DAMIANI S.p.A.

Consolidated Interim Financial Report as of September 30, 2017

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 29, 2017

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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 Statutory 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

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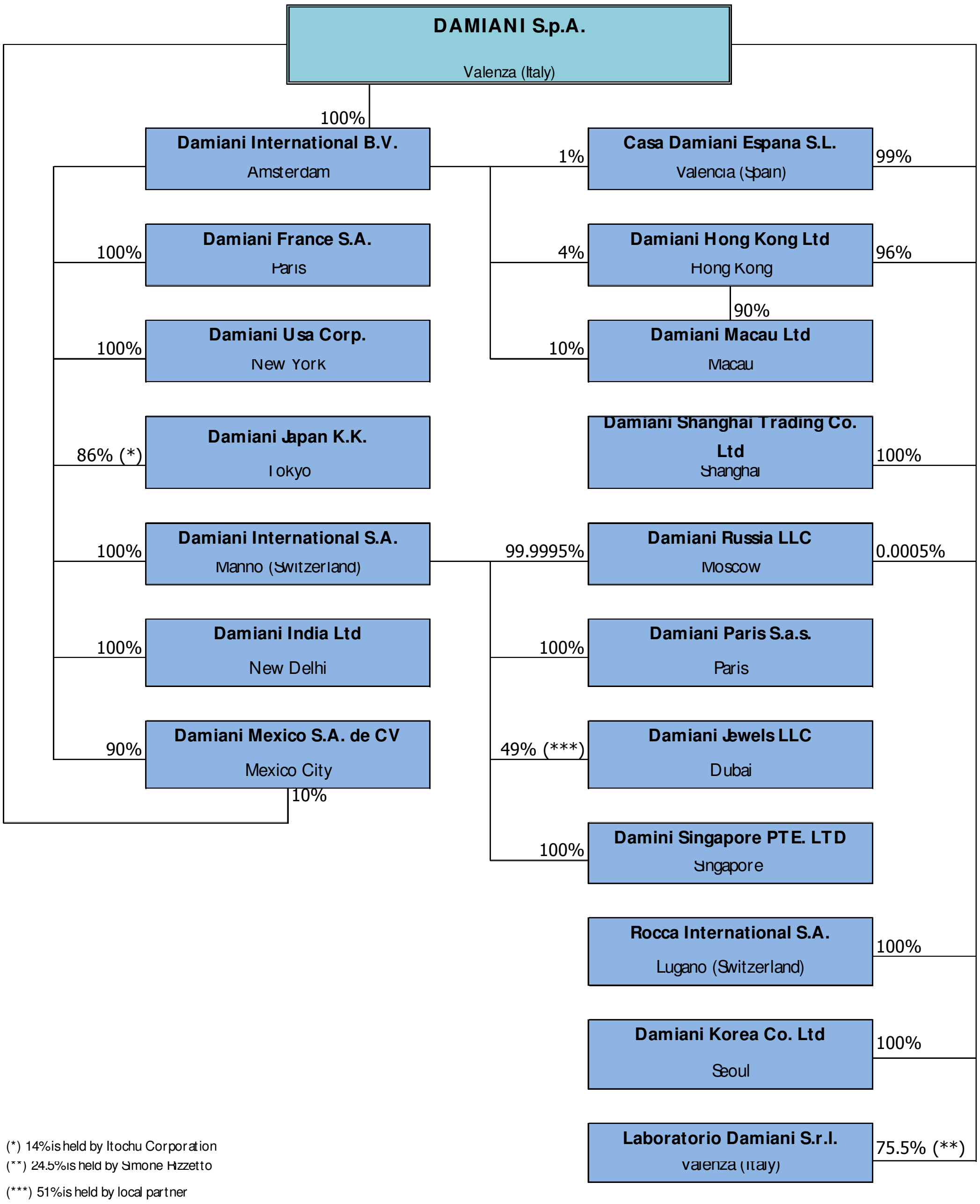
[1] Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 23, 2015 and in office for the period 2015-2018, until the approval of the Financial statements for the year ended March 31, 2018.
[2] Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 21, 2016 and in office until the 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



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

[5] The Damiani Group closes its financial year at March 31, and therefore the period from April 1 to September 30, 2017 represents the first six months of the financial year that will end on March 31, 2018 (hereafter the 2017/2018 financial year). For comparative purposes are shown data for the prior year period, first half of the 2016/2017 financial year.

to directly carry out 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 telematic market.
The condensed interim consolidated financial statements at September 30, 2017 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, 2017, closing of the previous year, during the first half of the year the composition of the Group changed as follows:

- On May 2017 the new company Damiani Singapore PTE. Ltd was established, based in Singapore, wholly owned by Damiani International S.A. The share capital of the new company is 300,000 SGD (approximately 195,000 euros). Its activity consists in the distribution of the Group's brands in Singapore, on the wholesale and retail channels (in June the Damiani single-brand unit was inaugurated in one of the most prestigious mall of the Asian city-state).

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, Calderoni and Alfieri & St. John (the latter sold through a license to third parties).
Furthermore, through the fully owned network "Rocca 1794", the Group distributes prestigious third party brands, mainly in the watch sector.
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, 2017 franchised single-brand are 16).
- the retail channel, consisting of individual points of sale (boutiques, shop-in-shop and corners), mono-brand and multi-brand, directly managed by the Group. As at 30 September 2017, the directly managed points of sale are 66.

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

Boutiques and corners	Italy	Foreign countries	**Total**
Mono-brand Damiani/Salvini	11	41	**52**
Multi-brand Rocca 1794	13	1	**14**
Total DOS	**24**	**42**	**66**
Franchising	**-**	**16**	**16**

Board of Directors of Damiani S.p.A.

The governance system of Damiani S.p.A. is the so called "latin" or "traditional": corporate bodies are therefore the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.
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 that will end on 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 and Silvia Grassi Damiani as Vice-President. Elena Garavaglia was named 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 Italian Civil Code.

Share buy-back program

The Shareholders' Meeting of July 27, 2017 renewed the authorization - subject to revocation, for the part non-executed of the resolution adopted by the Shareholders' Meeting of July 21, 2016 – to the purchase and disposal of treasury shares pursuant to articles 2357 and following of the Italian Civil Code and art. 132 of Legislative Decree 58/1998.
The authorization to purchase treasury shares is structured as follows:

- Damiani S.p.A. may purchase, in one or more tranches, 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 26, 2019.
- Purchase operations must be carried out in compliance with art. 132 of Legislative Decree 58/1998 and with art. 144-bis of Consob Regulation n. 11971/99. In any case, equal treatment between shareholders and compliance with all applicable regulations, including European ones, must be ensured.
- The purchase price of each share will have to be, including accessory purchase charges, not less/more than 20% of the official price of the trades recorded on the Stock Market on the day before the purchase or announcement of the transaction, according to the technical modalities identified by the Board of Directors, without prejudice to the additional limits deriving from the applicable legislation and from accepted market practices.
- The price of the sale to third parties must be not less than 90% of the average price recorded on the Stock Market 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 or the Group 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 Group.
- The authorization to dispose of treasury shares, even before purchases are exhausted, is given without time limits.
- The Shareholders' Meeting has conferred on the Board of Directors of Damiani S.p.A. every wider power necessary or appropriate to implement the deliberations.

Please note that at 30 September 2017 Damiani S.p.A. holds n. 5,556,409 treasury shares, equal to 6.73% of the share capital, and no treasury shares have been purchased or sold during the period 1 April - 30 September 2017 or subsequently until the approval of this half-yearly 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 executive directors, managers, middle 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. The third cycle implemented by the Board of Directors on 12 June 2014 is still valid.

Moreover, 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:
- 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, between the management of the Group companies.

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, managers, middle managers, other employees, consultants and contractors, 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 Consob Regulation 11971/1999 and available on the website www.damiani.com.

Main risks and uncertainties for the Damiani Group

The risk profile to which the Damiani Group is exposed, both with reference to the market in which it operates and with regard to its equity and financial structure, does not show significant changes in the first half of the 2017/2018 financial year compared with the assessments and estimates made at the closing of the previous year. Even the expectations for the second part of the current year do not appear to differ from what was originally foreseen.

The positive trend of the world economy in the first half of 2017 led analysts to slightly revise growth forecasts for 2017 and for 2018 [6]. All macroeconomic indicators - investments, production, trade and consumer confidence - show trends exceeding initial forecasts. Therefore, global GDP growth should be + 3.6% in 2017 (+ 0.1% compared with the initial estimate) and + 3.7% in 2018. The increase is mainly attributable to the advanced economies: United States (+ 2.2% in 2017), the Euro Area (+ 2.1%) and Japan (+ 1.5%). Forecasts for emerging countries are confirmed (+ 4.6% overall). Also for Italy, the good performance of the first half led to an upward revision and GDP growth for 2017 is expected to reach + 1.5%, still lower than that of the main European countries.
Although growth remains weak in many countries, the overall scenario does not present risks or uncertainties that have changed significantly compared with those on which the initial forecasts of the Damiani Group were based, and which may generate unexpected impacts in the second half of the 2017/2018 financial year.

Even the luxury goods sector, in which the Group operates, is registering a growth trend in 2017: the market is expected to close the year at + 5% at constant exchange rates compared with the previous year, so reaching Euro 262 billion of global turnover in terms of purchases of personal luxury goods, thanks above all to the boost of purchases of Chinese consumers, both abroad and at home [7]. The recovery in purchases generated by non-EU tourists is confirmed for the whole of Europe (+ 11% in the first nine months of 2017) and also for Italy (+ 8%, dragged by Russians and Chinese), based on data related to the value and volume of tax-free transactions [8]. The current market scenario and also for 2018 (expected growth of a further 5%) does not therefore present signals or expectations different from those considered during the annual planning of the Group's economic and financial performance.

In terms of risks associated with the fluctuation of raw material prices, in the first half of the 2017/2018 financial year (April-September), gold prices recorded a slight decrease on average compared with the previous months. The average price for the half-year was 35.86 Euro/gram, -2.7% compared with the average value of the entire previous year (36.85 Euro/gram). The Group proceeds with forward purchases of gold, based on

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[6] *World Economic Outlook – International Monetary Fund, edition of October 2017.*
[7] *Worldwide Markets Monitor, Altagamma Foundation and Bain & Co. – edition of October 2017.*
[8] *Global Blue Insights (September 2017).*

production needs, to mitigate the effects connected to price fluctuations, but the risk profile in question is not currently increasing.

In terms of liquidity, the risk profile at 30 September 2017 showed a moderate increase compared with the closing of the annual financial statements as at 31 March 2017, due to the cash flows used for the development of the retail channel (industrial investments and higher operating costs), that as immediate effect led to a worsening of the net financial position. However, during the period the Group controlled the dynamics of operating working capital so that it did not absorb excessive financial resources (due to the seasonal nature of its components and the stock required by the new directly managed stores) and rebalanced the composition of the sources between the short and medium/long-term portion (55% medium/long as at 30 September 2017 on the total gross debt compared with 29% at 31 March 2017).

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 its 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 2017/2018 financial year, the overall cost incurred for product development in the Group amounted to Euro 237 thousand, fully charged to the income statement.

Consolidated disclosure of non-financial information

The Legislative Decree n. 254 of 30 December 2016, in implementation of Directive 2014/95 of the European Parliament and of the Council, introduced the obligation for large listed companies to draw up an annually disclosure of non-financial information (the so-called "Sustainability Report") to the extent necessary to ensure the understanding of the group's work on environmental, social, personnel-related issues, respect for human rights, and the fight against active and passive corruption.
For the Damiani Group, dimensionally higher than the thresholds set by the law, the disclosure obligation will be concurrent with the publication of the annual financial statements for the financial year ending March 31, 2018. The report, which is the responsibility of the directors, will be audited by the company responsible for auditing the financial statements which must certify the compliance of non-financial information with the requirements of the Legislative Decree 254/2016.
During the first half-year period Damiani S.p.A. has started, together with the external consultants in charge, internal analyzes to test the applicability of the guidelines on sustainability and to identify any deviations from the requirements required by Legislative Decree 254/2016. Damiani S.p.A. will continue the activity in the second half of the year in order to prepare an appropriate non-financial disclosure of the Group for the 2017/2018 financial year, within the terms and with the contents required by the Legislative Decree.

Key Data

Share Capital	**September 30 2017**	**March 31 2017**
Number of shares issued	82,600,000	82,600,000
Par value per share	0.44	0.44
Share capital	36,344,000	36,344,000
Ownership	**% on shares issued**	**% on shares issued**
Leading Jewels S.A. (1)	58.83%	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 article 84 quater of Consob Resolution 11971/99		
Individual	**Office held**	**Number of shares**
Guido Grassi Damiani (total n. 53,664,327) (3)	Director	5,043,850
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,379,371
Strategic executives		16,000

(1) Companies traceable to Damiani Family
(2) The Shareholders' Meeting of July 27, 2017 approved the authorization, for the part not executed of the resolution of the Shareholders' meeting of July 21, 2016, for the purchase of own shares up to a maximum of n. 16,520,000 ordinary shares of Damiani S.p.A., within a period of 18 months from the date of the Shareholders' resolution.
As of September 30, 2017 the treasury shares in portfolio were n. 5,556,409, equal to 6.73% of the share capital.
(3) As controlling shareholder, to Mr. Guido Damiani are traceable the shares owned by Leading Jewels S.A. and Sparkling Investment S.A.

Main economic data *(in thousands of Euro)*	**I Half 2017/2018**	**I Half 2016/2017**	**Change**	**Change %**
Revenues from sales and services	**69,880**	**69,738**	142	0.2%
Total revenues	69,940	69,801	139	0.2%
Cost of production	(71,632)	(67,022)	(4,610)	6.9%
EBITDA (*)	**(1,692)**	**2,779**	(4,471)	n.m.
EBITDA %	***-2.4%***	***4.0%***		
Depreciation, amortization and write downs	(2,387)	(1,891)	(496)	26.2%
Operating result	**(4,079)**	**888**	(4,967)	n.m.
Operating result %	***-5.8%***	***1.3%***		
Net financial incomes (expenses)	(435)	(1,124)	689	-61.3%
Result before taxes	(4,514)	(236)	(4,278)	n.m.
Net result of the Group	(4,887)	(787)	(4,100)	n.m.
Basic Earnings (Losses) per Share	(0.06)	(0.01)		
Personnel cost	(14,800)	(13,364)	(1,436)	10.7%
Average number of employees (**)	670	608	62	10.2%

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

Balance sheet *(in thousands of Euro)*	**Situation at September 30, 2017**	**Situation at March 31, 2017**	**change**
Fixed Assets	41,143	42,737	(1,594)
Net working capital	80,162	79,881	281
Non current liabilities	(5,619)	(6,361)	742
Net Capital Invested	**115,686**	**116,257**	**(571)**
Shareholders' Equity	55,894	63,133	(7,239)
Net Financial Position (*)	59,792	53,124	6,668
Sources of Financing	**115,686**	**116,257**	**(571)**

(*) 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 operators 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, net of any non-recurring transactions, 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).
The revenues from sales and services of the Damiani Group in the first six-months period ended September 30, 2017 recorded an increase of 1% at constant exchange rates (substantially unchanged at current exchange rates) compared with those recorded in the corresponding period of the previous year.
Gross operating result (Ebitda), which is not affected by non-recurring components, was negative for Euro 1,692 thousand, worsening by Euro 4,471 thousand compared with the first half of the previous year, which, on the contrary, benefited from non-recurring positive components.
The net result attributable to the Group was negative for Euro 4,887 thousand, in deterioration compared with the first half of the previous year when it was negative by Euro 787 thousand.
The following table shows the income statement for the first half of the 2017/2018 financial year, compared with the corresponding period of the previous year, and then commented the trends of the main economic amounts.

Income Statement *(in thousands of Euro)*	**I Half 2017/2018**	**I Half 2016/2017**	**Change**	**Change %**
Total Revenues	**69,940**	**69,801**	**139**	0.2%
Revenues from sales and services	69,880	69,738	142	0.2%
Other revenues	60	63	(3)	-4.8%
Total revenues	**69,940**	**69,801**	139	0.2%
Cost of production	(71,632)	(67,022)	(4,610)	6.9%
of which incomes not recurring	-	*1,540*		
EBITDA *	**(1,692)**	**2,779**	(4,471)	n.m.
EBITDA %	***-2.4%***	***4.0%***		
Depreciation, amortization and write downs	(2,387)	(1,891)	(496)	26.2%
Operating result	**(4,079)**	**888**	(4,967)	n.m.
Operating result %	***-5.8%***	***1.3%***		
Net financial incomes (expenses)	(435)	(1,124)	689	-61.3%
Result before taxes	**(4,514)**	**(236)**	(4,278)	n.m.
Result before taxes %	***-6.5%***	***-0.3%***		
Taxes	(756)	(817)	61	-7.5%
Net result	**(5,270)**	**(1,053)**	(4,217)	n.m.
Net result %	***-7.5%***	***-1.5%***		
Non controlling interests	(383)	(266)	(117)	-44.0%
Net result of the Group	(4,887)	(787)	(4,100)	n.m.
Net result of the Group %	*-7.0%*	*-1.1%*		

(*) 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, which are not influenced by non-recurring transactions and are expressed at current exchange rates, amounted to Euro 69,880 thousand in the first half of the 2017/2018 financial year, an increase of 0.2% compared with those recorded in the first half of the previous year (+1.0% at constant exchange rates).

The following table shows the breakdown of revenues by channels.

Revenues by Sales Channel *(in thousands of Euro)*	**I Half 2017/2018**	**I Half 2016/2017**	**Change**	**Change %**
Retail	**38,090**	**34,447**	**3,643**	**10.6%**
Percentage on total revenues	*54.5%*	*49.4%*		
Wholesale	**31,790**	**35,291**	**(3,501)**	**-9.9%**
Percentage on total revenues	*45.5%*	*50.6%*		
Total revenues from sales and services	**69,880**	**69,738**	**142**	**0.2%**
Percentage on total revenues	*99.9%*	*99.9%*		
Other revenues	**60**	**63**	**(3)**	**-4.8%**
Percentage on total revenues	*0.1%*	*0.1%*		
Total Revenues	**69,940**	**69,801**	**139**	**0.2%**

- Revenues in the retail channel amounted to Euro 38,090 thousand, up 10.6% at current exchange rates (+ 11.7% at constant exchange rates), compared with the first half of the previous year. The growth confirms the trend already recorded in previous years and the correctness of the Group's strategy, increasingly focused on this channel to get closer to the final consumer, Italian and especially foreign. The weight of the channel is constantly growing and reached 54.5% of the total in the first half of the 2017/2018 financial year.
- In the wholesale channel, revenues amounted to Euro 31,790 thousand, -9.9% at current exchange rates (-9.5% at constant exchange rates) compared with the first half of 2016/2017 financial year. The reduction is entirely attributable to the domestic market, with dealers still showing a certain caution in purchases mainly where the presence of foreign final consumers is more contained.

Cost of production (net)

Overall, net production costs for the first half of the 2017/2018 financial year amounted to Euro 71,632 thousand, an increase of Euro 4,610 thousand compared with the corresponding period of the previous year (Euro 67,022 thousand). However, this change was affected by non-recurring positive components that contained net operating costs in the first half of 2016/2017 financial year. Net of these non-recurring items, the increase would have been Euro 3,070 thousand, as a result of the dynamics of the main cost components described below:

- **Cost for raw materials and other materials, including purchases of finished goods,** amounted to Euro 35,892 thousand, an increase of 4.7% compared with the first half of the 2016/2017 financial year (Euro 34,277 thousand).
- **Cost of services** were Euro 20,996 thousand, substantially stable compared with the first half of the previous year (Euro 20,981 thousand), although with a different trend in the various items.
- **Personnel cost** was equal to Euro 14,800 thousand, an increase of 10.7% compared with the corresponding period of the previous year (Euro 13,364 thousand). The change is concentrated in the Group's foreign companies, in which the commercial and staff structures that work to support international expansion have been strengthened, especially on the retail channel. The average number of employees of the Group increased by a similar percentage (+ 10.2%).
- The **Other net operating (charges)/incomes** recorded in the first half of the 2017/2018 financial year a positive balance of Euro 56 thousand, against a positive balance of Euro 1,600 thousand in the first half of 2016/2017 financial year, which however benefited from a non-recurring income of Euro 1,540 thousand, generated by the key-money collected for the sale to third parties of the rental contract for a

dismissed shop.

EBITDA

The combined trends of revenues and net production costs described above, determined an EBITDA for the six months ended September 30, 2017 negative for Euro 1,692 thousand, compared with the positive gross operating result of Euro 2,779 thousand recorded in the corresponding period of the previous year. That previous result was positively influenced by the income deriving from the non-recurring transaction mentioned above. After deducting this component, the difference in EBITDA, although negative, would decrease to Euro 2,931 thousand.

Amortization, depreciation and write downs

In the six months ended September 30, 2017, the amortization amounted to Euro 2,387 thousand, an increase of Euro 496 thousand compared with the corresponding period of the previous year. The change is related to the higher amortization base generated by investments made, mainly in the retail sector.

Operating result

The Group's operating activity for the six months ended September 30, 2017 was negative for Euro 4,079 thousand compared with an operating profit of Euro 888 thousand in the first six months of the 2016/2017 financial year. Net of the non-recurring items recorded in the first half of 2016/2017, the negative delta would be more contained and it amounts to Euro 3,427 thousand.

Net financial incomes (expenses)

The balance of financial management in the first half of the 2017/2018 financial year was negative for Euro 435 thousand, compared with a negative balance of Euro 1,124 thousand in the first six months of the 2016/2017 financial year. The positive change is mainly due to the greater positive impact generated by the exchange rate effects in the two half-year periods: the delta is equal to Euro 569 thousand. Furthermore, net interests for the period also decreased by Euro 120 thousand compared with the same period of the previous year.

Current, prepaid and deferred taxes

In the six months ended September 30, 2017, current and deferred taxes had a negative impact of Euro 756 thousand compared with Euro 817 thousand in the first six months of the 2016/2017 financial year. Current taxes amounted to Euro 322 thousand and deferred taxes, related to temporal differences between book values and tax values of net assets, to Euro 434 thousand.

Net Result

The Group's consolidated net result for the first half of the 2017/2018 financial year was negative for Euro 4,887 thousand compared with a loss of Euro 787 thousand in the same period of the previous year.

Balance sheet and financial situation

The following table shows the reclassified consolidated balance sheet of Damiani Group at September 30, 2017, compared with that of March 31, 2017, and then commented the main changes.

Balance sheet *(in thousands of Euro)*	**Situation at September 30, 2017**	**Situation at March 31, 2017**	**change**
Fixed Assets	41,143	42,737	(1,594)
Net working capital	80,162	79,881	281
Non current liabilities	(5,619)	(6,361)	742
Net Capital Invested	**115,686**	**116,257**	**(571)**
Shareholders' Equity	55,894	63,133	(7,239)
Net Financial Position (*)	59,792	53,124	6,668
Sources of Financing	**115,686**	**116,257**	**(571)**

(*) 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, 2017, the Group's non-current assets amounted to Euro 41,142 thousand, a decrease of Euro 1,595 thousand compared with March 31, 2017 (Euro 42,737 thousand). The main changes during the period were: i) an increase in industrial investments of Euro 1,983 thousand, made to develop the network of directly managed sales points; ii) amortization for the period of Euro 2,387 thousand; iii) reduction of receivables for prepaid taxes for Euro 649 thousand.

Net working capital

At September 30, 2017, net working capital amounted to Euro 80,163 thousand, substantially stable compared with March 31, 2017 (Euro 79,881 thousand). Given the dynamics of the components of the operating working capital, strongly influenced by the seasonality of the business, its stability in the first half is directly related to the constant monitoring of each fluctuations in order to minimize the needs of financial resources (in the same period of the previous year it was generated an additional need of Euro 5,413 thousand).

Non-current liabilities

At September 30, 2017 non-current liabilities amounted to Euro 5,619 thousand, a decrease of Euro 742 thousand compared with the end of the previous year (amounting to Euro 6,361 thousand). The change is mainly due to lower liabilities for deferred taxes recorded in the Parent Company and related to latent exchange rates incomes.

Shareholders' equity

At September 30, 2017, the net equity amounted to Euro 55,894 thousand, a decrease of Euro 7,239 thousand compared with Euro 63,133 thousand at March 31, 2017. The change depends on the following components: i) negative result for the period of Euro 5,270 thousand, inclusive the portion attributable to minority interests, consisting of a loss of Euro 383 thousand; ii) discounting losses recorded on defined benefit plans for employees for Euro 53 thousand; iv) negative changes mainly due to translation exchange differences for Euro 1,916 thousand.
No purchases or sales of treasury shares were made in the semester April-September 2017.

Net financial position

The table below shows the composition of the net financial position at 30 September 2017 and its change compared with 31 March 2017.

Net financial position (*) *(in thousands of Euro)*	**Situation at September 30, 2017**	**Situation at March 31, 2017**	**change**
Current portion of loans and financing	1,689	12,909	(11,220)
Drawndown of credit lines, short term financing and others	27,601	31,148	(3,547)
Drawndown of credit lines, short term with related parties	454	104	350
Current portion of loans and financing with related parties	1,063	1,055	8
Current financial indebtedness	**30,807**	**45,216**	**(14,409)**
Non current portion of loans and financing	5,117	5,737	(620)
Non current portion of loans and financing with related parties	31,903	12,582	19,321
Non current financial indebtedness	**37,020**	**18,319**	**18,701**
Total gross financial indebtedness	**67,827**	**63,535**	**4,292**
Cash and cash equivalents	(8,035)	(10,411)	2,376
Net financial position (*)	**59,792**	**53,124**	**6,668**

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

At September 30, 2017, the Group had a negative net financial position of Euro 59,792 thousand, a deterioration of Euro 6,668 thousand compared with March 31, 2017. The change is a direct consequence of the cash requirements generated by both industrial investments and the negative result for the period, described above. However, exposure to the banking system is limited to Euro 34.4 million (about 50% of total gross indebtedness), while the remainder refers to loans obtained from the majority shareholders.
During the first half of the year, a greater balance was prosecuted in the deadlines of the various forms of financing, also drawing from a substantial contribution from the majority shareholder, Leading Jewels S.A. that in the month of April it made available to Damiani S.p.A. a credit line for a maximum amount of Euro 30 million, at arm’s length remuneration. The Parent Company has used this credit line for Euro 20 million.
Therefore, as of September 30, 2017, the net financial position was inclusive of Euro 33,420 thousand as payables to related parties. These payables refer to: i) real estate transactions booked as sale and lease-back (at 30 September 2017, this debt amounted to Euro 3,352 thousand); ii) a bond subscribed by the shareholders for an amount of Euro 5,614 thousand; iii) the Leading Jewels S.A. loans for a total of Euro 24,454 thousand (more details to the explanatory note 19. Financial liabilities: current and non-current portion and note 24. Short terms borrowings).
In addition, part of the short-term needs are covered by short-term credit lines which, in any case, continue to be only partially used.

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 composed as follows:

i) the **Italy** segment includes revenues and operating costs of Damiani S.p.A., related to the domestic market, and its subsidiary Laboratorio Damiani S.r.l. that operates as manufacturing enterprise;
ii) **Foreign countries** segment that includes revenues and operating costs of Damiani S.p.A. attributable to foreign markets, and commercial subsidiaries with registered offices outside the national borders that 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 the business, both in term of revenues and operating profitability. To this end, the information by geographic region data taken from internal management systems of the Group is also considered, in order to allocate properly revenues and operating costs on the relevant areas.

The table below shows the revenues for each geographical sector in the six months ended September 30, 2017 and in the corresponding period of the previous year.

Revenues by Geographical Area *(in thousands of Euro)*	**I Half 2017/2018**	% of total	**I Half 2016/2017**	% of total	**change**	**change %**
Italy	**45,221**	64.7%	**47,866**	68.6%	(2,645)	-5.5%
- revenues from sales and services	45,164		47,809			
- other revenues	57		57			
Foreign countries	**24,719**	35.3%	**21,935**	31.4%	2,784	12.7%
- revenues from sales and services	24,716		21,929			
- other revenues	3		6			
Total revenues	**69,940**	**100%**	**69,801**	**100%**	139	0.2%

Revenues by geographical area showed the following trends:

- Revenues in **Italy** recorded a 5.5% of contraction compared with the first half of the previous year. The change was affected by the reduction in sales in the wholesale channel, where there are still signs of uncertainty and consequent caution in purchases.
- The **Foreign** sector recorded an increase in revenues of 12.7% at current exchange rates (+ 15.3% at constant exchange rates), mainly due to the performance achieved in the retail channel, mainly in Asia (including Japan).

The table below shows the EBITDA values for each geographical sector in the first half of the 2017/2018 financial year and in the corresponding period of the previous year.

EBITDA by Geographical Area * *(in thousands of Euro)*	**I Half 2017/2018**	% of total	**I Half 2016/2017**	% of total	change %
Italy	**3,524**	n.m.	**7,100**	n.m.	-50.4%
Foreign countries	**(5,216)**	n.m.	**(4,321)**	n.m.	-20.7%
Consolidated EBITDA	**(1,692)**		**2,779**		n.m.
% on Revenues	*-2.4%*		*4.0%*		

(*) 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 worsening of the gross operating result in **Italy** was due both to the reduction in revenues from sales and to the lack of the mentioned non-recurring income recorded in the first half of the previous year. The worsening of the **Foreign countries** was influenced by the higher operating costs necessary to support the development of the retail segment.

Related party transactions

The operations carried out by the Damiani Group with related parties are mainly of real estate nature (property leasing for shops and offices) and financial (the bond signed by the executive Directors and shareholders Damiani brothers; loans granted by majority shareholder Leading Jewels SA).
The figures for the Group's relations with related parties during the six months ended September 30, 2017 and the corresponding period of the previous year are shown below (for more details, refer to the specific note 35. Transactions with related parties).

(in thousands of Euro)	**I Half 2017/2018**		**Balance at September 30, 2017**			
	Net operating costs	Financial expenses	Other current assets	Trade receivables	Financial debts (including leasing)	Trade payables
Total with related parties	(626)	(659)	433	116	(33,420)	(2,897)
Total Consolidated	(74,019)	(1,279)	10,175	24,449	(67,827)	(48,544)
%age weight	1%	52%	4%	0%	49%	6%

(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%

Non-recurring, atypical and/or unusual operations

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

Significant events of the first half period

On 20 April 2017, the Board of Directors of Damiani S.p.A., with the favorable opinion of the Audit, Risk, Remuneration and Transaction with related parties Committee, resolved to sign an agreement with the majority shareholder Leading Jewels S.A. (attributable to the Grassi Damiani family) which it makes available an amount up to Euro 30 million, with the right of Damiani S.p.A. to request its use at its discretion. These financial resources are aimed at allowing more efficient treasury management with consequent savings on the Group's financial charges.

During the half year, the Damiani Group has set up two prestigious exhibitions that have given visibility in Italy and over the world to the excellence of Made in Italy, exposing the most beautiful and precious jewels that retrace the almost centenary history of the maison. The first exhibition, between March and April 2017, was staged in the halls of the Palazzo Reale in Milan, in the central Piazza Duomo of the Italian metropolis. The second exhibition was held in September in the prestigious spaces of the State Historical Museum of Moscow, one of the most important capitals of world luxury and culture. Both initiatives have received considerable and appreciated feedback from the numerous visitors and will be re-proposed in the near future in other equally renowned locations.

The development of the Group's retail segment continued in the first half, with the opening of new stores directly managed abroad, with the aim of increasing the awareness and visibility of the Damiani brand in the world. In particular:

- In April, a new Damiani boutique was inaugurated inside the Ginza Six, the new mega store of 19 floors located in the shopping district of Tokyo.
- Always in April, a new Damiani single-brand store was inaugurated in Shanghai in the Plaza 66 shopping mall.
- In May the Damiani boutique was inaugurated in Dubai, inside the Dubai Mall, the largest shopping center in the world with over a thousand shops and eighty million annual visitors.
- In June, the first directly-owned Damiani single-brand boutique was inaugurated in the city of Singapore.
- In June and July two new Damiani points of sale were inaugurated in South Korea, inside the shopping malls Shinsegae Main and Shinsegae Gangnam.

Significant events after the end of the first half period

In December 2017 Damiani S.p.A. subscribed a medium/long term loan with a leading Italian bank for Euro 5.0 million, not backed by collateral or financial covenants. The repayment plan for five years will end on December 31, 2022.
At the same time, following the favourable opinion of the Audit, Risk, Remuneration and Transaction with related parties Committee and having consulted with the Board of Statutory Auditors, the Board of Directors of Damiani S.p.A. on December 22, 2017, has perfected with the major shareholder Leading Jewels S.A. the transaction that postpone – limited to Euro 5.0 million – the reimbursement of part of the credit line currently in place between Damiani S.p.A. and Leading Jewels S.A. to the full repayment of the afore mentioned bank loan.

On the same date, the Board of Directors of Damiani S.p.A. has resolved to change the maturity of the bond signed in October 2013 by the executive Directors Guido, Giorgio and Silvia Damiani, anticipating it as of December 31, 2017. The repayment will take place by January 15, 2018 using the financial resources deriving from a further disbursement from the credit line granted by the shareholder Leading Jewels S.A. and will entail a benefit in the financial management of Damiani S.p.A.

Business outlook

In the first half of the 2017/2018 financial year, the Damiani Group continued its expansion abroad and in particular in the retail segment, in continuity with the strategic lines defined in previous years. These initiatives have weighed, immediately, on both the income statement and on the net financial position.
However, the Group has consciously taken action to better control the operating working capital, so that during the expanding investment phase it does not lead to further pressures on financial management, as well as to maintain the best possible balance between financing sources and utilization, also containing the related charges.
The second half of the year, which is also strong in terms of seasonality and despite a persistent uncertainty on the wholesale channel in particular domestic, will therefore generate a greater contribution from the investments made and consequently show a progressive improvement both in the economic component and in the financial position.

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

Valenza, December 29 2017

For the Board of Directors
CEO
Giorgio Grassi Damiani

DAMIANI S.p.A.

Condensed consolidated financial statements as of September 30, 2017

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2017 and at March 31, 2017

(in thousands of Euro)	Note	September 30, 2017	March 31, 2017
NON-CURRENT ASSETS			
Goodwill	7	2,760	2,760
Other Intangible Assets	8	6,435	7,104
Property, plant and equipment	9	16,740	17,052
Investments	10	207	207
Financial receivables and other non current assets	11	4,021	3,986
Deferred tax assets	12	10,980	11,629
TOTAL NON CURRENT ASSETS		**41,143**	**42,738**
CURRENT ASSETS			
Inventories	13	102,145	98,062
Trade receivables	14	24,449	33,503
of which towards related parties		*116*	*3*
Tax receivables	15	1,168	1,559
Other current assets	16	10,175	7,835
of which towards related parties		*433*	*475*
Cash and cash equivalents	17	8,035	10,411
TOTAL CURRENT ASSETS		**145,972**	**151,370**
TOTAL ASSETS		**187,115**	**194,108**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		24,102	31,532
Group net income (loss) for the period		(4,887)	(5,454)
TOTAL GROUP SHAREHOLDERS' EQUITY		**55,559**	**62,422**
NON CONTROLLING INTEREST			
Non controlling interest share capital and reserves		718	1,109
Non controlling interest net income (loss) for the period		(383)	(398)
TOTAL NON CONTROLLING INTEREST		**335**	**711**
TOTAL SHAREHOLDERS' EQUITY	18	**55,894**	**63,133**
NON CURRENT LIABILITIES			
Non current portion of long term financial liabilities	19	37,020	18,319
of which towards related parties		*31,903*	*12,582*
Employees' Termination Indemnities	20	4,041	4,164
Deferred Tax liabilities	12	447	965
Provision for risks and charges	21	626	731
Other non current liabilities	22	505	501
TOTAL NON CURRENT LIABILITIES		**42,639**	**24,680**
CURRENT LIABILITIES			
Current portion of long term financial liabilities	19	2,752	13,964
of which towards related parties		*1,063*	*1,055*
Trade payables	23	48,544	51,248
of which towards related parties		*2,897*	*2,955*
Short term borrowings	24	28,055	31,252
of which towards related parties		*454*	*104*
Tax payables	25	1,520	1,877
Other current liabilities	26	7,711	7,954
TOTAL CURRENT LIABILITIES		**88,582**	**106,295**
TOTAL LIABILITIES		**131,221**	**130,975**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**187,115**	**194,108**

CONSOLIDATED INCOME STATEMENT

For the six-month periods ended September 30, 2017 and September 30, 2016

(in thousands of Euro)	**Note**	**I Half 2017/2018**	**I Half 2016/2017**
Revenues from sales and services		69,880	69,738
Other revenues		60	63
TOTAL REVENUES	27	**69,940**	**69,801**
Cost for raw materials and consumables	28	(35,892)	(34,277)
of which towards related parties		*(10)*	*(69)*
Cost of services	29	(20,996)	(20,981)
of which towards related parties		*(616)*	*(677)*
Personnel cost	30	(14,800)	(13,364)
Other net operating (charges) incomes	31	56	1,600
of which not recurring		-	*1,540*
Amortization, depreciation and write downs	32	(2,387)	(1,891)
TOTAL OPERATING EXPENSES		**(74,019)**	**(68,913)**
OPERATING INCOME (LOSS)		**(4,079)**	**888**
Financial Expenses	33	(1,279)	(1,286)
of which towards related parties		*(659)*	*(263)*
Financial Incomes	33	844	162
INCOME (LOSS) BEFORE INCOME TAXES		**(4,514)**	**(236)**
Taxes	34	(756)	(817)
NET INCOME (LOSS) FOR THE PERIOD		**(5,270)**	**(1,053)**
Attributable to:			
Equity holders of the parent		(4,887)	(787)
Non controlling interests		(383)	(266)
Basic Earnings (Losses) per share(*)		**(0.06)**	**(0.01)**
Diluted Earnings (Losses) per share(*)		**(0.06)**	**(0.01)**

(*) 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-month periods ended September 30, 2017 and September 30, 2016

(in thousands of Euro)	**I Half 2017/2018**	**I Half 2016/2017**
Net income (loss) for the period	**(5,270)**	**(1,053)**
Other gains (losses) that will be reclassified to net income for the period:		
Gains (losses) on exchange differences on translating foreign operations	(2,219)	693
Tax effect	303	122
Other gains (losses) that will not be reclassified to net income for the period:		
Gains (losses) on the remeasurement of defined benefit plans	(70)	(120)
Tax effect	17	29
Total comprehensive income (loss) for the period	**(7,239)**	**(329)**
Equity holders of the parent	(6,861)	14
Non controlling interests	(377)	(343)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month periods ended September 30, 2017 and September 30, 2016

(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**

(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, 2017	**36,344**	**65,756**	**2,564**	**8,618**	**446**	**(8,134)**	**(37,294)**	**(426)**	**(5,454)**	**62,420**	**712**	**63,133**
Allocation of the result for the period							(5,454)		5,454			
Other comprehensive income(loss)							(1,924)	(50)	(4,887)	(6,861)	(377)	(7,239)
Balances at September 30, 2017	**36,344**	**65,756**	**2,564**	**8,618**	**446**	**(8,134)**	**(44,672)**	**(476)**	**(4,887)**	**55,559**	**335**	**55,894**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month periods ended September 30, 2017 and September 30, 2016

(in thousand of Euro)	**I Half 2017/2018**	**I Half 2016/2017**
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	(5,270)	(1,053)
Adjustments to reconcile the income (loss) for the period to the cash flow from/(used in) by operations:		
Amortization, depreciation and write downs	2,387	1,891
Costs/(revenues) for stock option	-	16
(Gains)/Losses from sale of non current assets	14	38
Accrual of allowance for doubtful accounts	385	189
Changes in the fair value of financial instruments	71	(47)
Accrual to employees' termination indemnity	109	143
Employees' termination indemnity payments	(232)	(79)
Changes in the deferred tax assets and liabilities	131	246
	(2,405)	1,344
Changes on operational assets and liabilities		
Trade receivables	8,669	4,889
Inventories	(4,083)	(15,145)
Trade payables	(2,704)	10,142
Tax receivables	391	(68)
Tax payables	(357)	(4,349)
Provisions for risks and charges	(105)	(14)
Other current assets and current and non current liabilities	(2,650)	(998)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	**(3,244)**	**(4,199)**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposal of intangible assets and property, plant and equipment	(7)	23
Purchase of property, plant and equipment	(1,950)	(1,650)
Purchase of intangible assets	(33)	(5,239)
Net change in the other non current assets	(35)	(248)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES (B)	**(2,025)**	**(7,114)**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of long term loans	(12,617)	(2,703)
Issuance of long-term debt	20,106	5,102
Net change in short-term financial liabilities	(3,197)	6,952
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES (C)	**4,292**	**9,351**
TOTAL CASH FLOW (D=A+B+C)	**(977)**	**(1,962)**
Effect of exchange rates on cash (E)	(1,399)	467
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (F)	**10,411**	**8,818**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**8,035**	**7,323**

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 produces and distributes four prestigious jewelry brands: Damiani, Salvini, Bliss and Calderoni. The fifth brand owned by the Group, Alfieri & St. John, is distributed in licence by a third operator. Furthermore, the Damiani Group also distributes through the directly managed multi-brand Rocca 1794 boutiques, some prestigious third party brands, particularly regarding watches.
The registered office of the parent company Damiani S.p.A. is in Valenza (AL), Piazza Damiano Grassi Damiani 1 and it is controlled by Leading Jewels S.A., company attributable to the family Grassi Damiani, that owns the 58.83% of the share capital.

Basis of presentation

The condensed consolidated financial statements of the Damiani Group at September 30, 2017 relating to the six-month period from April 1, 2017 to September 30, 2017, 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 Report has been authorized by the Board of Directors of Damiani S.p.A. of December 29, 2017.
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, which is deemed to be more representative than the presentation by destination (or "cost of sales").
In accordance with Consob (Italian SEC) resolution n. 15519 dated July 27, 2006, the effects of transactions with related parties, for the six-month period ended 30 September 2017, 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. For quantitative details see 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, 2017. 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, 2017, to which we refer for a fuller disclosure, also considering what described in note 3. Accounting standards, amendments and interpretations effective from April 1, 2017.
The Condensed interim financial statements at September 30, 2017 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, 2017 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, 2017 are compared with those at March 31, 2017.
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, 2017:

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	72,000,000	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%
Damiani Jewels LLC	Dubai, United Arab Emirates	AED	300,000	Damiani International S.A.	0.00%	49.00%
Damiani Singapore Pte.Ltd.	Singapore	SGD	300,000	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 2017/2018 financial year the Group's composition has changed as follows respect to March 31, 2017:

- In May, 2017 the Company Damiani Singapore PTE. Ltd was set up, with registered office in Singapore. It has a share capital of 300,000 SGD (about 195,000 Euros), and it is fully owned by Damiani International S.A. The company distributes brands of the Group in Singapore through both the wholesale and the retail channels (in June the new mono-brand Damiani, directly operated, was opened in one of the most prestigious mall of the Asiatic city-state).

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, 2017 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, 2017 for a total value of Euro 207 thousand.

Company name	Currency	Share capital *(in thousands of Euro) (1)*	Book value *(in thousands of Euro)*	Held by	% owned directly	% owned by whole Group
Fin-or-val S.r.l.	Euro	2,966	71	Damiani S.p.A.	4.36%	4.36%
Banca d'Alba	Euro	46,781	41	Damiani S.p.A.	0.50%	0.50%
Venini S.p.A.	Euro	3,725	94	Damiani International S.A.	5.00%	5.00%

(1) Share capital at December 31, 2016

3. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATION APPLIED BY APRIL 1, 2017

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, 2017, except for the adoption of new standards, amendments and interpretations effective from April 1, 2017. 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.

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. The principle brings together all the issues related to accounting of the financial instruments: classification, measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning from January 1, 2018 or later. Earlier application is permitted. With the exception for the hedge accounting is required retrospective application of the principle, but it's not mandatory to provide comparative information. For the hedge accounting the principle will apply prospectively, with some limited exceptions.
- 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. 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 is currently assessing the impact from the application of this standard, in particular with regard to the application procedure and the disclosure required (IT and internal control, etc).
- IFRS 16 – Leases. In January, 2016 the IASB issued the new accounting standard on leasing that replaces the IAS 17 leasing, the IFRIC 4, the SIC-15 and the SIC-27.
  IFRS 16 defines the principles for the measurement, presentation and disclosure of leases (contracts granting the right to use third party assets) and requires the tenants to account for all lease contracts in the financial statements on basis of a single model similar to that used for financial leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by tenants: contracts relating to "low value" assets and short-term contracts. At the beginning of the lease contract, the tenant accounts a liability for non-variable lease payments and an asset representing the right to use the underlying asset for the duration of the contract. Tenants must separately account for interest charges on leasing liabilities and amortization of the right to use the asset. Tenants will also have to reschedule leasing liabilities when certain events occur. The leasing liability re-measurement will be generally recognized as an adjustment to the right to use the asset. According to IFRS 16, the accountability for the lessor is essentially unchanged from today's accounting in accordance with IAS 17, even if the latter considers the substance of the transaction comparable to the purchase of an asset while IFRS 16 is based on the concept of right to use of a specific good. The lessors will continue to classify all leases using the same classifications standard provided by IAS 17. IFRS 16 requires tenants and lessors to have more extensive disclosures than IAS 17. The new standard will enter into force for financial years beginning on January 1, 2019. Earlier application is permitted, but not before entity has adopted IFRS 15.
- Amendments to IFRS 2 Classification and measurements of share-based payments: the amendments deal with three main areas: the effects of a maturing condition on the measurement of a cash-settled share-based payment transaction; the classification of a cash-settled share-based payment transaction; the classification of a share-based payment transaction net of obligations for withholding tax; the accounting if a change in the terms and conditions of a share-based transaction modifies its classification from a regulated cash-settled instrument to equity instruments. At the time of the initial application, the entity has not to present the comparative information of the previous financial years. These amendments are effective for annual periods beginning from January 1, 2018 or later. Earlier application is permitted.

4. USE OF ESTIMATES

For the preparation of the condensed consolidation interim financial report, the Management of the Group has carried out assessments, 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 2017/2018 financial year, the Group didn't identify indicators of impairment that change the assessments made at March 31, 2017 with regard to non-current assets with indefinite useful lives. In particular, in the first half, with regard to the goodwill relating to the Cash Generating Unit (CGU) Alfieri & St. John, there are not events that occurred 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 the returns on sales recorded during the period and the corresponding existing funds; iv) other provisions for risks and charges identified in the financial statements and related to obligations for the Group companies. The market environment in the first half of the 2017/2018 financial year has remained essentially unchanged compared with the situation existing at the end of the previous financial year, nor the Group consequently recognized the need to make changes to its strategy pursued 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 the necessity to change only the doubtful receivables reserve.

5. SEASONALITY

The Group business, just like those of other players in the same sector, is subject to a significant impact of seasonality. 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 2017/2018 financial year and, for comparative purposes, of the same period of 2016/2017 financial year.
The reorganization of the Damiani Group implemented in the previous financial years resulted in the reallocation 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 2017/2018 financial year)

I Half 2017/2018 *(in thousands of Euro)*	**Italy**	**Foreign Countries**	**Eliminations**	**Consolidated**
Revenues from Sales and Services	45,164	24,716	-	**69,880**
Other revenues	57	3	-	**60**
Intercompany sales	17,620	4,909	(22,529)	**-**
Total Revenues	**62,841**	**29,628**	**(22,529)**	**69,940**
Operating Expenses (net)	**(60,573)**	**(35,975)**	**22,529**	**(74,019)**
Operating income (loss)	**2,268**	**(6,347)**	-	**(4,079)**
Situation at September 30, 2017 *(in thousands of Euro)*	**Italy**	**Foreign Countries**	**Eliminations**	**Consolidated**
Capex	273	1,710	-	1,983

Geographical area breakdown (first half of the 2016/2017 financial year)

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

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, 2017 and at March 31, 2017:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
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, 2017, 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. (company 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.
Since December 2015 a multiannual exclusive license agreement was signed by Damiani S.p.A. with a third party to transfer the worldwide commercial management of the brand Alfieri & St. John. The license agreement includes, during the contract period, the payment of royalties to Damiani S.p.A, calculated in relation to the net turnover, and the possibility to exercise put and call options in favor of each parts, in certain time periods.
Relating to the Cash generating unit (CGU) Alfieri & St. John, in the first half 2017/2018 there were no events that caused change of the estimates made at March 31, 2017. As a result of this, the value recorded in the financial statements is aligned with its recoverable value.
For goodwill relating to the boutiques, allocated to the Damiani CGU, the economic performance in the first half 2017/2018 has fully confirmed the interim performance expectations and hence the consistency with respect to the overall scenario used for impairment test at March 31, 2017.

8. OTHER INTANGIBLE ASSETS

The following table provides a breakdown of the item at September 30, 2017 and at March 31, 2017:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
Industrial rights and patents	200	220
Key Money	6,228	6,569
Intangible assets under construction	7	315
Total other intangible assets	**6,435**	**7,104**

The contraction observed in the first half is mainly due to the amortization of the period and to the reclassification from asset under construction to the final account of the investments made in retail channel, when there's the opening of the point of sales.

9. PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown of the item at September 30, 2017 and at March 31, 2017:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
Land and buildings	5,320	5,774
Plant and machinery	508	541
Industrial and commercial equipments	74	79
Other assets	10,812	10,266
Assets under construction	26	392
Total property, plant and equipment	**16,740**	**17,052**

Property, plant and equipment decrease, compared with March 31, 2017, of Euro 312 thousand due to depreciation and amortization for the period that have been only partially offset by the investments, mainly concentrated in the retail segment, and related with the item "Other assets", that include furniture and fitting, office machine and leasehold improvements (expenses incurred to restructure the building where the boutiques are located).
The "land and buildings" item also includes properties in sale and lease back, that related parties have bought from the Group and subsequently leased back for commercial use (for details see note 35. Transactions with related parties). Sale and lease back assets value was Euro 4,073 thousand at September 30, 2017 and Euro 4,511 thousand at March 31, 2017. The corresponding depreciation charge for the period amounted to Euro

438 thousand.

10. INVESTMENTS

At September 30, 2017 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, 2017 and the values recorded in the financial statement are aligned to the fair value from the latest available financial statements of subsidiaries.

11. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT ASSETS

The following table provides a breakdown of the item at September 30, 2017 and at March 31, 2017:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
Guarantee deposits	3,968	3,896
Other receivables	53	90
Total financial receivables and other non current assets	**4,021**	**3,986**

The change of Euro 72 thousand compared with March 31, 2017, was mainly due to the increase of guarantee deposits for new opening stores (Euro 389 thousand), partially offset by the foreign exchange differences resulting from the translation of the financial statements of consolidated companies denominated in currencies other than the euro (negative for Euro 317 thousand).

12. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities at September 30, 2017 and at March 31, 2017 are detailed in the table below; the descriptions indicate the nature of temporary differences that generated assets/liabilities:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
Deferred tax assets related to:		
Net impact of the returns reserve	925	925
Write off on intercompany gains and inventory margins	4,448	5,161
Exchange loss differences	457	152
Provision for doubtful accounts not deductible	542	699
Write downs of inventories	2,352	2,352
Provisions on lawsuits	101	117
Financial interests in excess	1,640	1,624
Fiscal losses	367	367
Effect on stock option plans	85	85
Other timing differences of a taxation nature	64	147
Total deferred tax assets	**10,980**	**11,629**
Deferred tax liabilities related to:		
Exchange differences	183	695
Other timing differences of a taxation nature	264	270
Total deferred tax liabilities	**447**	**965**

The decrease of deferred tax assets was mainly due to the progressive release of the margins generated by transactions between companies of the Group. The decrease of deferred tax liabilities was due to a contraction of the unrealized exchange gain, on assets and liabilities recorded on financial statement.

13. INVENTORIES

The following table provides a breakdown of the item at September 30, 2017 and at March 31, 2017:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
Raw materials, semi-finished goods and advance payments	15,253	13,416
Finished products and goods	86,892	84,646
Total inventories	**102,145**	**98,062**

The net value of inventories at September 30, 2017 showed an increase of Euro 4,083 thousand compared with March 31, 2017, related to the seasonality of the procurement process and the distribution model - more and more retail – adopted, which generates greater need of stock.
Careful monitoring of this process allowed a more efficient management of the stock in relation to the previous fiscal year, in which the increase had been significantly higher (Euro 15,145 thousand), with consequent benefit on the use of the financial resources.
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 for Euro 4,069 thousand, value substantially unchanged compared with March 31, 2017 (Euro 4,083 thousand).
The value of inventories at September 30, 2017 was net of Euro 11,292 thousand. Inventory write-down was Euro 11,427 thousand at March 31, 2017 and the change was due to marginal use in the half period as well as currency translation effects. At September 30, 2017 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, 2017 and at March 31, 2017:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
Trade receivables, gross	**35,448**	**45,245**
Provision for doubtful accounts	(2,803)	(3,519)
Fund for returns on sales from customers	(8,193)	(8,211)
Impact of Net Present Value calculation of receivables	(3)	(12)
Total net trade receivables	**24,449**	**33,503**

The decrease in net trade receivables compared with March 31, 2017 to Euro 9,054 thousand was 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 the 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, for doubtful accounts, amounted to Euro 385 thousand, are accounted in the item "Other net operating (charges) incomes" of the income statements. The trend of returns on sales 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, 2017 tax receivables showed a balance of Euro 1,168 thousand compared with Euro 1,559 thousand at March 31, 2017 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, 2017 and at March 31, 2017:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
VAT receivables from the Tax Authorities	2,352	1,426
Deposits to suppliers	3,125	2,208
Prepayments	2,437	2,169
Receivables from other	2,261	2,032
Total other current assets	**10,175**	**7,835**

The increase was mainly due to receivables from tax authorities (V.A.T), and advances to suppliers.
Please note that in the item "receivables from other" is recorded a receivable from Tax Authorities for an amount of Euro 943 thousand, due to a payment necessary to challenge the assessment notice received and to start a legal dispute. In May, 2017 the judgment of first instance upheld the appeal made by Damiani S.p.A.
Between October and December 2017 Damiani S.p.A. has obtained the reimbursement of the sum paid (for more 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, 2017 and at March 31, 2017:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
Bank and post accounts	7,638	9,993
Cash on hand	397	418
Total cash and cash equivalents	**8,035**	**10,411**

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, 2017 the Shareholders' equity amounted to Euro 55,894 thousand, in decrease by Euro 7,239 thousand compared with March 31, 2017. The changes in shareholders' equity of the first half ended September 30, 2017 (which are shown in the consolidated statements of changes in shareholders' equity) were the following:

- The net loss of the period for Euro 5,270 thousand (including minority interests);
- The negative change mainly due to the exchange difference from translating the financial statements of foreign companies that originate in non-euro currencies and to intercompany transactions for Euro 1,916 thousand;
- Actuarial loss on defined benefits plans for employees recognized in accordance with IAS 19 (2011) for Euro 53 thousand.

As regards treasury shares it is reported that in the first half April-September 2017 have not been purchased or sold shares. Therefore, at September 30, 2017 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, 2017 and March 31, 2017 is as follows:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**	**Notes**
Non current portion			
Loan A	-	-	a
Loan B	5,614	5,508	b
Loan C	904	1,205	c
Loan D	2,904	2,904	d
Loan E	200	600	e
Loan F	-	-	f
Loan G	1,055	950	g
Loan H	-	-	h
Loan I	55	78	i
Loan J	4,000	4,000	j
Loan K	20,000	-	k
Financial Leasing	2,288	3,074	l
Total non current portion of medium/long term financial liabilities	**37,020**	**18,319**	
Current portion			
Loan A	-	10,880	a
Loan B	-	-	b
Loan C	602	602	c
Loan D	-	-	d
Loan E	800	800	e
Loan F	-	84	f
Loan G	-	-	g
Loan H	257	509	h
Loan I	30	34	i
Loan J	-	-	j
Loan K	-	-	k
Financial Leasing	1,063	1,055	l
Total current portion of medium/long term financial liabilities	**2,752**	**13,964**	
Total medium/long term financial liabilities	**39,772**	**32,283**	

The following is a breakdown of key information relating to loans granted by banks and other lenders to the Group at September 30, 2017, and the changes compared with March 31, 2017.

a) The medium-term loan A has been signed by Damiani S.p.A. with a pool of three banks in November, 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 to finance investments for the development of the retail channel. In December, 2015 was signed an amending act in which has been enshrined the adhesion to the financing of a new lender that provided an additional line of credit of Euro 2,600 thousand. Therefore, the total loan disbursed was Euro 13,600 thousand. The repayment of the credit line started in May, 2016 and on May 31, 2017 Damiani S.p.A. has completed the early repayment of capital and accrued interest.
b) The reserved non-convertible bond was signed by the executive directors Guido, Giorgio and Silvia Grassi Damiani, who represent the majority shareholders of Damiani S.p.A. It provides a duration from the 1st October 2013 to the 30 September 2019 and repayment at maturity in one installment and an annual fixed interest rate of 3.9%. The interests have to be capitalized from January 1st, 2015 and paid in a single installment at the time of loan repayment. The Board of Directors of Damiani S.p.A. on December 22, 2017 has resolved to change the maturity of the bond, anticipating it as of December 31, 2017. The repayment will take place by January 15, 2018.
c) It's a subsidized loan signed in February 2013 by Damiani S.p.A. with Simest S.p.A. to implement development programs in China. 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-year grace period, in half-yearly installments and at an effective annual rate of 0.5% (in August 2015 the first installment of repayment was paid).

d) The loan was completed in December, 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 the 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 (equal to the initial) at the end of the agreed period, 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 Group.
e) The loan was signed in October 2015 with a bank for the amount of Euro 2,000 thousand and three years duration. On this loan accrue 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) The loan has been signed in April 2016 by Damiani S.p.A and an Italian bank for a total of Euro 1,000 thousand. The annual rate of remuneration is 2% and the debt being paid off in full in April, 2017.
g) It is the subsidized loan granted in July 2015 (the last instalment was disbursed in May 2017) 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 in March 2028).
h) It is a loan signed in February 2016 by Damiani S.p.A. with an Italian bank for the amount of Euro 1,000 thousand and twenty-four months duration. The refund will be quarterly (last installment March 2018) and an annual interest rate equal to Euribor 3 months + spread 3.5%.
i) The debt 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.
j) The loan was granted to Damiani S.p.A. in July 2016 by the majority shareholder Leading Jewels S.A. (attributable to the Damiani family), for Euro 4,000 thousand. On this loan accrue 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 first 30 months following the signature of the contract, to be completed on December 31, 2021.
k) The loan was granted to Damiani S.p.A. in May 2017 by Leading Jewels S.A. for Euro 20,000 thousand, as a consequence of the framework agreement signed in April 2017 where Leading Jewels S.A. made available to Damiani S.p.A. a sum up to a maximum of Euro 30,000 thousand to ensure a more efficient management of treasury. The credit line pays an annual interest rate of 3.6%.

Moreover, in the table the debt for leasing on buildings are showed for Euro 3,351 thousand. They are related to three contracts for the sale of properties to related parties, and then leased back 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, 2017 and at March 31, 2017:

Net financial position (*) *(in thousands of Euro)*	**Situation at September 30, 2017**	**Situation at March 31, 2017**
Current portion of loans and financing	1,689	12,909
Drawndown of credit lines, short term financing and others	27,601	31,148
Drawndown of credit lines, short term with related parties	454	104
Current portion of loans and financing with related parties	1,063	1,055
Current financial indebtedness	**30,807**	**45,216**
Non current portion of loans and financing	5,117	5,737
Non current portion of loans and financing with related parties	31,903	12,582
Non current financial indebtedness	**37,020**	**18,319**
Total gross financial indebtedness	**67,827**	**63,535**
Cash and cash equivalents	(8,035)	(10,411)
Net financial position (*)	**59,792**	**53,124**

(*) Net financial position is determined according to the indication of Consob communication n. DEM/6064293 of July 28, 2006.

At September 30, 2017 the Group had a net financial debt equal to Euro 59,792 thousand, showing a worsening by Euro 6,668 thousand if compared with March 31, 2017, due to the negative operating result of the period and to the cash flow absorbed by the industrial investments.

20. EMPLOYEES' TERMINATION INDEMNITIES

During the first half ended September 30, 2017 the employees' termination indemnities underwent the following changes:

(in thousands of Euro)	
Termination Indemnities at March 31, 2017	**4,164**
Cost related to current work performed	20
Financial expenses	19
Paid benefits	(232)
Actuarial Loss (Profit)	70
Termination Indemnities at September 30, 2017	**4,041**

The changes reflect the accruals and the payments, including the advances, which were posted in the six-months period ended September 30, 2017. The discount rate, is the iBoxx Corporate AA rating with a 7-10 duration, index measured at the date of the assessment (0.96% on September 30, 2017 vs. 0.95% on March 31,2017).

Details of the assumptions adopted as of September 30, 2017 are as follows:

Financial hypotheses	
Annual rate for the Net Present Value	0.96%
Annual inflation rate	1.50%
Annual rate for increase TFR	2.625%
Annual rate for salary increase	1.00%

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

21. PROVISIONS FOR RISKS AND CHARGES

At September 30, 2017 risks reserves amounted to Euro 626 thousand, decreased by Euro 105 thousand compared with March 31, 2017, due to the utilization in the first half for legal disputes and to the gradual reorganization of the subsidiary Damiani USA Corp. 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 501 thousand at March 31, 2017 to Euro 505 thousand at September 30, 2017, and includes mainly termination indemnities of directors.

23. TRADE PAYABLES

The amount of the item decreased from Euro 51,248 thousand at March 31, 2017 to Euro 48,544 thousand at September 30, 2017, and includes trade payables relate to purchase of raw material, finished goods and services, 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 28,055 thousand at September 30, 2017, a decrease of Euro 3,197 thousand compared with March 31, 2017. 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, 2017 and at March 31, 2017:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
VAT payables	-	479
Taxes withheld from employees (IRPEF)	428	361
Current income tax payables	1,014	983
Other tax payables	78	54
Total tax payables	**1,520**	**1,877**

The decrease of the half-year was primarily attributable to the cancellation of the parent company's VAT payables, indeed, at September 30, 2017 it is in a credit position.

26. OTHER CURRENT LIABILITIES

The following table provides a breakdown of the item at September 30, 2017 and at March 31, 2017:

(in thousands of Euro)	**September 30, 2017**	**March 31, 2017**
Payables to social security institutions	1,250	1,404
Payables to employees	3,117	2,898
Other liabilities	935	819
Deferred income	2,409	2,833
Total other current liabilities	**7,711**	**7,954**

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, 2017 and September 30, 2016:

(in thousands of Euro)	**I Half 2017/2018**	**I Half 2016/2017**
Revenues from sales and services	69,880	69,738
Other revenues	60	63
Total revenues	**69,940**	**69,801**

The breakdown of revenues by sales channel was the following:

Revenues by Sales Channel *(in thousands of Euro)*	**I Half 2017/2018**	**I Half 2016/2017**
Retail	**38,090**	**34,447**
Percentage on total revenues	*54.5%*	*49.4%*
Wholesale	**31,790**	**35,291**
Percentage on total revenues	*45.5%*	*50.6%*
Total revenues from sales and services	**69,880**	**69,738**
Percentage on total revenues	*99.9%*	*99.9%*
Other revenues	**60**	**63**
Percentage on total revenues	*0.1%*	*0.1%*
Total Revenues	**69,940**	**69,801**

Consolidated revenues for the first half period ended September 30, 2017 amounted to Euro 69,940 thousand,

compared with Euro 69,801 thousand in the first half ended September 30, 2016, showing a slight increase by Euro 139 thousand, already commented in the Interim management report.
The "Other revenues", mainly referred to insurance reimbursements for robberies suffered by the Parent company, remained basically unchanged.

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, 2017 and September 30, 2016 as follows:

(in thousand of Euro)	**I Half 2017/2018**	**I Half 2016/2017**
Purchases	38,928	49,088
Change in inventory of finished products	(3,376)	(13,000)
Change in inventory of raw materials and consumables	340	(1,811)
Total cost of raw materials and consumables	**35,892**	**34,277**

The costs went from Euro 34,277 thousand in the six-month period ended September 30, 2016 to Euro 35,892 thousand in the period ended September 30, 2017, with an increase of Euro 1,615 thousand. The increase of the cost, higher than that of revenue trend, depends on a different sales mix, during the two periods compared.

29. COST OF SERVICES

The table below shows the breakdown of the item for the six-month periods ended September 30, 2017 and September 30, 2016:

(in thousands of Euro)	**I Half 2017/2018**	**I Half 2016/2017**
Operating expenses	3,784	3,669
Advertising expenses	3,361	3,671
Other commercial expenses	1,314	1,504
Production costs	1,391	1,693
Consultancies	1,416	1,668
Travel/transport expenses	1,645	1,831
Directors' Fees	682	819
Use of third party assets	7,403	6,126
Total cost of services	**20,996**	**20,981**

The cost of services was substantially in line during the two reporting periods, even if they show a different composition if compared with the previous fiscal year. In fact, the Group recorded greater efficiencies on the main different items, but at the same time an increase of the costs for the use of third party assets, due to the leases paid for commercial spaces used as boutiques directly operated by the Group.

30. PERSONNEL COST

The table below shows the breakdown of the item for the six-month periods ended September 30, 2017 and September 30, 2016:

(in thousand of Euro)	I Half 2017/2018	I Half 2016/2017
Wages and salaries	11,747	10,595
Social security costs	2,544	2,307
Termination indemnity	401	366
Other personnel costs	108	96
Total personnel cost	**14,800**	**13,364**

The increase in personnel costs of Euro 1,436 thousand (+11% compared with the first half 2016/2017) was determined by the development of the Group abroad, with the expansion of the workforce directly engaged in the retail channel and in the support to commercial activities (marketing, customer services, area managers). Overall, the average staff employed by the Group in the six-month period shown a similar percentage of increase (+10%), up by 62 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 2017/2018	I Half 2016/2017
Executive and Managers	50	46
Clerks	532	471
Workers	88	91
Total	**670**	**608**

31. OTHER NET OPERATING (CHARGES) INCOMES

The table below shows the breakdown of the item for the six-month periods ended September 30, 2017 and September 30, 2016:

(in thousand of Euro)	I Half 2017/2018	I Half 2016/2017
Other operating (charges) incomes	441	1,789
Allowance for doubtful accounts	(385)	(189)
Total other net operating (charges) incomes	**56**	**1,600**

In the first half ended on September 30, 2017 the balance of the item is positive for Euro 56 thousand. The decrease is mainly due to the absence of by non – recurring incomes recorded for Euro 1,540 thousand in the first half 2016/2017. That income was related to the sale to third parties of the lease of a boutique in Italy.

32. AMORTIZATION, DEPRECIATION AND WRITE DOWNS

The table below shows the breakdown of the item for the six-month periods ended September 30, 2017 and at September 30, 2016:

(in thousand of Euro)	I Half 2017/2018	I Half 2016/2017
Amortization of intangible assets	372	209
Depreciation of property, plant and equipment	2,015	1,682
Total Amortization, depreciation and write downs	**2,387**	**1,891**

The increase in depreciation and amortization, during the first – half 2017/2018, was mainly due to an increase of the depreciable base as a result of investments (key money paid, furniture, fitting and leasehold improvements) incurred to develop the retail channel (greater number of directly operated stores).
In the two half-year periods no write-downs of non-current assets were carried out.

33. FINANCIAL (EXPENSES) AND INCOMES

The table below shows the breakdown of financial incomes and expenses for the six-month periods ended September 30, 2017 and September 30, 2016:

(in thousand of Euro)	**I Half 2017/2018**	**I Half 2016/2017**
Net exchange gains/(losses)	647	78
Other financial charges	(1,279)	(1,286)
Other financial revenues	197	84
Total financial (expenses) and incomes	**(435)**	**(1,124)**

The balance in the first half of the 2017/2018 financial year was a loss of Euro 435 thousand, with an improvement of Euro 689 thousand compared with the negative balance of Euro 1,124 thousand in the first half of the 2016/2017 financial year. The change was mainly due to: i) higher foreign exchange gains for Euro 569 thousand ii) lower (net) other financial charges of Euro 120 thousand.

34. TAXES

In the first half of the 2017/2018 financial year income taxes (current, prepaid and deferred) had a negative impact of Euro 756 thousand compared with a loss of Euro 817 thousand in the first half of the 2016/2017 financial year. Current income taxes generated by the consolidated companies were Euro 322 thousand, while the amount of the deferred taxes (generated by the reversal of temporary differences between book value and fiscal value) was Euro 434 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, 2017 and September 30, 2016, 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, 2017:

(in thousands of Euro)	**I Half 2017/2018**		**Balance at September 30, 2017**			
	Net operating costs	Financial expenses	Other current assets	Trade receivables	Financial debts (including leasing)	Trade payables
Leading Jewels SA	-	(350)	-	-	(24,454)	-
D.Holding S.A.	-	-	-	113	-	-
Imm.re Miralto S.r.l.	(283)	(5)	416	-	(108)	(126)
Caesarea S.A.	-	-	-	-	-	(183)
Montenapoleone 10 S.r.l.	(126)	(94)	-	-	(417)	(2,026)
Duomo 25 S.r.l.	-	(104)	-	-	(2,827)	(481)
Il Bricco	(50)	-	17	-	-	(8)
Dofa S.r.l.	(71)	-	-	-	-	(35)
Venini S.p.A.	(10)	-	-	3	-	-
Majority Shareholders	-	(106)	-	-	(5,614)	-
Executives with strategic responsabilities	(86)	-	-	-	-	(38)
Total with related parties	(626)	(659)	433	116	(33,420)	(2,897)
Total Consolidated	(74,019)	(1,279)	10,175	24,449	(67,827)	(48,544)
%age weight	1%	52%	4%	0%	49%	6%

In detail:

- The debt towards majority shareholder Leading Jewels S.A. is related to the following loans: i) Euro 4,000 thousand granted to Damiani S.p.A. in June 2016, with a repayment schedule ending in December 2021; ii) Euro 20,000 thousand granted to Damiani S.p.A. in May 2017, as part of a credit line where Leading Jewels S.A. made available a maximum amount of Euro 30,000 thousand.
- The trade receivable of Euro 113 thousand towards the company D.Holding S.A. is related to a credit note for the partial reverse of the fee paid by the subsidiary Damiani International S.A. 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 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 contract of the boutique (the value at September 30, 2017 amounted to Euro 416 thousand). In addition, in the period there were financial expenses of Euro 5 thousand, corresponding to the interest portion for the repayment of the debt for the sale and lease back transaction for a building in Padova, used for a Rocca 1794 boutique. The debt outstanding at September 30, 2017 amounted to Euro 108 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 net costs towards Montenapoleone 10 S.r.l. relate to the rents paid for the sublease of office spaces and showroom in Milan. In addition, in the period there were financial expenses of Euro 94 thousand, corresponding to the interest portion for the repayment of the debt to related party for the sale and lease back transaction for a building in Milan, used for a Damiani boutique. The debt outstanding at September 30, 2017 amounted to Euro 417 thousand.
- The financial expenses towards Duomo 25 S.r.l. for Euro 104 thousand correspond to the interest portion for the repayment of the debt to related party for the sale and lease back transaction for a building in Milan, used for a Rocca 1794 boutique. The debt outstanding at September 30, 2017 amounted to Euro 2,827 thousand.
- The cost towards "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 the purchase of handmade glassware products intended for sale.
- The financial debt for Euro 5,614 thousand to the major shareholders refers to the reserved non-convertible bond issued by Damiani S.p.A. and signed by the Damiani brothers for Euro 5,000 thousand. The debt

includes capitalized interest expense which will be paid in one installment at the time of repayment of the principal.

- The costs referred to the key executives relate to the provision of services, which fall under the ordinary operations of the Group.

The following table shows the details of the relationships between the Group companies and the related parties in the first half period ended September 30, 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
Leading Jewels SA	-	-	-	(4,000)	-
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	-	-	-	-	(194)
Il Bricco	(50)	-	-	-	(34)
Dofa S.r.l.	(69)	-	-	-	(85)
Venini S.p.A.	(69)	-	-	-	(3)
Majority Shareholders	-	-	-	(5,403)	-
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 debt of Euro 4,000 thousand towards majority shareholder Leading Jewels S.A. is related to the medium-term loan granted to Damiani S.p.A. in July 2016.
- The costs of Euro 75 thousand towards the company D.Holding S.A. 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 contract of the boutique (the value to September 30, 2016 amounted to Euro 500 thousand). In addition, in the period there were financial expenses of Euro 6 thousand, corresponding to the interest portion for the repayment of the debt for 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 towards 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 financial expenses of Euro 126 thousand, corresponding to the interest portion for the repayment of the debt for 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 for 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 "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

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- The cost towards Venini S.p.A. refers to the purchase of handmade glassware products intended for sale.
- The financial debt for Euro 5,403 thousand to the major shareholders refers to the reserved non-convertible bond issued by Damiani S.p.A. and signed by the Damiani brothers for Euro 5,000 thousand in October 2013. The debt includes capitalized interest expense, 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, 2017. As regards the tax audits in progress, it provides an update on the date of approval of these interim financial statements.

- Tax audit by the Tax Agency of Milan started in Rocca S.p.A (merged in Damiani S.p.A. at December 2014) about IRES (income tax) and IRAP (regional tax) for the year 2009/2010 and for the VAT for the years 2009 and 2010. The notice of assessment is for Euro 286 thousand. The Company appealed to Provincial Tax Commission. The first judgment was filed and the appeal was partly accepted for IRES and IRAP, whereas the Provincial Tax Commission has not expressed its opinion about the VAT. In second instance, the Regional Tax Commission confirmed what was decided at first instance and accepted the Company's appeal for a further relief. The residual fiscal burden of Damiani S.p.A. is Euro 67 thousand, mainly covered by fund set aside in the previous fiscal years. The Company will proceed with the claim for reimbursement of the tax paid in excess on an appeal basis.
- Tax audit by the Tax Agency of Alessandria started in Damiani S.p.A. in the field of transfer pricing with reference to the tax period 2011/2012: the Company received from Tax Agency notification of assessment notice for IRES and IRAP purposes for a taxable amount of Euro 8,765 thousand. Deeming the Tax Office's findings unfounded, the Company filed an appeal against the Provincial Department of Tax Agency of Alessandria to obtaining the annulment of tax assessment notice. The Company is waiting for the hearing for the treatment of the appeal. The Tax Agency of Alessandria carried out further audit in Damiani S.p.A. in the field of transfer pricing for the tax periods 2012/2013 and 2013/2014.
  On November 16, 2017, the Company received for the tax period 2012/2013 tax assessment notice for IRES and IRAP purposes with taxable amounts respectively of Euro 7,628 thousand and Euro 6,826 thousand. On December 1st, 2017 the Company filed an application for assessment with adhesion and it was convened on January 15, 2018 for addressing this matter.
  For the tax period 2013/2014 the Company received the report of findings, till now.
- In January 2017 The Provincial Directorate of the Tax Agency of Alessandria requested the Company to provide the documentation allowing the disapplication of the CFC discipline (Controlled Foreign Companies) for the subsidiary Damiani International BV for the tax period 2013/2014. Damiani S.p.A. has provided the required documentation and is now waiting for feedback from the Tax Office.
- The Tax Agency of Milan notified to Damiani S.p.A. notice of assessment for withholding taxes not operated in 2010 by the subsidiary Rocca S.p.A. (now Damiani S.p.A.) as part of a reorganization of the Italian network of directly operated stores of the Group for Euro 2,280 thousand and act of protest of the relevant sanctions. The Company has appealed, initiating the dispute with the Tax Agency. On May 29, 2017 the Tax Agency Provincial Directorate of Milan with the first-instance judgement fully accepted the appeal of Damiani S.p.A. Therefore, the Company obtained refund of the amount paid during the appeal. On December 1, 2017 Damiani S.p.A. was notified of the appeal filed by the Provincial Department of Tax Agency of Milan against the sentence of first instance.

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

In the first half of the financial year 2017/2018 there were no positions or transactions deriving from atypical and/or unusual and non-recurring transactions as defined in the Consob ruling n.15519 as of July 27, 2006.

38. EARNINGS (LOSSES) PER SHARE

Basic earnings per share was calculated by dividing the net result of the period attributable to the ordinary shareholders of the Issuer Damiani S.p.A. for the weighted average number of shares outstanding in the first half 2017/2018. In calculating the earnings per share, the weighted average number of ordinary shares outstanding was determined, also considering the effects of the purchase of treasury shares made since March 2008, following the shareholders' resolutions of February 22, 2008, of July 22, 2009, July 21, 2010, July 27, 2011, July 26, 2012, July 26, 2013, July 24, 2014, July 23, 2015, July 21, 2016 and July 27, 2017.
The following is information about the stock used to calculate basic earnings and diluted per share:

Basic Earnings (Losses) per share	**I Half 2017/2018**	**I Half 2016/2017**
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	76,476,134	77,399,518
Basic Earnings per share (amount in Euro)	**(0.06)**	**(0.01)**

Diluted Earnings (Losses) per share	**I Half 2017/2018**	**I Half 2016/2017**
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	76,476,134	77,399,518
Diluted effect from Stock option plan	-	-
Weighted average number of ordinary shares for computation of basic earnings per share	76,476,134	77,399,518
Diluted Earnings per share (amount in Euro)	**(0.06)**	**(0.01)**

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. In addition, the following events are noted that have an impact on the composition of the Group’s net financial position.
In December 2017 Damiani S.p.A. subscribed a medium/long term loan with a leading Italian bank for Euro 5.0 million, not backed by collateral or financial covenants. The repayment plan for five years will end on December 31, 2022.
At the same time, following the favourable opinion of the Audit, Risk, Remuneration and Transaction with related parties Committee and having consulted with the Board of Statutory Auditors, the Board of Directors of Damiani S.p.A. on December 22, 2017, has perfected with the major shareholder Leading Jewels S.A. the transaction that postpone – limited to Euro 5.0 million – the reimbursement of part of the credit line currently in place between Damiani S.p.A. and Leading Jewels S.A. to the full repayment of the afore mentioned bank loan.
On the same date, the Board of Directors of Damiani S.p.A. has resolved to change the maturity of the bond signed in October 2013 by the executive Directors Guido, Giorgio and Silvia Damiani, anticipating it as of December 31, 2017. The repayment will take place by January 15, 2018 using the financial resources deriving from a further disbursement from the credit line granted by the shareholder Leading Jewels S.A. and will entail a benefit in the financial management of Damiani S.p.A.

40. RISKS MANAGEMENT

At September 30, 2017 the Group had a net financial debt of about Euro 59.8 million, an increase of about Euro 6.7 million compared with March 31, 2017. This change was due to the cash flows absorbed by the negative performance of the first half and by industrial investments.
The Group's strategy is to continue to develop its expansion abroad and in the retail channel, aware of the required financial resources, that in the short term leads 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 following section 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 financing from majority shareholders) 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, 2017	March 31, 2017	Sept. 30, 2016	March 31, 2016
Shareholders' equity/Total assets	0.3	0.3	0.3	0.3
Current assets/Current liabilities	1.6	1.4	1.6	1.7

In the first half of the year, notwithstanding the cash absorbed, the Group maintained a balance between the components of net working capital, that due to the seasonal dynamics and to the development of the retail segment, tends to generate excess in the financial assets, while the ratio between sources of short-term and medium/long-term debt has been rebalanced.
Overall, due to the financial operations of the first half (acquisitions/repayments of loans), the incidence of medium/long term debt on the gross financial indebtedness as of September 30, 2017 is 55% against 29% at March 2017.
Furthermore, the credit line available on September 30, 2017 are only partially used: credit lines available from banks amounted to a total of Euro 47.5 million, more the credit line available from majority shareholder Leading Jewels S.A. for Euro 10 million, not yet used.

Exchange rate risk

The Damiani Group's functional currency is the Euro and, therefore, exchange rate fluctuations of the currencies in which there are 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.
On September 30, 2017 there were outstanding currency forward contracts entered by the Group for a total of Euro 2,595 thousand. The policies for hedging exchange rate risk have not undergone significant changes in the first half of the 2017/2018 financial year 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 dealerships, 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 the credit may impact on the solvency of some of the customers, that have not a solid economic-financial profile.
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 2017/2018 financial year the average price of gold is slightly decreased respect the average of the previous year: the average price was 35.86 Euro/gram, a decrease of 2.7% compared with the average of the previous twelve months (36.85 Euro/gram). At the time, the price risk doesn't show upward trend.
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 reduce the raw materials price risk, enters into contracts of forward purchase of gold. At September 30, 2017 there were outstanding contracts for the purchase of 25 kilos of gold for a total amount of Euro 888 thousand.

41. EXCHANGE RATES

The exchange rates at September 30, 2017, at September 30, 2016 and at March 31, 2017 used for the translation of financial statements in foreign currencies were the following.

Currency	Average I Half 2017/2018	Spot September 30, 2017	Average I Half 2016/2017	Spot March 31, 2017
U.S. Dollar	1.07	1.18	1.12	1.07
Japanese Yen	126.56	132.82	118.09	119.55
Swiss franc	1.11	1.15	1.09	1.07
G.B.Pound	0.88	0.88	0.82	0.86
Hong Kong Dollar	8.89	9.22	8.71	8.31
Pataca Macau	9.15	9.50	8.98	8.56
Peso Messicano	20.70	21.46	20.68	20.02
Indian Rupee	73.34	77.07	75.15	69.40
Renminbi Cinese	7.70	7.85	7.41	7.36
Won Korea del Sud	1,288.97	1,351.80	1,282.06	1,194.54
Russian Ruble	66.27	68.25	73.22	60.31
United Arab Emirates Dirham	4.18	4.34	-	3.93
Singapore Dollar	1.58	1.60	-	-

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, 2017.

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.

Valenza, December 29, 2017

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, 2017

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Review report on the 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, 2017, 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 the 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 the 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, 2017, 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.

Milan, December 29, 2017

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.