will be reimbursed in ten annual installments, starting from March 2019 (maturity on March 2028).
h) Loan H was originally granted to Damiani S.p.A. during the first half by Leading Jewels S.A., the majority shareholder of the company for Euro 4,000 thousand. On this loan accrues annual interest determined from Euribor 6 months +3.90% spread and the refund will be in in half-yearly installments. The repayment of the credit line runs from the 30th month following the signature of the contract, to be completed on December 31, 2021.
i) It is a Loan signed in April 2016 with an Italian bank for the amount of Euro 1,000 thousand and twelve months duration. The refund will be monthly and interest rate is 2% per annum.
j) The debt at point J refers to a finance lease on the alarm system, signed by the subsidiary Damiani Japan KK for an amount of Japanese Yen 20,122 thousand.

Moreover, in the table the debt for leasing on buildings are showed for Euro 4,872 thousand. They are related to three contracts for the sale of properties to related parties, and three lease backed to Damiani S.p.A. 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, 2016 and at March 31, 2016:

Net financial position (*) *(in thousands of Euro)*	**Situation at September 30, 2016**	**Situation at March 31, 2016**
Current portion of loans and financing	5,424	4,013
Drawndown of credit lines, short term financing and others	35,330	28,378
Current portion of loans and financing with related parties	1,046	1,036
Current financial indebtedness	**41,800**	**33,427**
Non current portion of loans and financing	15,642	18,045
Non current portion of loans and financing with related parties	13,228	9,847
Non current financial indebtedness	**28,870**	**27,892**
Total gross financial indebtedness	**70,670**	**61,319**
Cash and cash equivalents	(7,323)	(8,818)
Net financial position (*)	**63,347**	**52,501**

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

At September 30, 2016 the Group had a net financial debt equal to Euro 63,347 thousands, showing a worsening by Euro 10,846 if compared with March 31 2016, due to the cash flow absorbed by the industrial investments and the operating working capital, according to the seasonality trends.

20. EMPLOYEES' TERMINATION INDEMNITIES

During the first half ended September 30, 2016 the employees' termination indemnities underwent the following changes:

(in thousands of Euro)	
Termination Indemnities at March 31, 2016	**4,376**
Cost related to current work performed	(1)
Financial expenses	18
Paid benefits	(79)
Actuarial Loss (Profit)	126
Termination Indemnities at September 30, 2016	**4,440**

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, 2016. The actuarial loss 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 0.82 in March 2016 to 0.45 in September 2016).

Details of the assumptions adopted as of September 30, 2016 are as follows:

Financial hypotheses	
Annual rate for the Net Present Value	0.45%
Annual inflation rate	1.80% from 2017 to 2020 2.00% dal 2021 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, 2016 risks reserves amounted to Euro 1,012 thousand, a slightly decreased of Euro 13 thousand compared with March 31, 2016. The provisions are set up to cover the risks of probable future legal disputes. During the first half it was not necessary increase the provisions for no risks assessed as "probable".

22. OTHER NON CURRENT LIABILITIES

The amount of the item increased from Euro 391 thousands at March 31, 2016 to Euro 417 thousand at September 30, 2016, and includes mainly termination indemnities of directors.

23. TRADE PAYABLES

The amount of the item increased from Euro 44,680 thousand at March 31, 2016 to Euro 54,822 thousand at September 30, 2016, result of purchases of finished goods and investments in renovations and furnishings in the retail sector, implemented during the period.

24. SHORT TERMS BORROWINGS

Debts relating to use of credit lines in the short term amounted to Euro 35,330 thousand at September 30, 2016, an increase of Euro 6,952 thousand compared with March 31, 2016. The use of short term credit lines is intended to finance operating working capital.
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, 2016 and at March 31, 2016:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**
Taxes withheld from employees (IRPEF)	261	255
Current income tax payables	1,229	5,650
Other tax payables	144	78
Total tax payables	**1,634**	**5,983**

Decrease is mainly due to the payment of current taxes calculated at 31 March 2016, by the foreign subsidiary, that during the previous year realized non-recurring income through the sale to third parties of lease contracts of a prestigious buildings for commercial use (for more detail see the Interim management report).

26. OTHER CURRENT LIABILITIES

The following table provides a breakdown of the item at September 30, 2016 and at March 31, 2016:

(in thousands of Euro)	**September 30, 2016**	**March 31, 2016**
Payables to social security institutions	1,297	1,194
Payables to employees	2,639	2,766
Other liabilities	1,658	1,694
Deferred income	2,589	2,261
Total other current liabilities	**8,183**	**7,915**

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-month period ended September 30, 2016 and September 30, 2015:

(in thousands of Euro)	**I Half 2016/2017**	**I Half 2015/2016 (restated)***
Revenues from sales and services	69,738	67,861
Other revenues	63	880
Total revenues	**69,801**	**68,741**

(*) The figures for the interim financial report at September 30, 2015 have been reclassified to conform to the economic and financial representation adopted in the interim financial report at September 30, 2016.

The breakdown of revenues by sales channel is the following:

Revenues by Sales Channel *(in thousands of Euro)*	**I Half 2016/2017**	**I Half 2015/2016 (restated) ***
Retail	**34,447**	**35,240**
Percentage on total revenues	*49.4%*	*51.3%*
Wholesale	**35,291**	**32,621**
Percentage on total revenues	*50.6%*	*47.5%*
Total revenues from sales and services	**69,738**	**67,861**
Percentage on total revenues	*99.9%*	*98.7%*
Other revenues	**63**	**880**
Percentage on total revenues	*0.1%*	*1.3%*
Total Revenues	**69,801**	**68,741**

(*) The figures for the interim financial report at September 30, 2015 have been reclassified to conform to the economic and financial representation adopted in the interim financial report at September 30, 2016.

Consolidated revenues for the first half period ended September 30, 2016 amounted to Euro 69,801 thousand, compared with Euro 68,741 thousand in the first half ended September 30, 2015, showing an increase by Euro 1,060 thousand, corresponding to +1.5%, already commented in the Interim management report.
The "Other revenues", of the previous financial year, mainly referred to insurance reimbursements for robberies suffered during the period.

28. COST FOR RAW MATERIALS AND CONSUMABLES

Costs for raw materials and consumables (including purchase of finished products) are for the six-month periods ended September 30, 2016 and September 30, 2015 as follows:

(in thousand of Euro)	**I Half 2016/2017**	**I Half 2015/2016**
Purchases	49,088	44,872
Change in inventory of finished products	(13,000)	(9,798)
Change in inventory of raw materials and consumables	(1,811)	(407)
Total cost of raw materials and consumables	**34,277**	**34,667**

The costs went from Euro 34,667 thousand in the six-month period ended September 30, 2015 to Euro 34,277 thousand in the period ended September 30, 2016, with a decrease of Euro 390 thousand, in contrast to the increase in revenues. This mismatch between the two trends depends on a different sales mix, particularly concentrated in the first half 2016/2017 on the channels with higher margins.

29. COST OF SERVICES

The table below shows the breakdown of the item for the six-month periods ended September 30, 2016 and September 30, 2015:

(in thousands of Euro)	**I Half 2016/2017**	**I Half 2015/2016**
Operating expenses	3,669	3,510
Advertising expenses	3,671	5,938
Other commercial expenses	1,504	1,556
Production costs	1,693	1,539
Consultancies	1,668	1,824
Travel/transport expenses	1,831	1,830
Directors' Fees	819	776
Use of third party assets	6,126	6,280
Total cost of services	**20,981**	**23,253**

The cost of services go down by Euro 2,272 thousand compared with the same period of the previous year. The decrease, is mainly due to lowest advertising costs for fairs and meetings, sponsorships and co - advertising recognized to the customers.
The other items did not report any significant changes.

30. PERSONNEL COST

The table below shows the breakdown of the item for the six-month periods ended September 30, 2016 and September 30, 2015:

(in thousand of Euro)	**I Half 2016/2017**	**I Half 2015/2016**
Wages and salaries	10,595	9,787
Social security costs	2,307	2,242
Termination indemnity	366	457
Other personnel costs	96	200
Total personnel cost	**13,364**	**12,686**

The increase in personnel costs of Euro 678 thousand was determined by the development of the Group abroad, by expanding the workforce directly engaged in the retail channel and the support to commercial activities (marketing, customer services, area managers). Overall, the average staff employed by the Group in the six-month 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-month periods:

Labour category	I Half 2016/2017	I Half 2015/2016
Executive and Managers	46	48
Clerks	471	461
Workers	91	92
Total	**608**	**601**

31. OTHER NET OPERATING (CHARGES) INCOMES

The table below shows the breakdown of the item for the six-month periods ended September 30, 2016 and September 30, 2015:

(in thousand of Euro)	I Half 2016/2017	I Half 2015/2016
Other operating (charges) incomes	1,789	17,791
Allowance for doubtful accounts	(189)	(175)
Total other net operating (charges) incomes	**1,600**	**17,616**

The balance is positive in both half - years under comparison and it is significantly affected by non – recurring incomes recorded in the two periods. In the first half of fiscal year 2015/2016 the gross income of Euro 19,000 thousand was related to 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). In this financial year the gross income of Euro 1,540 thousand is related to the sale to third parties of the lease of a boutique In Italy. The balance of the first half of the previous fiscal year also included risk provisions for risks and charges of Euro 785 thousand.

32. AMORTIZATION, DEPRECIATION AND WRITE DOWNS

The table below shows the breakdown of the item for the six-month periods ended September 30, 2016 and at September 30, 2015:

(in thousand of Euro)	I Half 2016/2017	I Half 2015/2016
Amortization of intangible assets	209	109
Depreciation of property, plant and equipment	1,682	2,041
Write downs of property, plant and equipment and intangible assets	-	3,092
Total Amortization, depreciation and write downs	**1,891**	**5,242**

The decrease in depreciation and write downs, during the first – half 2016/2017 is mainly due to the absence of write-downs of non-current assets that were recorded the previous fiscal year. 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).

33. FINANCIAL (EXPENSES) AND INCOMES

The table below shows the breakdown of financial incomes and expenses for the six-month periods ended September 30, 2016 and September 30, 2015:

(in thousand of Euro)	**I Half 2016/2017**	**I Half 2015/2016**
Net exchange gains/(losses)	78	527
Other financial charges	(1,286)	(1,543)
Other financial revenues	84	79
Total financial (expenses) and incomes	**(1,124)**	**(937)**

The balance in the first half of the financial year 2016/2017 was a loss of Euro 1,124 thousand, a worsening of Euro 187 thousand compared with the negative balance of Euro 937 thousand in the first half of the financial year 2015/2016. The change is mainly due to: i) minor foreign exchange gains for Euro 449 thousand ii) no impairment of minority interests and financial current assets that in the previous year impacted for Euro 258 thousand.

34. TAXES

In the first half of the financial year 2016/2017 income taxes had a negative impact of Euro 817 thousand compared with a loss of Euro 4,689 thousand in the first half of the financial year 2015/2016. The significant amount in tax burden in the previous financial year depended on the income taxes recorded in the foreign subsidiary that had made the above mentioned non-recurring income (the impact on the subsidiary was Euro 4,145 thousand).

35. TRANSACTIONS WITH RELATED PARTIES

This paragraph describes the relationships between the companies of the Damiani Group and the related parties in the six-month periods ended September 30, 2016 and September 30, 2015, 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, funding).

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, 2016:

(in thousands of Euro)	**I Half 2016/2017**		**Balance at September 30, 2016**		
	Net operating costs	Financial expenses	Other current assets	Financial debt (including leasing)	Trade payables
D.Holding S.A.	(75)	-	-	-	-
Imm.re Miralto S.r.l.	(280)	(6)	500	(146)	(0)
Montenapoleone 10 S.r.l.	(123)	(126)	-	(982)	(528)
Duomo 25 S.r.l.	-	(131)	-	(3,743)	(284)
Caesarea SA (Luxembourg)	-	-	-	-	(194)
Il Bricco (simple company)	(50)	-	-	-	(34)
Dofa S.r.l.	(69)	-	-	-	(85)
Venini S.p.A.	(69)	-	-	-	(3)
Majority Shareholders	-	-	-	(9,403)	-
Executives with strategic responsibilities	(80)	-	-	-	(20)
Total with related parties	(746)	(263)	500	(14,274)	(1,148)
Total from financial statements	(68,913)	(1,286)	9,084	(70,670)	(54,822)
%age weight	1%	20%	6%	20%	2%

In detail:

- the costs of Euro 75 thousand 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 premises used for offices. To the building in Turin also refers the item "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, 2016 amounted to Euro 500 thousand). In addition, in the period there were also financial expenses of Euro 6 thousand, 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, 2016 amounted to Euro 146 thousand;
- the net costs to Montenapoleone 10 S.r.l. relate to the rents paid for the sublease of office space and showroom in Milan. In addition, in the period there were also financial expenses of Euro 126 thousand, 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, 2016 amounted to Euro 982 thousand;
- the financial expenses towards Duomo 25 S.r.l. for Euro 131 thousand 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, 2016 amounted to Euro 3,743 thousand;
- 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 "Il Bricco" refers to the lease of a prestigious property located in Valenza, used to organize promotional events. The annual fee is Euro 100 thousand;
- the cost towards Dofa S.r.l. refers to the rent paid for the lease of office space in Milan, Via Montenapoleone 10;
- the cost towards Venini S.p.A. refers to to the purchase of handmade glassware products for sale;
- the financial debt for Euro 9,403 thousand to the major shareholders refers to: i) the reserved non-convertible bond issued by Damiani S.p.A. and signed by the Damiani Brothers for Euro 5,403 thousand. On this bond interests accrue at a fixed rate of 3.90% per year, which will be paid in one installment at the time of repayment of the principal; ii) funding of Euro 4,000 thousand granted by the majority shareholder Leading Jewels S.A. On this funding interests accrue at a fix rate of 3.90% per year.
- 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, 2015.

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

In detail:

- the costs amounting to Euro 85 thousand 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 and for other premises used for offices. To the building in Turin also refers the

item "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 thousand). In addition, in the period there were also financial expenses of Euro 7 thousand, 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 thousand.

- the net costs to Montenapoleone 10 S.r.l. relate to the rents paid for the sublease of office spaces and showroom in Milan (until July 31,2015). In addition, in the period there were also financial expenses of Euro 155 thousand, 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 thousand;
- the financial expenses to Duomo 25 S.r.l. for Euro 157 thousand 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 thousand.
- 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 "Il Bricco" refers to the lease of a prestigious property located in Valenza, used to organize promotional events. The annual fee is Euro 100 thousand, effective June 1, 2015;
- The financial liabilities of Euro 5,000 thousand to the majority shareholders refer to the private bond issued by Damiani S.p.A. and signed by the Damiani brothers. On this liability accrued interest at a rate of 3.9% per year, 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.

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, 2016. As regards the tax audits in progress it provides an update on the date of approval of these interim financial statements.

At September 5, 2012 the Provincial Directorate II of Milan Tax Agency has started a tax audit against Rocca S.p.A (afterwards merged in Damiani SpA) about IRES and IRAP for the year 2009/2010 and for the VAT for the years 2009 and 2010. At July 2, 2014 the Office mentioned above has notified to Rocca Spa notice of assessment for Euro 286 thousand. The Company appealed to Provincial Tax Commission. At June 23, 2016 the judgment was filed and the appeal was partly accepted for IRES and IRAP, whereas the Provincial Tax Commission has not yet expressed its opinion about the VAT. The Company will present within the terms of the law appealed to the Regional Tax Commission.

At 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. At December 15, 2015 the Company received from Tax Agency the report "PVC" reporting IRES (income taxes) reliefs for Euro 8,714 thousand and Euro 8,669 thousand for the purposes of IRAP (regional taxes).
At February 22, 2016 the same Provincial Directorate of the Tax Agency in Alessandria has initiated a new audit in the field of transfer pricing with reference to the tax period 2012/2013 and 2013/2014. The audit is still in progress). In the following months, meetings were held between the Company and the Provincial Directorate of the Tax Agency in order to provide further details to dispute the "PVC" for the period 2011/2012.
These meetings have not reached in an agreement. At the present time, Damiani S.p.A. is still waiting to receive the "PVC" for the periods 2012/2013 and 2013/2014 and the notice of assessment for the period 2011/2012. The Company believes to have good arguments to proceed to an action contesting.

At 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. At May 19, 2015, the

financial police drew up the report "PVC" reporting reliefs for Euro 442 thousand. At 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. At May 20, 2016 the Company received the notice of assessment for the year 2012.
At February 12, 2016 were signed the acts of accession with the Office for the years 2010 and 2011, agreeing a reduction compared with the assessed value and a rescheduling of the payment (final payment in November 2019). At October 10, 2016 were signed the acts of accession also for the year 2012 rescheduling the payment (final payment in July 2018).

At December 29, 2015 and January 5, 2016 the Tax Agency – Provincial Directorate II in Milan notified to Damiani S.p.A. notice of assessment for withholding taxes not operated for Euro 2,280 thousand and act of protest of the relevant sanctions. The contested measure was carried out in March 2010 by the subsidiary Rocca S.p.A. (merged into Damiani S.p.A. in December 2014) as part of a reorganization of the Italian network of directly operated stores of the Group. At May 26, 2016 the Company filed the appeal initiating the dispute with the Tax Agency. It is believed, in fact, that the proceeds of the sale of the lease can not be considered productive of a taxable profit according to the Italian rules in force. Therefore, at the present time the Company, supported by the opinion of its tax advisers, believes it is not probable an outflow of resources to fulfill the established dispute. It is waiting to be set for the hearing of the dispute procedure.

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

In the first half of the financial year 2016/2017 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 2016/2017 it should be noted as non-recurring operation:

- In May 2016 has been sold the rental contract to third parties of a boutique. The income for the Group, resulting from the transaction was Euro 1,5 million, and it is recorded in the income statement. The operation is part of activities to enhance and / or reposition the Group's directly operated network.

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 in the first half 2016/2017, and 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; July 23, 2015 and July 21, 2016.

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 2016/2017**	**I Half 2015/2016**
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	77,399,518	77,447,079
Basic Earnings per share (amount in Euro)	**(0.01)**	**0.07**

Diluted Earnings (Losses) per share	**I Half 2016/2017**	**I Half 2015/2016**
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
Diluted effect from Stock option plan	-	-
Weighted average number of ordinary shares for computation of basic earnings per share	77,399,518	77,447,079
Diluted Earnings per hare (amount in Euro)	**(0.01)**	**0.07**

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. No significant event occurred after the end of the first half, affecting the financial position of the Group.

40. RISKS MANAGEMENT

At September 30, 2016 the Group had a net financial debt of about Euro 63.3 million, an increase of about Euro 10,8 million compared with March 31, 2016. This change was due to the cash flows absorbed by industrial investments and to finance the operating working capital.
The Group's strategy is to continue to develop its expansion abroad and the retail channel, aware of the required financial resources, that in the short term will lead to a weaker financial structure, with an increase of the debt position. At the same time the Group aim to maintain a balanced financial position, in order to avoid to jeopardizes its own future development and its solvency. Therefore the *debt/equity ratio* is kept under control and maintained under the critical threshold (0.9 at September 30, 2016), paying attention to the balance between assets and liabilities, in terms of realizable timing.
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 of which a general overview has been provided in Interim management report), according to a descending order of importance.

Liquidity risk and interest rate risk

As part of the overall financial requirement, for the ordinary management and for supporting the development, the Group uses together various forms of medium/long term (with the banking system and bond) and short term financing (credit lines and factor), with the 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 substantial time invariance (net of temporary seasonal pressures):

Capital ratio	Sept. 30, 2016	March 31, 2016	Sept. 30, 2015	March 31, 2015
Shareholders' equity/Total assets	0.3	0.3	0.3	0.3
Current assets/Current liabilities	1.6	1.7	1.5	1.5

In the first half of the year, notwithstanding the cash absorbed, the Group tried to maintain a proper ratio between sources of short-term and medium/long-term debt.
Overall, the final incidence of medium/long term debt on the gross financial indebtedness to September 30, 2016 equaled to 41% against 45% up to March 2016, as a result of the financial operations performed (acquisitions, loan repayment).
This financial status allowed the Group to still handle the liquidity risk, included in phases of debt growth, either due to the seasonal fluctuation of the financial flow or to the expenditures needed to support specific initiatives, in Italy or abroad.
Furthermore, resorting to bigger sources of short-term debt (Euro 35,3 millions to September 2016 against Euro 28,4 millions to March 31, 2016), to cover the needs of the current operations, didn't result more burdensome, since the related interest rates stay in line with the ones charged on the medium/long-term debt nor are these sources of debt subject to a heavy credit crunch thanks to a partial use of the total credit lines available (maximum credit availability to September 30th was up to Euro 56 Millions).

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, 2016 there were outstanding currency forward contracts entered by the Group for a total of Euro 6,837 thousand. The policies for hedging exchange rate risk have not undergone significant changes in the first half of the financial year 2016/2017 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) and the difficulty of access to credit may impact on the solvency of some of the customers.
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 2016/2017 the price of gold increased respect the average of the previous year. During the first half of this financial year the average price was 37.2 Euro/gram, an increase of 10.9% compared with the average of the previous twelve months (financial year 2015/2016: average of 33.5 Euro/gram). The continuation of an upward trend of prices of gold affects negatively on production costs, because it reduces the margin of the Group, when the increase is not translate to the selling price of the jewels.
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 euro.
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, 2016 there were outstanding contracts for the purchase of 5 kilos of gold for a total amount of Euro 189 thousand.

41. EXCHANGE RATES

The exchange rates at September 30, 2016 and at September 30, 2015 used for the translation of financial statements in foreign currencies were the following.

Currency	Average I Half 2016/2017	Spot September 30, 2016	Average I Half 2015/2016	Spot September 30, 2015
U.S. Dollar	1.12	1.12	1.11	1.12
Japanese Yen	118.09	113.09	135.10	134.69
Swiss franc	1.09	1.09	1.06	1.09
G.B.Pound	0.82	0.86	0.72	0.74
Hong Kong Dollar	8.71	8.65	8.59	8.68
Pataca Macau	8.98	8.91	8.85	8.94
Peso Messicano	20.68	21.74	17.63	18.98
Indian Rupee	75.15	74.37	71.23	73.48
Renminbi Cinese	7.41	7.45	6.94	7.12
Won Korea del Sud	1,282.06	1,229.70	1,258.73	1,328.20
Russian Ruble	73.22	70.51	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, 2016.

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 management report 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, December 30 2016

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

Damiani S.p.A.

Review report on consolidated condensed
interim financial statements
as of September 30, 2016

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Review report on consolidated condensed interim financial statements

To the Shareholders of
Damiani S.p.A.

Introduction

We have reviewed the accompanying consolidated condensed interim financial statements of Damiani S.p.A. and its subsidiaries (the "Damiani Group") as of September 30, 2016, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in net equity, cash flow statement and related explanatory notes. The Directors of Damiani S.p.A. are responsible for the preparation of this consolidated condensed interim financial statements in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with review standard recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July, 31, 1997. A review of interim financial information 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 consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of Damiani Group as of September 30, 2016, are not prepared, in all material respects, in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other matters

The consolidated financial statements as of and for the year ended March 31 , 2016 and the consolidated condensed interim financial statements for the period ended September 30, 2015, were audited and reviewed, respectively, by other auditors, who on June 27, 2016, expressed an unqualified opinion on the consolidated financial statements, and on November 27, 2015 expressed an unqualified conclusion on the consolidated condensed interim financial statements.

Milan, December 30, 2016

BDO Italia S.p.A.

Signed by
Fabrizio Brugora
Partner

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

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