

*Damiani Group*

*First Half Condensed Consolidated Financial Statements as of September 30, 2008*

**DAMIANI S.p.A.**

**First Half Condensed Consolidated Financial statements as of  
September 30, 2008**

**Damiani S.p.A.**

**Valenza (AL), Viale Santuario n.46.**

**Share Capital Euros 36.344.000**

**VAT number and Tax Code 01457570065**

November 26, 2008

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**COMPANY BODIES**

**Board of Directors**

**Guido Grassi Damiani** (Chairman and CEO)

**Giorgio Grassi Damiani** (Vice Chairman)

**Silvia Grassi Damiani** (Vice Chairman)

**Giulia De Luca** (Director)

**Stefano Graidì** (Director)

**Giancarlo Malerba** (Director)

**Lorenzo Pozza** (Director)

**Fabrizio Redaelli** (Director)

**Board of Statutory Auditors**

**Gianluca Bolelli** (Chairman)

**Simone Cavalli** (Statutory Auditor)

**Fabio Massimo Micaludi** (Statutory Auditor)

**Pietro Sportelli** (Alternate Auditor)

**Pietro Michele Villa** (Alternate Auditor)

**Independent Auditing Firm**

**Reconta Ernst & Young S.p.A.**

**Internal Control and Corporate Governance Committee**

**Giancarlo Malerba** (Chairman)

**Lorenzo Pozza**

**Fabrizio Redaelli**

**Remuneration Committee**

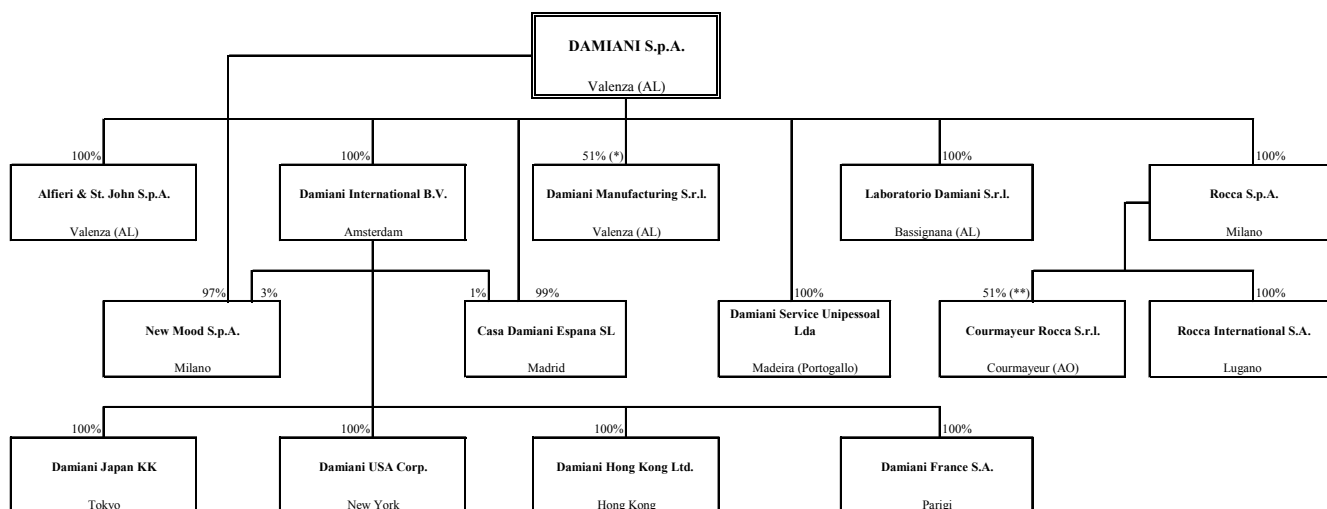
**Giancarlo Malerba** (Chairman)

**Lorenzo Pozza**

**Fabrizio Redaelli**

## REPORT ON OPERATIONS <sup>(1)</sup>.

### Structure and business activities of the Damiani Group



(\*) 49% is held by Chrsitina and Simone Rizzetto, directors of Damiani Manufacturing S.r.l. in charged with production, administration and finance.  
(\*\*) 49% is held by Paolo Gianotti.

Damiani S.p.A. is a holding company that, apart from directly carrying out commercial activities, is responsible for carrying out strategic and coordination activities for the Group and for the production and commercial operations carried out by directly and indirectly controlled subsidiary companies.

The interim report for the six months period ended on September 30, 2008 includes the financial statements of the parent company, Damiani S.p.A., and of those companies directly or indirectly controlled, as per article 2359 of the Civil Code.

The following change was applied to the consolidation area at September 30, 2008 compared to the situation on March 31, 2008:

- On September 15, 2008 the parent company Damiani S.p.A acquired from W.J.R. Partecipations S.A., a company indirectly held by the Grassi Damiani family and controlled by Guido Grassi Damiani, 100% of the share capital of Rocca S.p.A., a company registered in Milan, which in turn holds the entire share capital of the Swiss company Rocca International S.A. and 51% of the share capital of Courmayeur Rocca S.r.l., for a total purchase price of Euro 7,000 thousands (plus ancillary costs). The payment for this acquisition was made partly in cash for Euro 4,950 thousands, and in part by means of the transfer of no. 1,000,000 own shares held in portfolio for a value of Euro 2,050 thousands (equal to the average acquisition price of the same shares). Rocca Group has been consolidated starting from September 1st, 2008, being the first accounting period close to the purchase, with a significant impact on the Group's financial position at September 30, 2008, as

<sup>(1)</sup> The Damiani Group closes the financial year on March 31st, therefore the six months period April-September 2008 is semester I of the financial year that will close on March 31, 2009 (also later referred to as Year 2008/2009).

highlighted in the coming paragraphs (more details on the acquisition transaction are also reported on the notes to the consolidated financial statements);

In order to remove the risk that the purchase acquired from related parties could be influenced from these correlation, all the purchase operation has been leaded with the best practice to grant all the stakeholders involved under these procedures:

- The Damiani S.p.A. Board of Directors which has deliberated on the operation ( from whom Damiani brothers has been abstained) has been informed by Damiani brothers of the existence of this correlation between Damiani S.p.A. and WJR Participation S.A. and on the nature and the consequence of their relevant interest in accordance with law article 2391 C.C.
- The Damiani S.p.A. Board of Directors has instructed and accomplished the acquisition in accordance with the best practice of the market with reference to the corporate governance, appreciating the role the internal control committee inside the administrative body.
- The Company has nominated Euromobiliare SIM S.p.A., independent expert of reliable professionalism and experience, as financial advisor in charge to made the valuation of the economical value of the Rocca Group's capital.

For further information concerning this operation we resubmit to “Documento Informativo” visible inside the Investor Relations section on the site: [www.damiani.com](http://www.damiani.com)

The Group, which is focused on the production and distribution of high range and design jewellery in Italy and abroad, offers wide coverage of the main market segments and thanks to its different brands is able to satisfy different types of customers with a vast array of jewelry in the different price brackets. There are five brands in portfolio: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni.

Moreover, following the acquisition of Rocca S.p.A. and its two subsidiaries, the Damiani Group is also active in the distribution of leading third parties brands, in particular watches, through directly managed multi-brand boutiques located in the most prestigious shopping areas both in Italy and abroad (Switzerland).

The Group's products are marketed in Italy and abroad, mainly through the following two distribution channels:

- the wholesale channel consisting of multi-brand independent jewelers, department stores, franchisees, and single brand Points of Sale (POS) managed by third parties and distributors;
- the retail channel consisting of the individual single-brand and multi-brand POS managed directly by the Group. As of September 30, 2008 the single-brand POS managed directly were 23: fifteen in Italy and eight abroad, of which fifteen with the Damiani brand, six with the Bliss brand and one each with the Calderoni brand and the Salvini brand. The POS multi-brand Rocca were 18, of which sixteen in Italy and two abroad (Switzerland).

The parent company, Damiani S.p.A., is responsible for coordinating Group companies and offering them economic, administrative and technical assistance of a commercial and financial nature, which are based on normal market conditions.

Intra-group transactions have been eliminated from the consolidated financial statements.

### **Share buy back program**

The ordinary Shareholders' Meeting of Damiani S.p.A. of 22 February 2008 authorised a Group's share buy back program in an operation that was structured in the following way:

- Damiani S.p.A. was authorised to purchase a maximum of 8,250,000 ordinary shares with a par value of Euro 0.44 each, and in any case up to a limit of 10% of the share capital, over a period of 18 months from the date of the Shareholders' Meeting.
- The purchase price of each share must not be either 20% less or 20% more than the official stock exchange price on the day before each individual purchase operation. Each operation must fully respect current regulations in order to ensure parity of treatment between the shareholders.

At March 31, 2008, the total number of ordinary shares purchased amounted to 1,170,536 for a total amount of Euro 2,337 thousands, at an average purchase price of Euro 2.00 per share. In the six months period April-September 2008, additional 2,085,687 ordinary shares of Damiani S.p.A. were purchased; therefore, the total amount paid for the *buy-back* program as of September 30, 2008 is equal to Euro 6,614 thousands, with an average purchase price of Euro 2.031 per share. The payment of the acquisition of Rocca S.p.A. was carried out in part with the use of 1,000,000 of these acquired shares for a total of Euro 2,050 thousands, equal to an average price of Euro 2.050. Consequently, as of September 30, 2008 the treasury shares held are 2,256,223 (2.73% of the share capital), for a total expense of Euro 4,564 thousands and an average price per share of Euro 2.023.

### **Fulfillments according to Title VI of the carrying regulation of the Legislative Decree nr. 58, dated 24/2/1998, concerning market regulations ("Regolamento Mercati").**

Damiani S.p.A. controls two companies, established and regulated by law of Countries that are not part of the European Union, which have significant importance according to paragraph 2 of Article 36 of Market Regulations issued by Consob (Article 62 paragraph 3bis of the Legislative Decree 58/98, as altered in June 25, 2008 by Consob Resolution no. 16530).

With reference to what provided for by article 36 of the above Consob Regulation, the current situation is the following:

- The administrative-accounting systems and the reporting systems currently existing in the two companies are already in line with what required by the regulations, both in terms of the availability to the public of the financial situation prepared for the consolidated financial statements, and in terms of eligibility to provide on a regular basis to Management and the auditors of the parent company the data necessary for compiling the consolidated financial statements;
- Damiani S.p.A. has at its disposal the Statute and the composition of the corporate bodies, with their relative powers, of the two above mentioned companies, and Damiani is regularly informed on any changes that may occur. The documents are filed in the Company records, and kept updated by the internal Legal office;
- Damiani S.p.A. verified the effectiveness of the information flow towards the central auditors, functional to the control activities of the annual and semi-annual financial statements of the Holding company

In compliance with article 2.6.2., paragraph 15 of Borsa Italiana (Italian Stock Exchange) Regulations, communication to Borsa Italian was made of the certificates as provided by law in terms of adequacy as required by Market Regulations issued by Consob by the deadline of 16 November 2008.

#### **Organisational model, management and control as per Legislative Decree 231/2001**

On September 30, 2008, as per Legislative Decree 231/2001, Damiani S.p.A approved an organisation, management and control models for the Italian companies of the Damiani Group (Alfieri & St. John S.p.A.; New Mood S.p.A.; Laboratorio Damiani s.r.l.; Damiani Manufacturing s.r.l.), in line with the categories of offence established by the regulations. A Control Body was nominated for each company, in the form of a single committee.

The Control Body of the Damiani S.p.A. met 4 times during the semester and presented its actions to the Board of Directors, the Internal Control committee and the Board of Statutory Auditors.

#### **Remuneration for Company bodies**

The following table shows the remuneration for the period in favour of the members of the administrative and control bodies, the general manager and managers with strategic responsibilities, as required by Enclosure 3C, paragraph 1 of Issuers' Regulations.

# Damiani Group

## First Half Condensed Consolidated Financial Statements as of September 30, 2008

A)	B)	C)	D)	1)	2)	3)	4)
Name and Surname	Office hold	Period	Term of period	Fees for the office in the company who prepare the financial statements	Non monetary fees	Bonus and other incentives	Other fees (*)
Guido Roberto Grassi Damiani	Chairman e CEO. Damiani S.p.A., Chairman Alfieri & St. John S.p.A., Laboratorio Damiani S.r.l., New Mood S.p.A., Damiani Japan K.K., Director Damiani Manufacturing S.r.l., Damiani International B.V. e Damiani Usa Corp.	01/04/2008-30/09/2008	31/03/2010	444.000	3.775	-	73.667
Giorgio Andrea Grassi Damiani	Director Damiani S.p.A., Alfieri & St. John S.p.A., New Mood S.p.A. e Damiani Japan K.K., Chairman Damiani Manufacturing S.r.l., e Damiani Usa Corp.	01/04/2008-30/09/2008	31/03/2010	150.000	3.464	-	58.167
Silvia Maria Grassi Damiani	Director Damiani S.p.A.	01/04/2008-30/09/2008	31/03/2010	150.000	1.858	-	-
Giulia De Luca	up to 06/08/08: Director and General Manager Damiani S.p.A., CEO Alfieri & St. John S.p.A. e New Mood S.p.A., Director Damiani Manufacturing S.r.l., Laboratorio Damiani S.r.l., Damiani Japan K.K., Damiani Usa Corp., Damiani International B.V.; from 07/08/08 only held director Damiani S.p.A.	01/04/2008-30/09/2008	31/03/2010	48.000	65.030		1.916.653
Stefano Graidi	Director Damiani S.p.A., Executove director charged with internal control Damiani S.p.A., Director Damiani International B.V.	01/04/2008-31/09/2008	31/03/2010	20.000	-	-	-
Giancarlo Malerba	Director Damiani S.p.A.	01/04/2008-31/09/2008	31/03/2010	15.000	-	-	-
Fabrizio Redaelli	Director Damiani S.p.A.	01/04/2008-31/09/2008	31/03/2010	15.000	-	-	-
Lorenzo Pozza	Director Damiani S.p.A.	01/04/2008-31/09/2008	31/03/2010	15.000	-	-	-
Gianluca Bolelli	Chairman of statutory auditor Damiani S.p.A.	01/04/2008-31/09/2008	31/03/2010	22.500	-	-	-
Simone Cavalli	Statutory auditor Damiani S.p.A. e Laboratorio Damiani S.r.l.	01/04/2008-31/09/2008	31/03/2010	18.000	-	-	-
Fabio Massimo Micaludi	Statutory auditor Damiani S.p.A.	01/04/2008-31/09/2008	31/03/2010	15.000	-	-	-
Gabriella Colombo Damiani	Honorary Chairman Damiani S.p.A. (**)			-	-		
Managers charged with strategic responsibilities					4.763	9.000	293.405

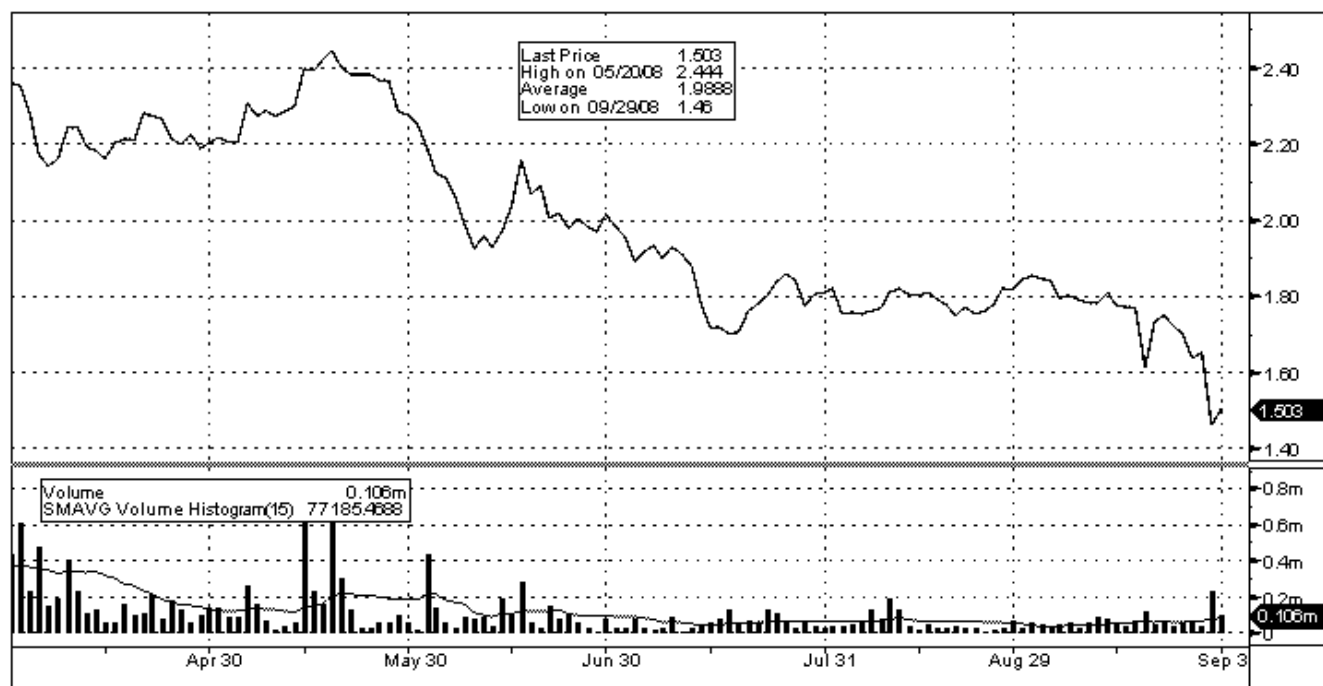
(\*) Includes fees being component of the administrative body or control in subsidiaries company, salaries (where applicable) and from any salaries regarding the work provide

(\*\*) The office is ad honorem without a term and does not forse any fee



### Stock Exchange Listing and Share Price Trend

The shares were placed on the market at a price equal to Euro 4,00 per share. The Damiani Group began trading on 8 November 2007; the following graph depicts the share price trend during the first semester of the financial year 2008/2009.



The main share and stock exchange data are reported below for the half year ending on September 30, 2008:

#### Damiani on the Stock Exchange

Initial price- November 8, 2007 (Euro)	4.00
Price on 30 September 2008 (Euro)	1.50
Maximum price of the semester (Euro)	2.44 (on 20/5/2008)
Minimum price of the semester (Euro)	1.46 (on 29/9/2008)
Average price of the semester (Euro)	1.99
Average volume	107,146
Maximum volume	825,597 (on 20/5/2008)
Minimum volume	3.903 (on 27/6/2008)
N. shares Company capital	82,600,000
Market capitalization as of 30/9/2008 (millions of Euro)	124.10

Damiani Group  
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**Key Data**

<b>Share Capital</b>	September 30, 2008 (1)	September 30, 2007
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Number of shares	82,600,000	64,137,500
Nominal value per share	0.44	0.44
Share capital	36,344,000	28,220,500

<b>Ownership</b>		
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Leading Jewels S.A.	52.59%	67.70%
Guido Grassi Damiani	5.01%	5.17%
Silvia Grassi Damiani	5.68%	12.56%
Giorgio Grassi Damiani	6.11%	12.56%
Damiani S.p.A. (treasury shares) (2)	2.73%	---
W.J.R.Partecipations S.A.	1.21%	---
Colombo Damiani Gabriella (3)	0.15%	0.16%
Giulia De Luca	0.49%	1.95%
Market	26.03%	---

**Table according to article 79 Legislative Decree n. 58/98**

<b>First and last name</b>	<b>Office held</b>	<b>Number of shares</b>
Guido Grassi Damiani (indirectly n. 44.436.249) (4)	Director	4,140,808
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,687,371
Giulia De Luca	Director	407,000
Managers with strategic duties		7,500

- (1) On November 8 2007, following the admission of Damiani S.p.A. shares onto the MTA (automated stock market), STAR Segment, the share capital increase approved by the Extraordinary Shareholders' Meeting of 26 June 2007 was implemented with the issue of 18.462.500 ordinary shares with a par value of Euro 0,44 each, underwritten by the Market together with 7.893.000 shares put up for sale by various Shareholders.
- (2) The Shareholders' Meeting of February 22, 2008 authorised the purchase of company shares (buy back program), within a period of 18 months after the resolution, up to a maximum of 8.250.000 ordinary shares in Damiani S.p.A. As of September 30, 2008 the number of shares purchased, net of the ones used for the acquisition of Rocca S.p.A., amounted to 2.256.223, equal to 2,73% of the Share Capital.
- (3) With the usufruct of 943.125 shares corresponding to 1,14% of the share capital.
- (4) As controlling shareholders of Leading Jewels SA and WJR Participations SA; own shares of Damiani S.p.A. (n° 2,256,223) also belonging to Mr. Guido Grassi Damiani.

## Damiani Group

### First Half Condensed Consolidated Financial Statements as of September 30, 2008

Economical datas	I Half	I Half		I Half	
(in thousands of Euros)	2008/2009	2007/2008	% change	2007/2008 net of non recurring item	% change
Revenues from sales and services	65,692	73,893	-11.1%	73,893	-11.1%
<b>Total revenues</b>	<b>66,103</b>	<b>81,764</b>	<b>-19.2%</b>	74,152	-10.9%
Operating expenses	(61,627)	(64,416)	-4.3%	(63,856)	-3.5%
<b>EBITDA **</b>	<b>4,476</b>	<b>17,348</b>	<b>-74.2%</b>	<b>10,296</b>	<b>-56.5%</b>
<b>EBITDA %</b>	<b>6.8%</b>	<b>21.2%</b>		<b>13.9%</b>	
Amortization and depreciation	(1,635)	(1,279)	27.8%	(1,279)	27.8%
<b>Operating income</b>	<b>2,840</b>	<b>16,069</b>	<b>-82.3%</b>	<b>9,017</b>	<b>-68.5%</b>
<b>Operating income %</b>	<b>4.3%</b>	<b>19.7%</b>		<b>12.2%</b>	
Net financial income (expenses)	1,249	(675)	n.m.	(675)	n.m.
Income before income taxes	4,090	15,394	-73.4%	8,342	-51.0%
Net Group income	1,806	9,961	-81.9%	3,376	-46.5%
Basic earnings per share	0.02	0.16			
Personnel costs	(13,040)	(10,284)	26.8%		
Average personnel number	608	501	21.4%		

(\*) The financial data are reported net of the non recurring transactions recorded on the first semester of the Year 2007/2008 which are discussed in the following paragraphs.

(\*\*) EBITDA is the operating result intended as Earnings Before Income Tax Depreciation, Amortization and write-downs. EBITDA is a measurement used by the management of the company to monitor operational performance and is not an accounting measurement in the context of the IFRS (International Financial Reporting Standards) and, therefore, it must not be considered as an alternative measurement for the statutory progress of the Group. Because the composition of the EBITDA is not regulated by the IAS (International Accounting Standards) the criteria used by the Group in calculating it may not be the same as those used by others to arrive at the same item and, therefore, it is not necessarily comparable.

Balance sheet Data (In thousands of Euros)	Situation at September 30 2008	Situation at March 31 2008	change	Situation at September 30 2007	change
Fixed Assets	61,036	41,817	19,219	33,238	27,798
<i>of which Rocca Group</i>	<i>13,260</i>				
Net working capital	123,908	94,987	28,922	104,080	19,828
<i>of which Rocca Group</i>	<i>30,062</i>				
Non current Liabilities	(8,052)	(9,272)	1,220	(7,073)	(979)
<b>Net Invested Capital</b>	<b>176,892</b>	<b>127,532</b>	<b>49,360</b>	<b>130,245</b>	<b>46,647</b>
Net Equity	145,628	155,959	(10,330)	83,460	62,168
Net Indebtedness *	31,264	(28,427)	59,691	46,785	(15,521)
<i>of which Rocca Group</i>	<i>39,682</i>				
<b>Sources of Financing</b>	<b>176,892</b>	<b>127,532</b>	<b>49,360</b>	<b>130,245</b>	<b>46,647</b>

(\*) The net financial position, for the period of three months ending on March 31, 2008, and therefore also for the Half Year consolidated report ending on September 30, 2007 and September 30, 2008, has been calculated on the basis of the Consob communication number DEM/6064923 of 28.07.06.

### Comments on the main economic and financial data of the Group

The activity of the Group, similarly to other players in the same sector, is characterized by a high level of seasonality. Jewellery sales are mostly concentrated in the quarter October-December (mainly in December for the retail channel), in connection with the Christmas campaign. Consequently the Damiani Group achieves a lower profitability in the first six months (April-September) of the financial year ending on March 31.

The total revenues and the profitability of Damiani Group in the first six months of the financial year

2008/2009 showed a decrease if compared to the same period of the previous financial year reported in the following table for comparison purposes.

Moreover, the performance of the first semester of the financial year 2007/2008 was positively affected by non recurring transactions related to *key money* cashed in for the advance sale of rental contracts of two shops, the impact of which was of Euro 7,612 thousands on revenues and of Euro 6,585 thousands on the net profit for the Group.

<b>Economical datas</b> (in thousands of Euros)	I Half 2008/2009	I Half 2007/2008	change	% change
Revenues from sales and services	65,692	73,893	(8,201)	-11.1%
Other recurring revenues	411	259	152	58.7%
Other non recurring revenues	-	7,612	(7,612)	
<b>Total revenues</b>	<b>66,103</b>	<b>81,764</b>	<b>(15,661)</b>	<b>-19.2%</b>
Operating expenses	(61,627)	(64,416)	2,789	-4.3%
<b>EBITDA **</b>	<b>4,476</b>	<b>17,348</b>	<b>(12,872)</b>	<b>-74.2%</b>
<b>EBITDA %</b>	<b>6.8%</b>	<b>21.2%</b>		
Amortization and depreciation	(1,635)	(1,279)	(356)	27.8%
<b>Operating income</b>	<b>2,840</b>	<b>16,069</b>	<b>(13,229)</b>	<b>-82.3%</b>
<b>Operating income %</b>	<b>4.3%</b>	<b>19.7%</b>		
Net financial income (expenses)	1,249	(675)	1,924	n.m.
<b>Income before income taxes</b>	<b>4,090</b>	<b>15,394</b>	<b>(11,304)</b>	<b>-73.4%</b>
<b>Income before income taxes %</b>	<b>6.2%</b>	<b>18.8%</b>		
Income taxes	(2,294)	(5,288)	2,994	-56.6%
<b>Net income</b>	<b>1,796</b>	<b>10,107</b>	<b>(8,310)</b>	<b>-82.2%</b>
<b>Net income %</b>	<b>2.7%</b>	<b>12.4%</b>		
Attributable to Minorities	(10)	146	(156)	-106.7%
Attributable to Group	1,806	9,961	(8,155)	-81.9%
<b>Net Group Income %</b>	<b>2.7%</b>	<b>12.2%</b>		

(\*\*)EBITDA represents the operating result intended as Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is used by the company's management to monitor and evaluate the Group's operational performance and is not an IFRS accounting instrument, therefore, it must not be considered as an alternative measure for evaluating the Group's results. Since EBITDA is not regulated by the accounting principles in question, the criteria used by the Group in calculating it may not be the same used by other companies

## REVENUES

The revenues for sales and services, that are not affected by non recurring transactions, show a decrease compared to the first semester of the previous financial year by Euro 8,201 thousands, equal to -11.1% at current exchange rate (-10.5% at constant exchange rates). The total consolidated revenues, impacted in the first semester of the financial year 2007/2008 by the above mentioned non recurring transactions, show a decrease of Euro 15,661 thousands, going from Euro 81,764 thousands in the six months period ended on September 30, 2007 to Euro 66,103 thousands in the first semester of the current financial year, with a decrease of 19.2%.

The following table shows the revenues breakdown by sales channel.

<b>Breakdown of revenue by distribution channel</b> ( In thousands of Euro)	I Half 2008/2009	I Half 2007/2008	change	change %
<b>Retail</b>	<b>6,740</b>	<b>4,248</b>	<b>2,492</b>	<b>58.6%</b>
<i>as % of total revenue</i>	<i>10.2%</i>	<i>5.2%</i>		
<b>Wholesale</b>	<b>51,612</b>	<b>66,949</b>	<b>(15,337)</b>	<b>-22.9%</b>
<i>as % of total revenue</i>	<i>78.1%</i>	<i>81.9%</i>		
Other channels and Other recurring revenues	7,751	2,954	4,797	162.4%
Other channels and Other not recurring revenues		7,612		n.m.
<b>Total other channels and Other revenues</b>	<b>7,751</b>	<b>10,566</b>	<b>(2,815)</b>	<b>-26.6%</b>
<i>as % of total revenue</i>	<i>11.7%</i>	<i>12.9%</i>		
<b>Total Revenues</b>	<b>66,103</b>	<b>81,764</b>	<b>(15,661)</b>	<b>-19.2%</b>

- In the retail channel the revenues amounted to Euro 6,740 thousands, growing by 58.6% compared to the first semester of the previous financial year (+60.1% at constant exchange rate), thanks both to the good performance of the Italian boutiques that were active in the two periods in question, and to what was brought in by the increase in the number of directly-managed sales outlets and by the acquisition of the Rocca boutiques (included in the perimeter of operations starting September 1<sup>st</sup>, 2008), which had sales equal to Euro 1,829 thousands. In the wholesale channel the revenues amounted to Euro 51,612 thousands, -22.9% at current exchange rates (-22.5% at constant exchange rates), the reduction mainly due to the stagnation of the Italian market, while some markets abroad where the Group is increasing its presence (in particular former Soviet Union Republics and Middle East) appear to be growing (more details by geographical area are reported in the paragraph “Key data by geographical area”);
- In the semester that ended on September 30, 2008, along the core channels, the Group generated other revenues for Euro 7,751 thousands, a large increase compared to the first semester of the previous year, deriving mainly from sales of jewellery products through other distribution channels with counterparties which do not maintain ongoing trading relations with the Group.  
Other revenues also include Euro 3,690 thousands for barter transactions made by Rocca Group as per the activities already defined in purchase agreement.

#### Production costs

Overall the production costs in the first six months of the financial year 2008/2009 amounted to Euro 61,627 thousands, decreasing by Euro 2,789 thousands (- 4.3%) compared to the same period in the previous financial year (Euro 64,416 thousands).

Details of the evolution of production costs were as follows:

- Costs of raw and other materials, including the cost for finished goods amounted to Euro 25,988 thousands, down by 10.1% compared to the first semester of the financial year 2007/2008 (Euro 28,898 thousands). The decrease of these costs is directly correlated to the reduction in revenues from sales and services, with a percentage of these costs on revenues that increases by approximately 0.5 percentage

points, as a direct consequence of a lower sales margin of third parties brands in the Rocca sales outlets, and of the trend of prices of raw materials.

- Cost of personnel is equal to Euro 13,040 thousands increasing by 26.8% compared to the same accounting period of the previous financial year (Euro 10,284 thousands); the increase was due mainly to the increase in the average manpower of the Group that amounted to approximately 21.4% between the two periods under analysis. The increase in the average number of employees is an effect of the higher internal production capacity and the increase of the retail channel (also through the acquisition of the Rocca Group), and the hiring of new personnel for the listing of Damiani S.p.A. in the Italian Stock Exchange – Star Segment).
- Other costs for services amounted to Euro 24,302 thousands, increasing by 5.7% compared to the first semester of the previous financial year (Euro 22,990 thousands); the increase is mainly due to higher costs for the development of the retail channel (principally for rent contracts).

#### EBITDA

The trend of revenues and production costs described above determines an EBITDA for the semester that ended on September 30, 2008 equal to Euro 4,476 thousands, with an impact on sales equal to 6.8%, down compared to the EBITDA for the same period of the previous financial year, which was equal to Euro 17,348 thousands. Without considering the positive effects of the non recurring items already mentioned, EBITDA for the first six months of the previous financial year would have been equal to Euro 10,296 thousands, with a margin on sales of 13.9%; therefore the reduction on recurring revenues in the first semester of this financial year was equal to Euro 5,820 thousands, equivalent to about 7.1 percentage points in margin terms.

#### Depreciation, Amortization and Write Downs

In the semester that ended on September 30, 2008, depreciation and amortization amounted to Euro 1,635 thousands, an increase of Euro 356 thousands compared to the same period of the previous financial year. This difference is mainly due to the depreciation of the fixed assets of the companies of the Rocca Group for the month of September, as well as for the capitalized expenses for the development of the network of directly managed boutiques.

#### Operating profit

The Group closes the first six months period at September 30, 2008 with an operating profit of Euro 2,840 thousands, a decrease of Euro 13,229 thousands compared to the same accounting period of the previous financial year and with a margin on revenues of 4.3%. Compared to the first semester of the year 2007/2008, net of the non recurring items already mentioned, the decrease would have amounted to Euro 6,177 thousands in absolute terms, equal to approximately 7.9 points in percentage terms.

Net Financial Income (Losses)

The balance of net financial income and losses for the first semester of the financial year 2008/2009 showed a surplus of Euro 1,249 thousands, thanks to the benefits deriving from the IPO (Initial Public Offering) of the holding company Damiani S.p.A. and to foreign exchange gains. The same period of the previous financial year showed a negative balance of Euro 675 thousands.

Profit before taxes

Profit before taxation for the six-months period at September 30, 2008 amounted to Euro 4,090 thousands, representing 6.2% of turnover. In the first six-months of the previous financial year the profit before taxation, which benefited from the non-recurring transactions, was equal to Euro 15,394 thousands, representing 18.8% of total turnover.

Current, prepaid and deferred taxes

On September 30, 2008 income taxes amounted to a total of Euro 2,294 thousands, a decrease of Euro 2,994 thousands compared to the first semester of the previous financial year.

The effective tax rate of the semester that ended on September 30, 2008 is equal to 56%, showing a decrease of about 2% compared to the effective tax rate of the corresponding period for the previous financial year, net of the non recurring items.

Net profit

The Group closed the first six months of the financial year 2008/2009 with a consolidated result for the period equal to Euro 1,806 thousands, versus Euro 9,961 thousands of the first semester of the financial year 2007/2008; when compared to the semester, net of the effects of the non recurring items, the decrease in net profit amounts only to Euro 1,570 thousands.

Balance Sheet and Financial situation

In the following table the breakdown of the reclassified consolidated Balance Sheet and financial situation of Damiani Group at September 30, 2008 compared with the one at March 31, 2008 and September 30, 2007 is shown.

## Damiani Group

### First Half Condensed Consolidated Financial Statements as of September 30, 2008

<b>Balance sheet Data</b> (In thousands of Euros)	Situation at September 30 2008	Situation at March 31 2008	change	Situation at September 30 2007	change
Fixed Assets	61,036	41,817	19,219	33,238	27,798
<i>of which Rocca Group</i>	<i>13,260</i>				
Net working capital	123,908	94,987	28,922	104,080	19,828
<i>of which Rocca Group</i>	<i>30,062</i>				
Non current Liabilities	(8,052)	(9,272)	1,220	(7,073)	(979)
<b>Net Invested Capital</b>	<b>176,892</b>	<b>127,532</b>	<b>49,360</b>	<b>130,245</b>	<b>46,647</b>
Net Equity	145,628	155,959	(10,330)	83,460	62,168
Net Indebtedness *	31,264	(28,427)	59,691	46,785	(15,521)
<i>of which Rocca Group</i>	<i>39,682</i>				
<b>Sources of Financing</b>	<b>176,892</b>	<b>127,532</b>	<b>49,360</b>	<b>130,245</b>	<b>46,647</b>

(\*) The net financial position of the company for the consolidated financial statements ended March 31, 2008 and, therefore, also for the semesters that ended on September 30, 2007 and September 30, 2008, was calculated based on the indications contained in the Consob (Italian SEC) communication DEM/6064923 of 28.07.06.

#### Fixed Assets

At September 30, 2008 fixed assets amounted to Euro 61,036 thousands, an increase of Euro 19,219 thousands compared with the amount at March 31, 2008, mainly due to the change in the consolidation perimeter deriving from the acquisition of Rocca (the part of fixed assets of the Rocca Group is equal to Euro 13,260 thousands) and to the effects of investments linked to the opening of new directly-managed sales outlets, including the payment of *key money*. Compared to September 30, 2007, the increase of Euro 27,798 thousands is due also to advanced tax credit related to IPO costs, directly booked to shareholders' equity as a reduction of the gross positive effects deriving from the increase in share capital.

#### Net Working Capital

At September 30, 2008 net working capital amounts to Euro 123,908 thousands, an increase of Euro 28,922 thousands compared with the amount at March 31, 2008: this increase is mainly due to the inclusion in the consolidation perimeter of the three companies of the Rocca Group (and in particular of their inventories, equal to Euro 20,523 thousands at September 30, 2008). Compared to September 30, 2007 the lower difference of Euro 19,828 thousands is due mainly (besides the changes in the consolidation perimeter) to a more correct comparability in the working capital components, which fluctuations are highly correlated to the seasonality of the company's production-distribution cycle.

#### Non current Liabilities

At September 30, 2008 non-current liabilities amounted to Euro 8,052 thousands, a decrease of Euro 1,220 thousands compared with March 31, 2008: this variation is due mainly to the debt reduction towards the previous shareholders of Damiani France for the payment of the second instalment of the acquisition price of the company (Euro 887 thousands).



### Net Shareholders' Equity

At September 30, 2008 net shareholders' equity amounted to Euro 145,628 thousands, a decrease of Euro 10,330 thousands compared to March 31, 2008. The variation is mainly due to the following:

- effects of the acquisition of the Rocca Group for Euro 7,270 thousands, booked directly to shareholders' equity because related to margins realized on sales made by companies of the Damiani Group before the acquisition for products still included in the inventory of Rocca at the time of the transaction; and also because of the booking directly to reserves of consolidation differences deriving from the business combination operation that took place through the purchase by correlated party;
- the purchase of treasury stock that took place during the semester (net of the partial use of the treasury shares for the acquisition of Rocca S.p.A.) for Euro 2,227 thousands,
- change in other reserves due to exchange rates conversion for Euro 2,638 thousands.

Compared to September 30, 2007 the increase of Euro 62,168 thousands is also due, apart from what described in the above paragraph and the net result of the previous financial period, to the following two transactions:

- capital contribution from new shareholders as a result of the IPO process for a total of Euro 69,149 thousands (including share capital and share premium reserve), net of costs and commissions related to the stock exchange listing process that were booked as a decrease in the Group's shareholders' equity reserve (net of the corresponding fiscal effects);
- the purchase of treasury stock that took place after the resolution of the Shareholders' Meeting of February 22, 2008 that authorized the buy-back plan. At September 30, 2008 the ordinary shares acquired, net of the use of shares for the acquisition of Rocca were 2,256,223 (2.73% of the total share capital) for an overall cost of Euro 4,564 thousands (of which Euro 2,337 thousands already booked at March 31, 2008).

### Net Financial Position

The following table illustrates the Net Financial Position at September 30, 2008 and its evolution compared to March 31, 2008 and September 30, 2007.

## Damiani Group

### First Half Condensed Consolidated Financial Statements as of September 30, 2008

<b>Net Financial Position</b> (in thousands of euros)	Situation at September 30 2008	Situation at March 31 2008	change	Situation at September 30 2007	change
Medium-long term loans - Current share	8,751	4,474	4,277	3,917	4,834
Current financial debts to banks and other financial institutes	19,861	2,593	17,268	19,368	493
Medium-long term loans with related parties - Current share	785	688	97	602	183
<b>Current financial debt</b>	<b>29,397</b>	<b>7,755</b>	21,642	<b>23,887</b>	<b>5,510</b>
Medium-long term loans - Non-current share	9,270	8,562	708	24,036	(14,766)
Medium-long term loans with related parties - Non-current share	16,638	8,069	8,569	8,434	8,204
<b>Non-current financial debt</b>	<b>25,908</b>	<b>16,631</b>	9,277	<b>32,470</b>	<b>(6,562)</b>
<b>Total gross financial debt</b>	<b>55,305</b>	<b>24,386</b>	30,919	<b>56,357</b>	<b>(1,052)</b>
Liquid assets and similar	(24,042)	<b>(52,813)</b>	28,771	(9,572)	(14,470)
<b>Net Financial Position *</b>	<b>31,264</b>	<b>(28,427)</b>	59,691	<b>46,785</b>	<b>(15,521)</b>

(\*) The net financial position of the company for the consolidated financial statements ended March 31, 2007 and, therefore, also for the semesters that ended on September 30, 2007 and September 30, 2008 was calculated based on the indications contained in the Consob (Italian SEC) communication DEM/6064923 of 28.07.06.

At September 30, 2008 the Group's net financial indebtedness amounted to Euro 31,264 thousands compared to a balance of liquid assets of Euro 28,427 thousands at March 31, 2008, representing a deterioration of the net financial position by Euro 59,691 thousands. This variation is due mainly to the consolidation of the Rocca Group (which had a net financial indebtedness as of September 30, 2008 of Euro 39,682 thousands), to the expenses incurred for the acquisition of Rocca S.p.A., and for the buy-back plan (transactions already commented upon before).

Moreover, as of September 30, 2008 the net financial indebtedness included Euro 17,368 thousands as debt towards a related party for seven real estate transactions recorded as sale and lease-back. In fact, according to the international financial reporting standards adopted by Damiani Group (IAS 17), the sale of a real estate property to a related party that leases the same property back to the previous owner constitutes a financial debt (paid back through lease payments), and is accounted for as a financial lease.

In the month of August 2008, Rocca S.p.A. completed three real estate transaction accounted for as sale and lease-back, which entailed the recording of a financial debt (included in the total of Euro 17,368 thousands) of Euro 8,937 thousands as of September 30, 2008; on that same date Rocca S.p.A. still had to receive Euro 8,570 thousands from the correlated party (amount included in working capital as other receivables), relative to these property sales (the receipt of this amount will take place by March 31, 2009, as agreed upon by the parties).

Compared to September 30, 2007 the improvement of the consolidated net financial position of Euro 15,521 thousands is due to the positive cash flow generated by the IPO (Euro 66,980 thousands), as well as the cash flow generated by operating activities net of non recurring transactions described before (acquisition and consolidation of Rocca S.p.A. and buy-back plan).

**Key data by geographical area**

The geographical areas were identified on the basis of the contents of IAS (International Accounting Standard) 14 and correspond to “Italy”, “the Americas”, “Japan” and the “Rest of the World”. The four areas are composed as follows:

- i) the geographical area Italy includes the revenues and the operating costs of the Parent Company, Damiani S.p.A., and its directly controlled subsidiaries that operate in Italy;
- ii) the geographical area The Americas includes the revenues and the operating costs of the subsidiary company Damiani USA Corp. which operates in the United States of America and markets Group products throughout the American continent;
- iii) the geographical area Japan includes the revenues and operating costs of the subsidiary company Damiani Japan KK that operates in Japan;
- iv) the geographical area Rest of the World (ROW) includes the revenues and the operating costs of the other subsidiaries that operate and sell in those countries not included in the above areas.

The following table provides a break down of revenues for each geographical area for the first semester of the financial years 2008/2009 and 2007/2008.

<b>Revenues by geographic Area</b>	<b>I Half 2008/2009</b>	<b>I Half 2007/2008</b>	<b>change</b>	<b>change %</b>
<b>Italy:</b>	<b>44,030</b>	<b>51,890</b>	-7,860	-15.1%
- revenues from sales of goods and services	43,634	51,657		
- other recurring revenues	396	233		
<b>The Americas:</b>	<b>4,159</b>	<b>4,052</b>	107	2.6%
- revenues from sales of goods and services	4,159	4,052		
<b>Japan</b>	<b>4,520</b>	<b>4,931</b>	-411	-8.3%
- revenues from sales of goods and services	4,516	4,919		
- other recurring revenues	4	12		
<b>Rest of the World</b>	<b>13,394</b>	<b>20,890</b>	-7,496	-35.9%
- revenues from sales of goods and services	13,383	13,264	119	0.9%
- other recurring revenues	11	14		
- other non recurring revenues		7,612		
<b>Total revenues</b>	<b>66,103</b>	<b>81,764</b>	<b>-15,661</b>	<b>-19.2%</b>

The **Rest of the World** area, shows an increase of 0.9% in revenues, net of the impact of non-recurring transactions, thanks to the positive trend in sales recorded in some countries where the Group is increasing its presence (in particular the former Soviet Union Republics, the Middle East markets such as Arab Emirates

and Kuwait) which offsets the decrease in sales in Western Europe.

Sales in the **Americas** segment also increased (+2.6% at current exchange rates compared to the first semester of the previous financial year, +13.1% at constant exchange rates).

Revenues for **Japan** were down by 8.3% (-8.2% at constant exchange rates), reflecting the negative effect of the stagnation in Japanese consumption.

Sales in the **Italy** segment are also down (-15.1% compared to the first semester of the financial year 2007/2008) due to the impact of the reduction of the wholesale revenues, which is partly offset by the increase in the retail sales (about +16.7% in the mono-brand boutiques of Damiani and Bliss in Italy and Euro 1,704 thousands of revenues contributed by the multi-brand Rocca boutiques from September 1, 2008). Regarding this channel the Group is concentrating large amounts of its investments with the goal of increasing its direct presence in the domestic market, and of establishing a more direct relationship with the end customers that appreciates the brands of the Group.

Overall, in the first semester of the financial year 2008/2009, the weight of the sales realized abroad was equal to 33.4% of the total, versus 30% in the same period of the previous financial year (net of non-recurring revenues).

In the following table the values of EBITDA are given for each geographical area in the first semester of the financial year 2008/2009 and 2007/2008.

<b>EBITDA as per Geographical Areas</b> (in thousands of Euros)	I Half 2008/2009	% on total	I Half 2007/2008	% on total	change	change %
<b>Italy</b>	<b>2,338</b>	52.2%	<b>11,764</b>	67.8%	(9,426)	-80.1%
<b>The Americas</b>	<b>(167)</b>	-3.7%	<b>(2,856)</b>	-16.5%	2,689	-94.2%
<b>Japan</b>	<b>(837)</b>	-18.7%	<b>(1,205)</b>	-6.9%	368	-30.5%
<b>Rest of the World</b>	<b>3,142</b>	70.2%	<b>9,645</b>	55.6%	(6,503)	-67.4%
<b>Consolidated EBITDA</b>	<b>4,476</b>	100%	<b>17,348</b>	100%	(12,872)	-74.2%
<i>% on Revenues</i>	<i>6.8%</i>		<i>21.2%</i>			

(\*) EBITDA represents the operating result intended as Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is used by the company's management to monitor and evaluate the Group's operational performance and is not an IFRS accounting instrument, therefore, it must not be considered as an alternative measure for evaluating the Group's results. Since EBITDA is not regulated by the accounting principles in question, the criteria used by the Group in calculating it may not be the same used by other companies and therefore cannot be used for comparative purposes.

In terms of EBITDA, the **Italy** segment shows a significant reduction (-80.1%) and, differently from the first semester of the financial year 2007/2008, is no longer the area that contributes the most to the Group's results, surpassed now by the segment Rest of the World; its structure of indirect costs is based on higher volumes and consequently in the short term it can not be adjusted to the reduction in revenues.

On the contrary, in the segment **Rest of the World**, EBITDA (net of the effects of non-recurring transactions) increases by about 21%, thanks to a careful control of the net operating costs.

The **Americas** sector recorded again, in the first semester of the current financial year, a negative margin, even if it shows an improvement of Euro 2,689 thousands.

The **Japan** sector recorded also, in the first semester of the 2008/2009, a negative margin, although showing an improvement of 368 thousands compared to the results achieved in the first semester of the previous financial year, with a level of operating costs that is reduced in proportion with the decrease in turnover.

### Transactions with related parties

The operations carried out by Damiani S.p.A. with related parties are mainly of either a commercial nature (sale of the Group's various brands of jewellery products), linked to its core business, or related to real estate (property leasing for offices and shops).

The following table provides a break down of the data concerning related party transactions for the semester that closed on September 30, 2008 and for the same period of the previous financial year.

In this regard, it should be noted that starting on September 1, 2008 the Rocca Group was included in the consolidation perimeter and therefore the transactions of commercial nature between this Group and the other companies part of the Damiani Group are no longer included in the following table (more details are reported in note 34 of the First Half Consolidated Financial Statements – Related party transactions).

I Half 2008/2009				Situation as of September 30, 2008			
(in Euro thousands)							
	Revenues	Operating expenses	Financial expenses	Trade receivables	Financial debts (including leasing)	Trade liabilities	Lease back real estate
<b>Total with related parties</b>	2,254	(1,090)	(354)	8,570	(24,770)	(424)	16,965
<b>Group Total</b>	66,103	63,262	(919)	54,156	(55,306)	(64,394)	
<b>%</b>	3%	-2%	39%	16%	45%	1%	

I Half 2007/2008				Situation as of September 30, 2007			
(in Euro thousands)							
	Revenues	Operating expenses	Financial expenses	Trade receivables	Financial debts (including leasing)	Trade liabilities	Lease back real estate
<b>Total with related parties</b>	3,267	(1,590)	(259)	7,025	(9,036)	(238)	8,812
<b>Group Total</b>	81,764	(65,695)	(675)	60,867	(56,357)	(60,517)	
<b>%</b>	4%	2%	38%	12%	16%	n.m.	

### Non-recurring, atypical and/or unusual operations

In the first six months of the financial year 2008/2009 there were no positions or transactions deriving from any atypical and/or unusual and non-recurring operations as they are defined by the Consob (Italian SEC) Resolution number 15519 of 27/07/2006.

### **Significant events of the first half period**

On September 15, 2008 Damiani S.p.A. completed the acquisition of 100% of the share capital of Rocca S.p.A., with accounting effects starting from September 1, 2008 (more details on the operations are reported on note 6 of the half yearly consolidated financial statements, and in the various notes to the financial statements that describe the main economic and financial impacts on the consolidated figures).

Moreover, during the semester April-September 2008, the process for the development of the channel retail continued with the opening of new mono-brand sales outlets directly managed by the Group.

The openings that took place were the following:

- on April 22, 2008 the Group opened a Bliss boutique in Brescia inside a shopping mall;
- on June 19, 2008 a new Damiani boutique opened in Rodeo Drive in the famous neighborhood of Beverly Hills in Los Angeles;
- on June 24, 2008 a new Bliss boutique opened in Alessandria;
- on July 4, 2008 a new Bliss boutique opened in downtown Turin;
- on September 10, 2008 the Group opened in Montenapoleone in Milan a new boutique that sells the brands Calderoni and Salvini. The Calderoni brand, acquired by the Group in 2006, underwent a careful process of restyling with the goal of re-launching it, keeping intact the elegance and the unique creativity that always defined this historical brand;
- at the end of September the first single-brand Damiani boutique opened in the famous Via Roma in Turin.

On June 19, 2008 in conjunction with the opening of the new boutique of Rodeo Drive, Damiani launched in Los Angeles the new advertising campaign with actress Sharon Stone as worldwide testimonial for the Damiani brand.

On September 23, 2008 the Damiani Group signed an agreement for the production of jewellery for Jil Sander, the German prêt à porter maison.

On September 30, 2008 Damiani International B.V. signed an agreement with a local company for the sales distribution of the Bliss brand in Japan. The agreement is also for the opening, in the next five years, of more than 40 Bliss single-brand sales outlets located throughout the entire Japan.

On May 21, 2008, Damiani S.p.A. announced that Mrs. Giulia De Luca had resigned from her positions as

General Manager and CFO of the Group for personal reasons although she continues to serve as a member of the Board of Directors of Damiani S.p.A.. The handing over of her responsibilities was completed in the first part of August 2008.

On 7 July 2008, the Parent Company Damiani S.p.A. published the Annual Report on Corporate Governance, as per Article 89 3rd paragraph of the Consob Regulation 11971/1999. The report is available at the registered office of the Company in Valenza (AL), and can be consulted in the Investor relations-Corporate Governance section of the website [www.damiani.com](http://www.damiani.com)

#### **Significant events after the end of the first half period**

- After 30 September 2008, Damiani S.p.A. continued the share buy back program as authorised by resolution of the ordinary Shareholders' Meeting of February 22, 2008. As of November 18, 2008 Damiani S.p.A. held a total of 3,057,919 ordinary shares, equal to 3.7021% of its own share capital.
- On October 13, 2008 the first mono-brand Bliss boutique was opened in Osaka in the famous shopping district of Shinsaibashi. The opening of the Osaka boutique is part of the agreement recently signed with the Japanese partner.

#### **Business outlook**

The world financial crisis that started in the summer of 2007 and that showed its most negative effects in the semester April-September 2008 with the collapse of prestigious and established financial institutions, is now causing an accelerated and general slowdown of the economy, with a reduction in consumption also in trend terms due to the general drop in consumer confidence, along with a reduction of net wealth, more difficulty in accessing credit and a drop in employment.

According to macro-economic analysis this scenario will remain negative also for 2009.

In this context the luxury goods market also shows some contraction signs in the orders and sales in Italy and in the other traditional markets, while the emerging markets appear to still be growing, although at lower rates.

The Damiani Group, aware of the difficulties of this period that make forecasting a hard task, and that unavoidably will be reflected in a decrease in the performance of this financial year, is on one side consolidating its leadership on the Italian market and its presence in the "traditional" markets abroad by increasing the share in the retail channel, allowing the development of a more immediate and efficient customer oriented policy and an increase in presence in emerging markets through partnership agreements with local businesses, and on the other side is improving the production efficiency with a plan to reduce costs (the effects of which will show on a medium-term) with the selective control of the investments, eventually postponing some projects. This way, the Group believes that the strategic plans defined at the time of the IPO do not need to be abandoned because in the medium-term, once the current crisis has passed, they will

Damiani Group

First Half Condensed Consolidated Financial Statements as of September 30, 2008

represent strong points that will be rewarding. Actually it's exactly the luxury market and first of all the jewelry one, on which it could return, before other sectors, a better situation as soon as it would perceive the first customer's confidence signals.

Milan, November 26, 2008

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



Damiani Group

First Half Condensed Consolidated Financial Statements as of September 30, 2008

**DAMIANI S.p.A.**

**First Half Condensed Consolidated Financial Statements  
As of September 30, 2008**

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**CONSOLIDATED BALANCE SHEET**

At September 30, 2008, at March 31, 2008 and at September 30, 2007.

(in thousands of Euros)	Note	September 30, 2008	March 31, 2008	September 30, 2007
<b>NON-CURRENT ASSETS</b>				
Goodwill	7	5,371	5,002	4,977
Other Intangible Fixed Assets	8	8,683	7,056	3,196
Tangible Fixed Assets	9	27,382	14,698	14,235
Investments	10	169	169	169
Financial receivables and other non current assets	11	4,130	2,663	825
Deferred tax assets	12	15,301	12,229	9,836
<b>TOTAL NON-CURRENT ASSETS</b>		<b>61,036</b>	<b>41,817</b>	<b>33,238</b>
<b>CURRENT ASSETS</b>				
Inventories	13	123,475	94,713	102,627
Trade receivables	14	54,156	65,794	60,867
Tax receivables	15	696	394	628
Other current assets	16	24,255	14,718	12,089
Cash and cash equivalents	17	24,042	52,813	9,572
<b>TOTAL CURRENT ASSETS</b>		<b>226,624</b>	<b>228,432</b>	<b>185,784</b>
<b>TOTAL ASSETS</b>		<b>287,660</b>	<b>270,249</b>	<b>219,022</b>
<b>GROUP SHAREHOLDERS' EQUITY</b>				
Share Capital		36,344	36,344	28,221
Reserves		105,818	102,742	43,544
Group net income (loss) for the period		1,806	15,127	9,961
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>		<b>143,968</b>	<b>154,213</b>	<b>81,726</b>
<b>MINORITY SHAREHOLDERS' EQUITY</b>				
Minority share capital and reserves		1,670	1,571	1,588
Minority net income (loss) for the period		10	175	146
<b>TOTAL MINORITY SHAREHOLDERS' EQUITY</b>	<b>18</b>	<b>1,660</b>	<b>1,746</b>	<b>1,734</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>145,628</b>	<b>155,959</b>	<b>83,460</b>
<b>NON CURRENT LIABILITIES</b>				
Long term financial debts	19	25,908	16,631	32,470
Termination Indemnities	20	4,918	4,223	4,135
Deferred Tax liabilities	12	1,522	2,608	2,629
Other non current liabilities	21	1,613	2,441	309
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>33,961</b>	<b>25,903</b>	<b>39,543</b>
<b>CURRENT LIABILITIES</b>				
Current portion of long term financial debts	19	9,536	5,162	4,519
Trade payables	22	64,394	65,305	60,517
Short term borrowings	23	19,861	2,593	19,368
Income tax payables	24	9,549	8,977	7,983
Other current liabilities	25	4,731	6,350	3,632
<b>TOTAL CURRENT LIABILITIES</b>		<b>108,071</b>	<b>88,387</b>	<b>96,019</b>
<b>TOTAL LIABILITIES</b>		<b>142,033</b>	<b>114,290</b>	<b>135,562</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>287,660</b>	<b>270,249</b>	<b>219,022</b>

**CONSOLIDATED INCOME STATEMENT**

For the first Half closed at September 30, 2008 and at September 30, 2007.

<i>(in thousands of Euros)</i>	<b>Note</b>	<b>I Half 2008/2009</b>	<b>I Half 2007/2008</b>
Revenues from sales and services		65,692	73,893
Other recurring revenues		411	259
Other non-recurring revenues		0	7,612
<b>TOTAL REVENUES</b>	26	<b>66,103</b>	<b>81,764</b>
Costs of raw materials and consumables	27	(25,988)	(28,898)
Costs of services	28	(24,302)	(22,990)
Personnel cost	29	(13,040)	(10,284)
Other net operating (charges) incomes	30	1,703	(2,244)
Amortization and depreciation	31	(1,635)	(1,279)
<b>TOTAL OPERATING EXPENSES</b>		<b>(63,262)</b>	<b>(65,695)</b>
<b>OPERATING INCOME (LOSS)</b>		<b>2,840</b>	<b>16,069</b>
Financial Expenses	32	(919)	(1,789)
Financial Incomes	32	2,168	1,114
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>		<b>4,090</b>	<b>15,394</b>
Income Taxes	33	(2,294)	(5,288)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<b>1,796</b>	<b>10,107</b>
Attributable to:			
Group		1,806	9,961
Minorities		(10)	146
Basic Earnings per Share(*)		<b>0.02</b>	<b>0.16</b>
Diluted Earnings per Share(**)		<b>0.02</b>	<b>0.12</b>

(\*) Basic earning per share relative to the six months period closed at September 30, 2008 was calculated by taking into account also the effects of the purchase of treasury shares which took place starting from March 2008 (in accordance with IAS 33 – par. 64).

(\*\*) Diluted earning per share relative to the six months period closed at September 30, 2008 was calculated by taking into account also the diluting effect arising from the stock options rights relative to the stock option plans granted to employees on November 5, 2007.

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**TABLE OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS' EQUITY**

For the six months periods closed at September 30, 2008 and at September 30, 2007.

(In thousands of Euros)	Share Capital	Share Premium Reserve	Legal Reserve	Reserve shareholder payments	Reserve Cash flow hedging	Other reserves	Net profit for the period	Net equity of Group	Net equity of Minorities	Total Net equity
<b>Balances at March 31, 2007</b>	<b>28,221</b>	<b>4,131</b>	<b>1,628</b>	<b>8,618</b>	<b>55</b>	<b>18,092</b>	<b>14,024</b>	<b>74,769</b>	<b>1,661</b>	<b>76,430</b>
Allocation of profit for the period			361			11,816	(12,177)	-		-
Adjustment to fair value of the cash flow hedging					103			103		103
Distribution of dividends							(1,847)	(1,847)	(49)	(1,896)
Other movements						(615)		(615)	(24)	(639)
Price paid in surplus for the residual acquisition of New Mood with related parties						(645)		(645)		(645)
Net income (loss) for the period							9,961	9,961	146	10,107
<b>Balances at September 30, 2007</b>	<b>28,221</b>	<b>4,131</b>	<b>1,989</b>	<b>8,618</b>	<b>158</b>	<b>28,648</b>	<b>9,961</b>	<b>81,726</b>	<b>1,734</b>	<b>83,460</b>

(In thousands of Euros)	Share Capital	Share Premium Reserve	Legal Reserve	Reserve shareholder payments	Reserve Cash flow hedging	Stock options reserve	Own shares held in portfolio	Other reserves	Net profit for the period	Net equity of Group	Net equity of Minorities	Total Net equity
<b>Balances at March 31, 2008</b>	<b>36,344</b>	<b>69,858</b>	<b>1,628</b>	<b>8,618</b>		<b>58</b>	<b>(2,337)</b>	<b>24,917</b>	<b>15,127</b>	<b>154,213</b>	<b>1,746</b>	<b>155,959</b>
Allocation of profit for the period			769					14,358	(15,127)	-		-
Adjustment to fair value of the cash flow hedging					12					12		12
Stock options						72				72		72
Purchase of own shares							(4,277)			(4,277)		(4,277)
Usage of own shares for the acquisition of Rocca S.p.A.							2,050			2,050		2,050
Foreign currency translation adjustments								(2,638)		(2,638)		(2,638)
Other movements										-	(76)	(76)
Price paid in surplus for the acquisition of Rocca S.p.A.								(2,507)		(2,507)		(2,507)
Elimination of stock intercompany margin with Rocca Group at purchase date								(4,763)		(4,763)		(4,763)
Net income (loss) for the period									1,806	1,806	(10)	1,796
<b>Balances at September, 30 2008</b>	<b>36,344</b>	<b>69,858</b>	<b>2,397</b>	<b>8,618</b>	<b>12</b>	<b>130</b>	<b>(4,564)</b>	<b>29,367</b>	<b>1,806</b>	<b>143,968</b>	<b>1,660</b>	<b>145,628</b>

**CONSOLIDATED CASH FLOW STATEMENT**

For the six months periods closed at September 30, 2008 and at September 30, 2007.

<i>(In thousands of Euros)</i>	Half year closed at 30	
	September 2008	September 2007
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
Net Income (loss) for the period	1,796	10,107
<i>Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:</i>		
Amortization, depreciation and write-downs	1,635	1,279
Provisions to Bad Debts Reserve	1,790	546
Changes in the Fair value of Financial Instruments	464	(259)
Provisions for termination Indemnity and actuarial valuation of ELI Fund	184	(409)
Termination Indemnity payments	(308)	(4)
Changes in the deferred tax assets and liabilities	(3,183)	(63)
	2,378	11,197
<i>Changes on operational assets and liabilities</i>		
Trade receivables	11,093	(432)
Inventories	(5,368)	(7,907)
Trade payables	(14,978)	(565)
Tax receivables	(255)	(1,404)
Income Tax payables	489	3,126
Other current and non current assets and liabilities	(2,144)	(2,876)
<b>NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)</b>	<b>(8,785)</b>	<b>1,139</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Disposal of Intangible and tangible Fixed Assets	-	74
Tangible Fixed Assets purchased	(2,898)	(297)
Intangible Fixed Assets purchased	(323)	(1,670)
Net change in the other non current assets	(1,106)	3,828
Cash used for the acquisition of Rocca Group, net of cash acquired (1) :	(3,865)	
Intangible assets	(2,100)	
Tangible assets	(10,994)	
Trade receivables	(1,245)	
Inventories	(30,795)	
Trade payables	14,067	
Other current and non current assets and liabilities	(10,785)	
Financial indebtedness	37,954	
Minorities shareholders equity	33	
<b>NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)</b>	<b>(8,192)</b>	<b>1,935</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of long-term debt	(2,421)	(9,894)
Net change in short-term financial liabilities	(4,614)	4,544
Purchase of own shares	(4,277)	-
Cash used for the distribution of reserves to the majorities Shareholders in relation with the acquisition of Rocca Group (1)	(457)	
Dividends paid	-	(1,896)
Other changes in Net Equity	(25)	(302)
<b>NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)</b>	<b>(11,794)</b>	<b>(7,548)</b>
<b>TOTAL CASH FLOW (D=A+B+C)</b>	<b>(28,771)</b>	<b>(4,474)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)</b>	<b>52,813</b>	<b>14,097</b>
Net effect of conversion of foreign currencies on cash and cash equivalents (F)	-	(51)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)</b>	<b>24,042</b>	<b>9,572</b>

(1) The acquisition price paid was equal to Euro 7.406 thousands, of which Euro 2.050 thousands paid by means of the transfer of treasury shares. The financial outlay was equal to Euro 5.356 thousands (see Note 6) out of which Euro 4.899 thousands relative to the book value of the net assets acquired (which include Euro 1.034 thousands in cash and cash equivalents, determining a net cash outlay of Euro 3.865 thousands) and Euro 457 thousands as cash used for the distribution of reserves of Euro 2.507 thousands to the controlling shareholders.

## **EXPLANATORY NOTES**

### **1. Company information**

#### **Company information**

The Damiani Group has been engaged for many years in the production and distribution of jewellery products through both wholesale and retail channels. In particular, the Group markets five brands names with a high reputation in the jewellery markets: Damiani, Salvini, Alfieri & St. John, Calderoni and Bliss.

Starting from September, 1<sup>st</sup> 2008, following the acquisition of the Rocca Group, Damiani Group is also active in the distribution, through directly managed multi-brand boutiques, of leading third parties brands, in particular watches.

The registered office of the Group's holding company, Damiani SpA, is in Viale Santuario 46, Valenza (AL), Italy.

### **2. Accounting principles and criteria, structure of the financial statements, and scope of consolidation**

#### **Criteria used**

The annual consolidated financial statements of the Damiani Group are prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the European Union pursuant to regulation 1606/2002. The half-yearly condensed consolidated financial statements are prepared in accordance to IAS 34- Interim Financial Reporting. This condensed report does not include all of the information required by the annual report and therefore it should be read together with the annual report prepared for the twelve months period closed at March 31, 2008. The accounting principles used in preparing the half-yearly condensed consolidated financial statements are the same principles used to prepare the consolidated annual report of the Group for the financial year that ended on March 31, 2008.

#### **Structure of the financial statements**

This half-yearly consolidated financial report of the Damiani Group at September 30, 2008 for the six months period 1 April 2008 – 30 September 2008, consisting of the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Cash Flow Statement, the Table of Changes in Consolidated Shareholders' Equity and the Explanatory Notes (afterwards "the Consolidated Financial Statement"), was approved by the company's Board of Directors on November 26, 2008.

The consolidated balance sheet has been prepared by classifying the assets as "current assets" and "non current assets", while the income statement has been prepared by classifying the items using the "by nature" classification, since this format is believed to be most representative compared to the so-called "presentation by destination" (also known as "cost of sales method").

Pursuant to the CONSOB (Italian SEC) Resolution number 15519 dated July 27, 2006, the effects of transactions with related parties on the balance sheet assets and liabilities and on the income statement for the financial period of six months closed at September 30, 2008 are shown in separate tables provided as an annex to these notes, so as not to interfere with a clear reading of the main financial statements. Transactions with related parties are identified in

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accordance with the extended definition provided by IAS 24, which includes the relationships with the administrative and governance bodies of the company, as well as with those executives who have strategic responsibilities.

Reference should also be made to what has been specified in note 34 “Transactions with related parties” and in note 36 “Non-recurring, atypical and/or unusual transactions”.

The cash flow statement was prepared according to the indirect method.

The half-yearly consolidated financial statements are expressed in thousands of Euro. All amounts included in the tables contained in the following notes are all expressed in thousands of Euro, except where otherwise indicated.

#### Scope of consolidation

The consolidated report includes the financial statements of Damiani SpA and of the Italian and foreign subsidiaries which the Company is entitled to control, directly or indirectly, determining their financial and management decisions and reaping the corresponding rewards. In consolidating those companies which do not yet prepare their annual accounts under IFRS, the Group has used Financial Statements (in the case of the Group’s Italian subsidiaries), and equivalent financial reports (for foreign subsidiaries) which have been drawn up using the valuation criteria provided for by local standards, and has then made adjustments to conform them with IFRS.

The data in the income statement, the changes in the net equity and the cash flow statement for the half year closed at September 30, 2008 are presented in a comparative format with the data of the first half year of the previous financial year. The balance sheet data at September 30, 2008 are presented in a comparative format with the data for the financial periods closed at March 31, 2008 and at September 30, 2007.

Controlled subsidiaries are fully consolidated from the date on which actual control passed to the Group and they cease to be consolidated from the date on which control passes outside the Group.

The following controlled subsidiaries are included within the area of consolidation on September 30, 2008:

Society's name	Location	Currency	Share Capital	Controlled by	direct %	Group %
Alfieri & St. John S.p.A.	Valenza (AL), Italy	EUR	1,462,000	Damiani S.p.A.	100.00%	100.00%
New Mood S.p.A.	Milano, Italy	EUR	1,040,000	Damiani S.p.A.	97.00%	100.00%
Damiani Manufacturing S.r.l	Valenza (AL), Italy	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Laboratorio Damiani S.r.l.	Bassignana (AL), Italy	EUR	200,000	Damiani S.p.A.	100.00%	100.00%
Damiani International BV	Amsterdam, the Netherlands	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan KK	Tokio, Japan	JPY	280,000,000	Damiani International BV	100.00%	100.00%
Damiani USA, Corp.	New York, USA	USD	55,000	Damiani International BV	100.00%	100.00%
Casa Damiani Espana SL	Madrid, Spain	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Hong Kong Ltd	Hong Kong, Hong Kong	HKD	2,500,000	Damiani International BV	100.00%	100.00%
Damiani France SA	Parigi, France	EUR	38,500	Damiani International BV	100.00%	100.00%
Damiani Service Unipessoal Lda	Madeira, Portugal	EUR	5,000	Damiani International BV	100.00%	100.00%
Rocca S.p.A.	Milano, Italy	EUR	4,680,000	Damiani S.p.A.	100.00%	100.00%
Rocca International S.A.	Lugano, Switzerland	CHF	600,000	Rocca S.p.A.	100.00%	100.00%
Courmayeur Rocca S.r.l.	Courmayeur (AO), Italy	EUR	100,000	Rocca S.p.A.	51.00%	51.00%



The following changes were applied to the consolidation area at September 30, 2008 compared to the situation on March 31, 2008:

On September 15, 2008 the parent company Damiani S.p.A acquired from W.J.R. Participations S.A., a company indirectly held by the Grassi Damiani family and controlled by Guido Grassi Damiani, 100% of the share capital of Rocca S.p.A., a company registered in Milan, which in turn holds the entire share capital of the Swiss company Rocca International S.A. and 51% of the share capital of Courmayeur Rocca S.r.l., for a total purchase price of Euro 7,000,000 (plus ancillary costs). The transaction is described in detail in the notes to the consolidated financial statements. The Rocca Group was consolidated starting from September 1, the closing date of the accounting period closest to the acquisition.

### Associated companies

Associated companies are those in which the Group owns at least 20% of the voting rights or exercises considerable influence, but not control, over financial and operational policies. The Group had no shareholdings in associate companies at September 30, 2008.

### Other investments

Details of the Damiani Group's holdings in other companies at September 30, 2008 are given below; these total Euro 169 thousand.

Company name	Currency	Share capital (in thousands of Euros)	Book value in Euros	Held by	% owned directly	% owned by whole Group
Fin-or-val S.r.l.	Euro	n/d	125.6	Damiani S.p.A. Alfieri & St.John S.p.A.	3.84% 0.52%	4.36%
Banca d'Alba	Euro	n/d	41.3	Damiani S.p.A.	0.50%	0.50%
Co.in.or.S.r.l.	Euro	n/d	0.1	Damiani S.p.A.	n/d	n/d
Consorzio Coral	Euro	n/d	1.5	Damiani S.p.A.	n/d	n/d
Consorzio Conai	Euro	n/d	0.3	Damiani S.p.A.	n/d	n/d

## 3. Use of estimates

In preparing the condensed consolidated statements for the first six-months period, the Group's Management made valuations, estimates and assumptions which affect the values of revenues, costs, assets and liabilities reported in the financial statements and the reporting of potential assets and liabilities. It should be pointed out that these figures being estimates, they could differ from the final figures that could be obtained in the future.

Certain valuation processes, in particular the more complex ones such as the asset impairment tests, are carried out in a complete way only at the time of the preparation of the consolidated annual report, when all the necessary information is available (exception is made when there are indicators of impairment that require an immediate

impairment test). During the first half year, Group's Management made new estimates to determine the provisions for credit risk and returns, asset impairments, and taxes.

#### 4. Seasonality

The Group's activity, similarly with that of other players in the same sector, is marked by a significant seasonality. Sales are mostly concentrated in the quarter October – December. This seasonality is principally attributable to the fact that jewellery sales are traditionally concentrated at the end of the year, with the consequent need of supply from jewellery dealers and DOS in the quarter October – December. Consequently the Damiani Group realizes a minor profitability in the first half (April – September) of the financial year which closes on March 31.

#### 5. Segment information

Segment reporting for the Damiani Group is by geographical area, since the Group is engaged in one single area of activity.

The financial information by geographical area for the first half year periods closed at September 30, 2008 and at September 30, 2007 is reported below:

***Information by geographical area (first Half Year closed at September 30, 2008 of the financial year 2008/2009)***

<b>I Half of FY closed at 31 March 2009</b>	<b>Italy</b>	<b>The Americas</b>	<b>Japan</b>	<b>Rest of the World</b>	<b>Eliminations</b>	<b>Consolidated</b>
(in thousands of Euros)						
Net sales to third party customers	43,634	4,159	4,516	13,383	-	65,692
Other revenues	396	0.00	4	11	-	411
Intercompany sales between geographies	20,915	165	0	10,236	(31,316)	0
<b>Total Net Sales</b>	<b>64,945</b>	<b>4,324</b>	<b>4,519</b>	<b>23,630</b>	<b>(31,316)</b>	<b>66,103</b>
<b>Operating costs</b>	<b>(63,822)</b>	<b>(4,704)</b>	<b>(5,430)</b>	<b>(20,620)</b>	<b>31,314</b>	<b>(63,262)</b>
<b>Operating profit</b>	<b>1,123</b>	<b>(380)</b>	<b>(911)</b>	<b>3,010</b>	<b>(2)</b>	<b>2,840</b>

***Information by geographical area (first Half Year closed at September 30, 2007 of the financial year 2007/2008)***

<b>I Half of FY closed at 31 March 2008</b>	<b>Italy</b>	<b>The Americas</b>	<b>Japan</b>	<b>Rest of the World</b>	<b>Eliminations</b>	<b>Consolidated</b>
(in thousands of Euros)						
Net sales to third party customers	51,657	4,052	4,919	13,264	-	73,893
Other revenues	233	0.15	12	7,626	-	7,871
Intercompany sales between geographies	25,585	5	0	13,256	(38,846)	(0)
<b>Total Net Sales</b>	<b>77,475</b>	<b>4,058</b>	<b>4,931</b>	<b>34,146</b>	<b>(38,846)</b>	<b>81,764</b>
<b>Operating costs</b>	<b>(66,274)</b>	<b>(7,052)</b>	<b>(6,182)</b>	<b>(24,986)</b>	<b>38,798</b>	<b>(65,695)</b>
<b>Operating profit</b>	<b>11,203</b>	<b>(2,994)</b>	<b>(1,251)</b>	<b>9,160</b>	<b>(48)</b>	<b>16,069</b>

The elision of intercompany margins was directly allocated to each single geographical segment starting from the

closing of the annual financial statements on March 31, 2008. Therefore, for comparative purposes, allocation was made to the geographical segments of the corresponding values at September 30, 2007.

## **6. Acquisition of Rocca S.p.A.**

On September 15, 2008 the Damiani Group purchased the entire share capital of Rocca S.p.A., which in turn holds 100% of the share capital of Rocca International S.A., a company incorporated under Swiss law, and 51% of the share capital of Courmayeur Rocca S.r.l., from W.J.R. Participations S.A. company indirectly (and wholly) owned by the Grassi Damiani family and controlled by Guido Grassi Damiani.

In order to remove the risk that the purchase acquired from related parties could be influenced from these correlation, all the purchase operation has been leaded with the best practice to grant all the stakeholders involved under these procedures:

- The Damiani S.p.A. Board of Directors which has deliberated on the operation ( from whom Damiani brothers has been abstained) has been informed by Damiani brothers of the existence of this correlation between Damiani S.p.A. and WJR Participation S.A. and on the nature and the consequence of their relevant interest in accordance with law article 2391 C.C.
- The Damiani S.p.A. Board of Directors has instructed and accomplished the acquisition in accordance with the best practice of the market with reference to the corporate governance, appreciating the role the internal control committee inside the administrative body.
- The Company has nominated Euromobiliare SIM S.p.A., independent expert of reliable professionalism and experience, as financial advisor in charge to made the valuation of the economical value of the Rocca Group's capital.

The Rocca Group S.p.A. is a leading company in the retail distribution of jewellery and watches (mostly Italian), operating in the sector since 1794. The activities carried out are therefore the sale of multi-brand products through sales points which are located in the most prestigious shopping areas in Italy and abroad (Switzerland), of which locations are made available by means of lease agreements, agreements for the lease of business units or other agreements for commercial co-operation.

The purchase price was fixed in Euro 7,000 thousands, out of which Euro 4,950 thousands paid in cash and Euro 2,050 thousands paid by means of the transfer of no.1,000,000 own shares held by Damiani S.p.A.; in reference to this part of the transaction, the parties agreed to fix the transfer price of each Damiani S.p.A. share at Euro 2,05, corresponding to the weighted average price as of September 12, 2008; such price exceeding by approximately 15% the value of the shares listed at the Stock Exchange on the date of completion of the transaction. The payment in cash was made on the same date the agreement was entered into and the shares representing the whole Rocca S.p.A's share capital endorsed; on the same date Damiani transferred no.1,000,000 own shares to WJR Participations SA.

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The following table shows the net assets acquired and the goodwill arising from the transaction. (in thousands of Euro).

Non current assets	14,836
Current assets	44,179
Non current liabilities	(13,250)
Current liabilities	(40,833)
Shareholder's equity	<u>4,932</u>
Group shareholder's equity	4,899
Purchase price (*)	7,406
Goodwill	2,507

(\*) The acquisition price includes also the expenses incurred for legal due diligence, assessment of the financial situation, and fairness opinion of the financial advisor

The acquisition of the Rocca Group by the Damiani Group took place among parties controlled by common subjects and therefore can be defined as a transaction between entities “under common control” within a corporate reorganization in which the companies involved are controlled by the same entity, both before and after the business combination, and such control is not temporary. Currently, the accounting treatment of this type of operations is not regulated by the IFRS principles and therefore, in compliance with IFRS, reference is made to “similar” accounting principles. In the transaction at stake, reference is made to market practice and to the document named “Preliminary Guidelines no. 1 on IFRS”. Based on such criteria, the acquisition is recorded by keeping the historical values and consequently the higher amount paid (compared to the historical values) is treated as a capital distribution to the controlling shareholders.

The following table summarises the net cash flows related to the acquisition:

Purchase cash flow	
Purchased net financial debt	(36,920)
Payment done (*)	(5,356)
Net purchased cash flow	<u>(42,276)</u>

(\*) Net of own shares used for an amount of Euro 2,050 thousands

It should be noted that the net financial indebtedness acquired by the Rocca Group does not include Euro 8,570 thousands (recorded as other receivables in working capital), related to real estate sales made by Rocca S.p.A. to a related party of stores' premises during the month of August 2008 and recorded as sale and lease-back transactions. Consequently the net financial indebtedness acquired already includes the financial debt to related party originated from the lease-back for Euro 8,995 thousands, but not the proceeds that, as agreed upon by the parties, will be realized by March 31, 2009.

It should be pointed out that, from the acquisition date, the Rocca Group contributed negatively for Euro 215

thousands to the net results of the half year period, and for Euro 5,526 thousands to total revenues. Had this acquisition occurred at the beginning of the half year period, consolidated revenues would have been higher by approximately Euro 12,300 thousands. Information on the effects that could have taken place on the net results is not provided since the acquired group, which closes its financial year on December 31, has not closed the accounts on March 31, 2008.

More details regarding this transaction are reported in the Information Document available in the investor relations section of the web site [www.damiani.com](http://www.damiani.com).

## ***Notes on the main items of the Consolidated financial statements***

### **7. Goodwill**

The breakdown for goodwill at September 30, 2008, at March 31, 2008 and at September 30, 2007 is reported below:

(in thousands of Euros)	September 30, 2008	March 31, 2008	September 30, 2007
Goodwill, boutiques	719	719	719
Goodwill, Alfieri & St. John	4258	4258	4258
Goodwill, Damiani Service Unipessoal Lda	25	25	-
Goodwill, New Mood	369	-	-
<b>Total goodwill</b>	<b>5,371</b>	<b>5,002</b>	<b>4,977</b>

The item includes Euro 4,258 thousands of goodwill recognized in the 1998 acquisition of 100% of the shares of Alfieri & St. John S.p.A., Euro 369 Euro thousands of goodwill from the acquisition of 100% of the shares of Rocca International S.A. by Rocca S.p.A. (kept in the consolidated statements of the Damiani Group to maintain continuity of the historical values acquired), and Euro 25 thousands of goodwill from the acquisition of 100% of the shares of Damiani Service Unipessoal Lda which took place in November 2007. The residual amount refers to goodwill paid in 1996, 2002, and 2007 for the acquisition of four mono-brand DOS by the Damiani Group.

### ***Impairment test on intangible assets with an indefinite useful life***

Goodwill, as an intangible asset with an indefinite useful life, is not amortized in the profit and loss accounts, but is instead tested for impairment to determine a potential loss in value. Goodwill is tested for impairment annually or more frequently if specific events or circumstances during the year indicate that it may be impaired. As of September 30, 2008, even considering the current market conditions stood out by high volatility, there is no indication of potential non recoverable change in the value of assets with an indefinite useful life.

## 8. *Other intangibles fixed assets*

The breakdown of other intangible assets at September 30, 2008, at March 31, 2008 and at September 30, 2007 is reported below:

( in thousands of Euros)	September 30, 2008	March 31, 2008	September 30, 2007
Industrial rights and patents	651	188	139
Key Money	7,446	6,669	3,043
Other intangible assets	-	-	14
Fixed intangible assets under construction	586	199	-
<b>Total other intangible fixed assets</b>	<b>8,683</b>	<b>7,056</b>	<b>3,196</b>

Intangible assets increase in the first half of the year by Euro 1,627 thousands as an effect of the inclusion in the scope of consolidation of the Rocca Group for 1,680 thousands, of which Euro 171 thousands related to industrial rights and patents, Euro 960 thousands related to key money, indemnities paid for the Portofino, Porto Ercole and Roma boutiques, and Euro 549 thousands for intangible assets under construction for work done in boutiques.

Moreover the industrial patents increase because of the investments made by Damiani USA for the implementation of SAP.

## 9. *Tangible Fixed Assets*

Tangible fixed assets increase by Euro 12,684 thousands compared to March 31, 2008. The breakdown of the item is the following:

( in thousands of Euros)	September 30, 2008	March 31, 2008	September 30, 2007
Land and buildings	18,566	10,279	10,739
Plant and machinery	969	503	509
Industrial and commercial equipment	1,042	813	670
Other assets	5,732	2,878	2,317
Fixed tangible assets under construction	1,072	225	-
<b>Total tangible fixed assets</b>	<b>27,382</b>	<b>14,698</b>	<b>14,235</b>

Following the inclusion in the scope of consolidation of the Rocca Group, tangible fixed assets increase by Euro

10,910 thousands, of which Euro 9,077 thousands related to land and buildings, Euro 439 thousands to plant and machinery, Euro 82 thousands to industrial and commercial equipment, Euro 1,309 thousands to other assets, and Euro 3 thousands to fixed tangible assets under construction.

The item “Land and buildings” includes also sale and lease back assets that related parties purchased from Group’s companies and afterwards leased for commercial use to these same companies (for details see paragraph 34, Transactions with related parties). The value of sale and lease back assets is equal to Euro 16,965 thousands at September 30, 2008 (of which Euro 9,024 thousands relative to Rocca S.p.A.), and Euro 8,710 thousands at 31 March 2008.

The item “Other assets” includes furniture, fittings, office equipment and motor vehicles; assets under construction increase mainly due to the development projects for the opening of Bliss boutiques and corners in Japan (Euro 797 thousands).

## 10. Other investments

As of September 30, 2008 the item, unchanged compared to March 31, 2008 and September 30, 2007, was exclusively made up of minority investments in consortiums and in the companies Fin.Or.Val Srl and Banca d’Alba, for a total of Euro 169 thousand.

## 11. Financial receivables and other non-current assets

The breakdown for the item at September 30, 2008, at March, 31 2008 and at September, 30 2007 is reported below:

( in thousands of Euros)	September 30, 2008	March 31, 2008	September 30, 2007
Guarantee deposits	4,062	2,613	775
Receivables from related parties		-	-
Other receivables	68	50	50
<b>Total financial receivables and non current assets</b>	<b>4,130</b>	<b>2,663</b>	<b>825</b>

The increase of Euro 1,467 thousands in the guarantee deposits compared to March 31, 2008 is mainly related to the amounts paid as deposits for the opening of new boutiques in Japan, and to the inclusion of the Rocca Group in the scope of consolidation (Euro 228 thousands).

## 12. Deferred tax assets and liabilities

As of September 30, 2008 the net deferred tax assets show an increase of Euro 4,158 thousands compared to March 31, 2008 due to higher prepaid taxes receivables. Deferred tax assets (Euro 15,301 thousands at September 30, 2008, versus a balance of Euro 12,229 thousands at March 31, 2008) mainly include deferred taxes calculated on the returns reserve, on the write off of inter-company margins, and on the sale of brands to Damiani International B.V. by Damiani S.p.A.. The increase recorded compared to March 2008 is principally due to the consolidation of the Rocca Group which prompted the booking of deferred taxes of Euro 3,581 thousands, of which Euro 2.167 thousands related to the write off of inter-company inventory margins.

Deferred tax liabilities (Euro 1,522 thousands at September 30, 2008, versus a balance of Euro 2,608 thousands at March 31, 2008) refer mainly to the deferred taxation on gains realized from the sale of brands.

It should be noted that the Group has computed its deferred tax assets and liabilities on the basis of the tax rates expected to apply in the period in which the various temporary differences are likely to reverse.

### 13. Inventories

The breakdown for the item at September 30, 2008, at March 31, 2008 and at September 30, 2007 is reported below:

(in thousands of Euros)	September 30, 2008	March 31, 2008	September 30, 2007
Raw materials, semi-finished goods and advance payments	11,146	10,287	11,390
Finished products and goods	100,043	69,358	76,027
Returns into inventory from customers	12,286	15,068	15,210
<b>Total</b>	<b>123,475</b>	<b>94,713</b>	<b>102,627</b>

The net value of inventories at September 30, 2008 shows an increase of Euro 28,762 thousands for the six-month period. This increase is mainly attributable to the inventories of the Rocca Group which amounted to Euro 20,523 thousands at September 30, 2008.

It should be noted that the inventories balance also includes the finished goods delivered to customers for whom, at the date of these financial statements, the transfer of the risks and benefits has not yet been ascertained. The Group does not feel the need for any provision for obsolescence of inventories in view of the nature of the goods, which are not subject to any losses in value due to obsolescence. Moreover, inventories do not include any goods whose book value exceeds their presumed realizable value inferred from the relative market trend.



## 14. Trade receivables

The breakdown for the item at September 30, 2008, at March 31, 2008 and at September 31, 2007 is reported below:

(in thousands of Euros)	September 30, 2008	March 31, 2008	September 30, 2007
<b>Trade receivables, gross</b>	<b>83,969</b>	<b>100,112</b>	<b>96,637</b>
Bad Debts Reserve	(3,215)	(2,854)	(3,251)
Fund for returns on sales from customers	(26,367)	(31,135)	(32,411)
Impact of Net Present Value calculation of receivables	(232)	(329)	(108)
<b>Total trade receivables</b>	<b>54,156</b>	<b>65,794</b>	<b>60,867</b>

The decrease of Euro 11,638 thousands in net trade receivables, which took place even considering the inclusion in the scope of consolidation of the Rocca Group's receivables for Euro 4,859, is due to a decrease in sales. The balance of trade receivables is reported net of bad debts reserves and provision for customers' returns, as well as of the effect of calculating the net present value of the receivables represented by bankers' orders that have been reissued and have due dates that go beyond this accounting period.

It should be highlighted that the provisions posted during the period to the bad debts reserve are included in the item "Other net operating (charges) incomes" in the Profit and Loss Account. The accrual and the use of the funds for returns from customers for the financial period are accounted for as a direct charge to the item "Revenues from sales and services" in the Income Statement.

There are no receivables with a contractual duration longer than five years.

## 15. Tax receivables

Tax receivables amount to Euro 696 thousands at September 30, 2008, Euro 394 thousands at March 31, 2008, and Euro 628 thousands at September 30, 2007. The increased amount reported on March 31, 2008 is due to the inclusion in the consolidation scope of the Rocca Group (which had tax receivables of Euro 90 thousands), and to the payment of advance taxes.

## 16. Other current assets

The breakdown for the item at September 30, 2008, at March 31, 2008 and at September 30, 2007 is reported below:

(in thousands of Euros)	September 30, 2008	March 31, 2008	September 30, 2007
VAT receivables from the Tax Authorities	4,655	2,706	2,561
Prepayments on exchanges of goods	5,678	1,158	1,886
Deposits to suppliers	2,115	1,479	3,320
Prepayments	2,000	3,030	2,847
Receivables from other	9,807	6,345	1,475
<b>Total other current assets</b>	<b>24,255</b>	<b>14,718</b>	<b>12,089</b>

VAT receivables from tax authorities is higher due to the consolidation of the Rocca Group (euro 1,871 thousands).

The prepayments on exchanges of goods increase because of the inclusion in the consolidation scope of the Rocca Group (Euro 3,748 thousands) and of the signing of new barter contracts. The barter contracts from the consolidation of Rocca are related to the inventory clearance described in note 26.

The prepayments are for the costs of an advertising campaign (testimonials) relative to services not yet rendered. They decrease because of the booking to the Income Statement of the amount accrued for the period.

Receivables from others include Euro 8,570 thousands for a credit related to real estate sales made by Rocca S.p.A. to a related party of stores' premises during the month of August 2008 and recorded as sale and lease-back transaction, of which the proceeds are yet to be received. According to what agreed upon by the parties, the proceeds from this transaction will be collected by March 31, 2009. At March 31, 2008 receivables from others included the amount of the receivables from insurance companies for the reimbursement relative to the robbery suffered by Damiani S.p.A. in the month of February 2008 which was cashed in during the month of June 2008.

## 17. Cash and cash equivalents

The breakdown for the item at September 30, 2008, at March 31, 2008 and at September 30, 2007 is reported below:

(in thousands of Euros)	September 30, 2008	March 31, 2008	September 30, 2007
Bank and post accounts	23,832	52,747	9,515
Cash on hand	211	66	57
<b>Total cash and cash equivalents</b>	<b>24,042</b>	<b>52,813</b>	<b>9,572</b>

The balance represents the available liquidity in the bank and postal accounts and the cash on hand at the closing date

of the period. The decrease compared to March 31, 2008 is attributable to the cash used for the acquisition of the Rocca Group, the purchase of own shares for the buy-back program to cover cash requirements of Rocca S.p.A..

## **18. Shareholders' equity**

The main transactions of shareholders' equity compared to March 31, 2008 were the following:

- the purchase of 2,085,687 own shares equal to a total disbursement of Euro 4,277 thousands;
- the use of 1,000,000 treasury shares for an equivalent value of Euro 2,050 thousands for the acquisition of Rocca S.p.A.;
- goodwill, equal to Euro 2,507 thousands from the acquisition of the Rocca Group; this being an “*under common control*” type of transaction, the value of goodwill is posted directly to shareholders' equity as a reduction in reserves;
- the write off of inter-company margins for Euro 4,763 thousands relative to sales made by the Damiani Group to the Rocca Group before the acquisition for goods still included in the inventories of the three companies acquired at the time of the transaction;
- the effects from the reopening of shareholders' equity of foreign companies of the Damiani Group which caused a decrease of Euro 2,638 thousands in shareholders' equity.

## **19. Long term financial debt: current and medium/long term portion**

The composition of the current and medium/long term portions of financial liabilities at September 30, 2008, at March 31, 2008 and at September 30, 2007 is the following:

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in thousands of Euros	September 30, 2008	March 31, 2008	September 30, 2007	Note
<b>Non current portion</b>				
Unicredit n. 509606 (1° tranche) EUR		-	6,000	
Unicredit n. 509606 (2° tranche) EUR		-	5,000	
Interbanca n. 50910/301 EUR	3,000	4,000	6,000	a
Medio Credito Centrale EUR	3,289	4,562	7,036	b
Banca Intesa EUR (Rocca Group)	602			c
Banca Popolare di Milano EUR (Rocca Group)	409			d
Unicredit EUR (Rocca Group)	1,000			f
Medio Credito Centrale EUR (Rocca Group)	833			g
Banca Popolare di Bergamo EUR (Rocca Group)	0			i
Unicredit EUR (Rocca Group)	140			l
Financial Lease	16,635	8,069	8,434	
<b>Total non current portion of medium/long financial debt</b>	<b>25,908</b>	<b>16,631</b>	<b>32,470</b>	
<b>Current portion</b>				
Unicredit n. 509606 (1° tranche) EUR		-	1,000.00	
Unicredit n. 509606 (2° tranche) EUR		-	714.00	
Banco di Lugano CHF		-	-	
Interbanca n. 50910/301 EUR	2,000	2,000	1,000	a
Medio Credito Centrale EUR	2,521	2,474	1,203	b
Banca Intesa EUR (Rocca Group)	321			c
Banca Popolare di Milano EUR (Rocca Group)	111			d
Unicredit EUR (Rocca Group)	2,000			e
Medio Credito Centrale EUR (Rocca Group)	1,667			g
Banca Popolare di Bergamo EUR (Rocca Group)	91			h
Unicredit EUR (Rocca Group)	40			i
Debiti per leasing su fabbricati	785	688	602	l
<b>Total current portion of medium/long term financial debt</b>	<b>9,536</b>	<b>5,162</b>	<b>4,519</b>	
<b>Total medium/long term financial debt</b>	<b>35,444</b>	<b>21,793</b>	<b>36,989</b>	

Details of the main information regarding loans granted by financial institutions to Group's companies that are still outstanding as of September 30, 2008 are given below.

a) Interbanca loan 50910/301 was originally issued in June 2005 to Damiani S.p.A. for Euro 10,000,000 with a repayment schedule of equal half-year repayments over the period from December 28, 2005 to December 31, 2010; annual fixed interest rate on this loan is equal to 3.87% a year;

b) a Medio Credito Italiano loan was originally issued in October 2005 to Damiani S.p.A. for Euro 10,000,000 to be paid back in equal installments over the period from November 28, 2005 to November 30, 2010; interest on this loan is equal to an annual rate of 3.68%;

c) a Banca Intesa loan was issued on 2006 to Rocca S.p.A. for Euro 1,000,000 to be paid back in quarterly

installments. The maturity date of the loan is April 30, 2011 and the interest rate is 5.10%;

d) a Banca Popolare di Milano loan was originally granted on December 2007 to Rocca S.p.A. for Euro 600,000 to be repaid through quarterly installments until December 31, 2012; the interest paid on this loan has been equal to the 3-month Euribor plus a spread of 1.10%;

e) a Unicredit loan was obtained in December 2007 by Rocca S.p.A. for Euro 2,000,000 with a repayment schedule of fixed quarterly installments for the period between September 30, 2009 - December 31, 2012; the interest paid on this loan has been equal to the 3-month Euribor plus a spread of 0.90%; there are two covenants on this loan: a) shareholders' equity should not be less than Euro 8,300 thousands b) the company will not distribute dividends until the maturity date of the loan; since the first covenant was not observed this loan was reclassified as short term debt for its entirety;

f) a Unicredit loan was obtained in March 2008 by Rocca S.p.A. for Euro 1,000,000 with a repayment schedule of fixed quarterly installments for the period between December 31, 2009 – March 31, 2013; the interest paid on this loan has been equal to the 3-month Euribor plus a spread of 1.20%;

g) a Mediocredito loan was issued in 2002 to Rocca S.p.A. for Euro 10,000,000 with a repayment schedule of fixed 6-month installments. The loan will be completely repaid on December 31, 2009; the interest paid on this loan has been equal to 6-month Euribor plus a spread of 0.95%;

h) a Banca Popolare di Bergamo loan was granted in November 2007 to Rocca S.p.A. for Euro 200,000 to be repaid through monthly installments. It will be paid in full on May 13, 2009; the interest paid on this loan is equal to 3-month Euribor plus a spread of 1.30%;

i) a Unicredit loan was originally issued to Courmayeur Rocca S.r.l. in December 2007 for Euro 200,000 to be repaid through quarterly installments. It will be paid in full on December 31, 2012; the interest paid on this loan is equal to 3-month Euribor plus a spread of 0.75%;

l) financial leases on buildings for Euro 17,421 thousands include the debt related to the contracts for the sale of real estate to related parties, recognized as sale and lease back transactions pursuant to IAS 17. Bliss, Damiani and Rocca boutiques are located in these properties. This amount includes Euro 8,924 thousands (short term portion is equal to Euro 153 thousands) coming from the consolidation of Rocca S.p.A.

The deterioration of the financial indebtedness situation compared to March 31, 2008 is attributable to the inclusion in the scope of consolidation of the Rocca Group's medium-long term debt for a total of Euro 16,189 thousands (of which Euro 13,636 thousands of medium-long term portion and Euro 2,553 thousands of current portion).

The table below gives details of the Group's net financial indebtedness on September 30, 2008, March 31, 2008 and September 30, 2007:

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<b>Net Financial Position</b> (in thousands of euros)	Situation at September 30 2008	Situation at March 31 2008	change	Situation at September 30 2007	change
Medium-long term loans - Current share	8,751	4,474	4,277	3,917	4,834
Current financial debts to banks and other financial institutes	19,861	2,593	17,268	19,368	493
Medium-long term loans with related parties - Current share	785	688	97	602	183
<b>Current financial debt</b>	<b>29,397</b>	<b>7,755</b>	21,642	<b>23,887</b>	<b>5,510</b>
Medium-long term loans - Non-current share	9,270	8,562	708	24,036	(14,766)
Medium-long term loans with related parties - Non-current share	16,638	8,069	8,569	8,434	8,204
<b>Non-current financial debt</b>	<b>25,908</b>	<b>16,631</b>	9,277	<b>32,470</b>	<b>(6,562)</b>
<b>Total gross financial debt</b>	<b>55,305</b>	<b>24,386</b>	30,919	<b>56,357</b>	<b>(1,052)</b>
Liquid assets and similar	(24,042)	<b>(52,813)</b>	28,771	(9,572)	(14,470)
<b>Net Financial Position *</b>	<b>31,264</b>	<b>(28,427)</b>	59,691	<b>46,785</b>	<b>(15,521)</b>

As of September 30, 2008 the Group's net financial indebtedness amounted to Euro 31,264 thousands compared to a balance of liquid assets of Euro 28,427 thousands at March 31, 2008, representing a deterioration of the net financial position by Euro 59,691 thousands. This variation is due mainly to the consolidation of the Rocca Group (which had a net financial indebtedness as of September 30, 2008 of Euro 39,682 thousands), to the expenses incurred for the acquisition of Rocca S.p.A. (Euro 5,356 thousands including ancillary expenses) and for the buy-back plan per (Euro 4,277 thousands).. It should be noted that as of September 30, 2008, Rocca was still due to receive Euro 8,570 thousands (amount included in working capital as other receivables), relative to a real estate sale (store properties) to a correlated party which took place in the month of August 2008 and accounted for as a sale and lease back transaction. Therefore, the net financial position at September 30, 2008 already includes the financial debt of Euro 8,937 thousands towards a correlated party originated by the lease back transaction (but not the receipt of this amount which will take place by March 31, 2009 as agreed upon by the parties).

## 20. Termination indemnities

In the half year period closed at September 30, 2008 there were the following changes to the provision for employee termination indemnities ("TFR"):

In € thousands

<b>TFR according to IFRS as of march 31, 2008</b>	<b>4,223</b>
Service costs	63
Interest costs	122
Benefits paid	(308)
TFR according to IFRS acquired by Rocca Group	818
<b>TFR according to IFRS as of september 30, 2008</b>	<b>4,918</b>

The changes over the period reflect the additional provisions made and the disbursements, including early payments of some benefits, which took place during the six-month period that ended on September 30, 2008, along with the contribution arising from the Rocca Group of Euro 818 thousands.

## 21. Other non current liabilities

Other non current liabilities amounted to Euro 309 thousands for the half year period closed at September 30, 2007, Euro 2,441 thousands for the financial period closed at March 31, 2008, and Euro 1,613 thousands at September 30, 2008. The decrease compared to March 31, 2008 is due to the reduction in the outstanding debt to former shareholders of Damiani France which will be extinguished in full on June 15, 2010, in line with what was agreed upon in the contract for the acquisition of the company.

## 22. Trade payables

The amount of trade payables goes from Euro 60,517 thousands for the half year period closed at September 30, 2007 to Euro 65,305 thousands for the financial period closed at March 31, 2008, and is equal to Euro 64,393 thousands at September 30, 2008. This amount includes Euro 10,429 thousands deriving from the inclusion of trade payables of the Rocca Group.

## 23. Current financial debt to bank and other lenders

The breakdown for the item at September 30, 2008, at March 31, 2008 and at September 30, 2007 is reported below:

in thousand of Euros	30 September, 2008	31 March, 2008	30 September, 2007
Usages of short term credit lines and bank loans	12,512	2,615	7,562
Payables to factor for receivables yielded	7,349	-	11,806
Fair value of financial derivatives	-	(22)	-
<b>Total short term borrowings</b>	<b>19,861</b>	<b>2,593</b>	<b>19,368</b>

Short-term credit lines were used to meet working capital requirements.

The increase of Euro 17,268 thousands compared to March 31, 2008 is mainly due to the consolidation of the Rocca Group for Euro 18,456 thousands.

Other lenders' debt is represented by the short-term financial debt granted to Rocca S.p.A. by W.J.R. Participations S.A. and Sparkling S.A. (companies indirectly owned by the Grassi Damiani Family) during 2008 for a total of Euro 7,349. This debt was repaid in full at the beginning of October 2008.

## 24. Income tax payables

Tax payables amount to Euro 7,983 thousands for the half-year period closed at September 30, 2007, Euro 8,977 thousands for the financial period closed at March 31, 2008, and Euro 9,549 thousands at September 30, 2008. The breakdown of this item at September 30, 2008, at March 31, 2008, and at September 30, 2007 is given below:

in thousands of Euros	30 September, 2008	31 March, 2008	30 September, 2007
VAT payables	475	145	1,609
Taxes withheld from employees (IRPEF)	301	358	274
Current income tax payables (IRES and IRAP)	8,677	8,321	5,958
Other tax payables	96	153	142
<b>Total income tax payables</b>	<b>9,549</b>	<b>8,977</b>	<b>7,983</b>

The amount includes Euro 54 thousands relative to the Rocca Group.

## 25. Other current liabilities

The breakdown for the item at September 30, 2008, at March 31, 2008 and at September 30, 2007 is reported below:

(in thousand of Euros)	30 September, 2008	31 March, 2008	30 September, 2007
Payables to social security institutions	1,167	1,113	1,867
Payables to employees	2,711	2,480	1,141
Other liabilities	687	2,486	530
Accrued expenses	130	244	67
Deferred income	37	27	27
<b>Total other current liabilities</b>	<b>4,731</b>	<b>6,350</b>	<b>3,632</b>

“Payables to social security institutions” include the amounts due for social security contributions and other insurance charges.

“Payable to employees” includes payables to employees for vacation and other leave pay accrued but not yet taken, as well as the pay accrued but not yet paid for the “13<sup>th</sup> and 14<sup>th</sup> months’ salary”. The total amount reported for current liabilities include Euro 918 thousands coming from the consolidation of the Rocca Group.

## 26. Revenues

The breakdown for the item for the half year periods at September 30, 2008 and at September 30, 2007 is reported below:



( in thousands of Euro)	I Half 2008/2009	I Half 2007/2008
Sales of goods and services	65,692	73,893
Other recurring revenues	411	259
Other non-recurring revenues	0	7612
<b>Total revenues</b>	<b>66,103</b>	<b>81,764</b>

The share of revenues attributable to the Rocca Group amounts to Euro 5,520 thousands, equal to 8.4 % of the total consolidated revenues for the first half year of the financial year 2008/2009. This amount includes Euro 3,690 thousands for *barter* transactions which are part of the plan to sell some inventory of finished goods no longer considered strategic for the Rocca Group, following the reassessment of the sales policies of the Group and already decided at the time of the acquisition of the Rocca Group.

The breakdown of revenues by distribution channel is as follows:

Breakdown of revenue by distribution channel ( In thousands of Euro)	I Half 2008/2009	I Half 2007/2008	change	change %
<b>Retail</b>	<b>6,740</b>	<b>4,248</b>	<b>2,492</b>	<b>58.6%</b>
<i>as % of total revenue</i>	<i>10.2%</i>	<i>5.2%</i>		
<b>Wholesale</b>	<b>51,612</b>	<b>66,949</b>	<b>(15,337)</b>	<b>-22.9%</b>
<i>as % of total revenue</i>	<i>78.1%</i>	<i>81.9%</i>		
Other channels and Other recurring revenues	7,751	2,954	4,797	162.4%
Other channels and Other not recurring revenues		7,612		n.m.
<b>Total other channels and Other revenues</b>	<b>7,751</b>	<b>10,566</b>	<b>(2,815)</b>	<b>-26.6%</b>
<i>as % of total revenue</i>	<i>11.7%</i>	<i>12.9%</i>		
<b>Total Revenues</b>	<b>66,103</b>	<b>81,764</b>	<b>(15,661)</b>	<b>-19.2%</b>

The consolidated revenues for the half year period closed at September 30, 2008 amount to Euro 66,103 thousands, versus Euro 81,764 thousands for the half year period closed at September 30, 2007, showing a decrease of Euro 15,661 thousands, equal to approximately 19.2%. This decrease in revenues compared to the same period of the previous financial year was significantly determined by non-recurring revenues related to key money cashed in the first six months period of the financial year 2007/2008, which were recorded as other non-recurring revenues for an amount of approximately Euro 7,612 thousands.

Considering only the recurring revenues, the decrease in revenues compared to the first half year period of the previous financial year is equal to -10.9%.

The contribution of the Rocca Group to retail sales amounted to Euro 1,829 thousands.

Details of other revenues (recurring and non-recurring) for the half year periods closed at September 30, 2008 and at September 30, 2007 are given below:

(in thousand of Euros)	I Half 2008/2009	I Half 2007/2008
Leases and rentals	317	127
Franchising	88	118
Capital gain on disposals of fixed assets	2	1
Revenue from sale of advertising material	4	13
<b>Other recurring revenues</b>	<b>411</b>	<b>259</b>
<b>Other non recurring revenues- Key money</b>	<b>0</b>	<b>7,612</b>
<b>Other revenues</b>	<b>411</b>	<b>7,871</b>

The non-recurring revenues for the half-year period closed at September 30, 2007 refer to Key money cashed for giving up two leases prematurely not longer deemed to be strategic for the development of the retail network of the Group.

## 27. Costs for raw materials and consumables

The table below shows the expenditure on raw materials and other materials (including purchases of finished products) for the half year periods closed at September 30, 2008 and at September 30, 2007:

(in thousand of Euros)	I Half 2008/2009	I Half 2007/2008
Purchases	30,542	38,095
Change in inventory of finished products	(3,685)	(9,005)
Change in inventory of raw materials and consumables	(869)	(192)
<b>Total costs of raw materials and consumables</b>	<b>25,988</b>	<b>28,898</b>

The portion of costs attributable to the Rocca Group is of Euro 4,633 thousands, equal to 17.8 % of total costs.

Costs for raw materials and consumables go from Euro 28,898 thousands for the half year closed at September 30, 2007 to Euro 25,988 thousands for the half year closed September 30, 2008, decreasing by Euro 2,910 thousands, (approximately 10.1%). This decrease is due to lower sales. As a percentage of turnover, purchases (net of changes in stocks) account for around 39.3% as of September 30, 2008 (39.1% as of September 30, 2007).

**28. Costs for services**

Detailed breakdown for this item for the half years at September 30, 2008 and at September 30, 2007 is reported below:

(in thousand of Euros)	I Half 2008/2009	I Half 2007/2008
Functional expenses	4,284	4,260
Advertising expenses	5,257	5,285
Other commercial expenses	1,856	2,085
Production costs	2,586	3,823
Consultancy	2,143	1,607
Travel/transport expenses	2,434	2,142
Directors' Fees	1,469	1,455
Usage of third party properties	4,273	2,333
<b>Total</b>	<b>24,302</b>	<b>22,990</b>

The portion of costs for services attributable to the Rocca Group is of Euro 438 thousands, equal to 1.8 % of the total. Costs for services increase by Euro 1,312 thousands (+5.6%) compared to the same period for the previous financial year, mainly due to the increase in lease costs because of the expansion of the retail channel. .

**29. Personnel costs**

The breakdown for the item for the half year periods at September 30, 2008 and at September 30, 2007 is reported below:

(in thousand of Euros)	I Half 2008/2009	I Half 2007/2008
Wages and salaries	9,615	7,564
Social security costs	2,470	2,275
Termination indemnity	502	111
Other personnel costs	453	334
<b>Total personnel costs</b>	<b>13,040</b>	<b>10,284</b>

The portion of personnel costs attributable to the Rocca Group is of Euro 406 thousands, equal to 3.1 % of the total. Personnel costs were up compared to the first half of the financial year 2007/2008 mainly because of the increase in the average number of Group employees which was equal to 21.4% due to: the acquisition of the Rocca Group, the expansion of the retail channel, the increase in internal production capacity, and also the hiring of new personnel to deal with the stock exchange listing process of Damiani S.p.A.

The table below shows the average number of Group employees in the half years at September 30, 2008 and 2007

Labour category	I Half 2008/2009	I Half 2007/2008
Managers	57	53
Clerks	426	347
Workers	125	101
<b>Total</b>	<b>608</b>	<b>501</b>

### 30. *Other net operating (charges) income*

The table below details this item for the half years as at September 30, 2008 and as at September 30, 2007:

(in thousand of Euros)	I Half 2008/2009	I Half 2007/2008
Other operating (charges) incomes	(1,079)	(1,670)
Net exchange difference from trade receivables	2,782	(574)
<b>Total net other operating (charges) incomes</b>	<b>1,703</b>	<b>(2,244)</b>

The portion of this amount attributable to the Rocca Group is of Euro 53 thousands, equal to 3.1 % of the total.

The improvement in other net operating income compared to the first half year of 2007/2008 is linked to the depreciation of the Euro versus the US Dollar and the Japanese Yen which generated positive net trade exchange rate differences.

### 31. *Amortization and depreciation*

The breakdown for the item for the half year periods at September 30, 2008 and at September 30, 2007 is reported below:

(in thousand of Euros)	I Half 2008/2009	I Half 2007/2008
Amortization of intangible assets	411	168
Depreciation of tangible assets	1,224	1,111
<b>Total Amortization and depreciation</b>	<b>1,635</b>	<b>1,279</b>

The portion of this amount attributable to the Rocca Group is of Euro 112 thousands, equal to 6.8 % of the total.

The increase of Euro 356 thousands is due to both the consolidation of the Rocca Group and the investments made for the new directly managed boutiques (including *key money*).

### 32. Financial expenses and incomes

The breakdown for the financial income and expenses for the half year periods at September 30, 2008 and at September 30, 2007 is reported below:

in thousand of Euros	I Half 2008/2009	I Half 2007/2008
Net losses on exchange	997	(174)
Other financial charges	(919)	(1,615)
Other financial revenues	1,171	1,114
<b>Total financial (expenses) and incomes</b>	<b>1,249</b>	<b>(675)</b>

The portion attributable to the Rocca Group is equal to Euro 199 thousands in term of net financial expenses.

The improvement in the balance of financial income and expenses compared to the same period of the previous financial year is both the result of lower financing expenses (because of a decrease in the use of interest bearing debt thanks to the available financial resources generated by the IPO of Damiani S.p.A.), and of positive exchange rate differences of financial items generated by the depreciation of the Euro versus the US Dollar and the Japanese Yen.

### 33. Income taxes

The breakdown for the item for the half year periods at September 30, 2008 and at September 30, 2007 is reported below:

(In thousands of Euros)	I Half 2008/2009	I Half 2007/2008
Current taxes	1,332	5,452
Deferred tax (assets)/Liabilities	962	(164)
<b>Total income taxes</b>	<b>2,294</b>	<b>5,288</b>

The decrease in taxes is a result of the lower income achieved in the period in question. The effective tax rate for the period was 56.1%, higher than the effective tax rate for last year (equal to 34.3%).

Current taxes include both statutory corporate income tax (IRES), and regional Italian income tax (IRAP) for the period.

### **34. Transactions with related parties**

This paragraph describes the transactions occurred between companies of the Damiani Group and all related parties during the first half year periods closed at September 30, 2008 and at September 30, 2007, highlighting the effect of these transactions on the consolidated financial statements.

The transactions with related parties for the periods in question are of real estate nature (leases, sale/lease back transactions, leasing of company divisions) and of trading nature (sale of jewellery products, cooperation agreements), mainly with the Rocca Group. With respect to the figures of the first six months of the financial year 2008/2009, it should be noted that the Rocca Group is considered “related party” only until August 31, 2008, since on September 1, 2008 it became part of the Damiani Group and was fully consolidated.

Details of the acquisition of the Rocca Group are reported in Note 6.

The table below gives details of the transactions between Group companies and related parties for the half year closed at September 30, 2008.

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I Half 2008/2009				Situation as of September 30, 2008			
(in Euro thousands)							
	Revenues	Operating expenses	Financial expenses	Trade receivables	Financial debts (including leasing)	Trade liabilities	Lease back real estate
Sparkling Inv. SA		(85)	(8)		(1,520)		
Rocca S.p.A.	2,204						
Rocca International SA	43						
Imm.re Miralto S.r.l.		(883)	(319)	8,570	(17,421)	(418)	16,965
Courmayeur Rocca S.r.l	6						
WJR Participation SA			(27)		(5,829)		
Immobiliare Pessina							
Famiglia Grassi Damiani		(122)				(6)	
<b>Total with related parties</b>	2,254	(1,090)	(354)	8,570	(24,770)	(424)	16,965
<b>Group Total</b>	66,103	63,262	(919)	54,156	(55,306)	(64,394)	
<b>%</b>	3%	-2%	39%	16%	45%	1%	

- Operating costs of Euro 85 thousands to the related party Sparkling Inv. SA are for the payment made by the subsidiary Damiani International BV for the use in special events of the jewels winners of the Diamonds International Awards which are owned by Sparkling Inv. SA; financial expenses of Euro 8 thousands are for the interest expenses matured on a financing debt granted by Sparkling Inv. SA to Rocca S.p.A. As of September 30, 2008 the debt amounts to Euro 1,520 thousands;
- Revenues from Rocca S.p.A. include sale of jewels of various Group brands for Euro 1,733 thousands, rental income due to New Mood S.p.A. and Damiani S.p.A. for a total of Euro 471 thousands for the rent of three stores (Milano, Verona and Portofino) for the period before the acquisition;
- Revenues from Rocca International SA of Euro 43 thousands are for jewellery sales from Damiani International BV which took place before the acquisition;
- Costs towards Immobiliare Miralto S.r.l. for a total of Euro 382 thousands are for the rent of the premises in Milan's Corso Magenta and in Valenza (AL). In addition, operating costs included depreciation expense of Euro 501 thousands for buildings in Milan – (the Damiani, Bliss and Rocca stores) , for the laboratory facilities at Bassignana (AL) used by the controlled subsidiary Laboratorio Damiani Srl, and for three stores in Portofino, Padua and Taormina. These premises, owned by the related party, had been the subject of sale and lease back transactions and recorded as such (pursuant to IAS 17); consequently this gave rise to an interest expense on this debt equal to Euro 319 thousands, as shown in the table above. The remaining financial debt from these sale and lease back transactions now amounts to Euro 17,421 thousands, and the corresponding net book value of the premises is Euro 16,965 thousands; the receivables

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### First Half Condensed Consolidated Financial Statements as of September 30, 2008

of Euro 8,570 thousands is related to the August 2008 sale (from the Rocca Group to Immobiliare Miralto S.r.l.) of two stores located in Padua and Taormina and of the Rocca boutique in Milan (these stores being the subject of the above mentioned sale and lease back transactions); this amount will be paid by March 31, 2008 as previously agreed upon by the parties;

- Revenues from Courmayeur Rocca S.r.l. of Euro 6 thousands relates to jewellery sales for the period April-August 2008;
- Financial expenses of Euro 27 thousands towards WJR Participations S.A. relate to interest on a financing loan granted by the company to Rocca S.p.A.; as of September 30, 2008 the debt is equal to Euro 5,829 thousands;
- Euro 122 thousands owed to the Grassi Damiani family are for the rent paid for the lease of the office premises in Valenza (AL).

The table below gives details of the transactions between Group companies and related parties for the half year period closed on September 30, 2007.

I Half 2007/2008				Situation as of September 30, 2007			
(in Euro thousands)							
	Revenues	Operating expenses	Financial expenses	Trade receivables	Financial debts (including leasing)	Trade liabilities	Lease back real estate
Sparkling Inv. SA		(127)					
Idea Rocca S.r.l	784			5,990			
Rocca S.p.A.	2,233	(595)		824			
Rocca International SA	250			157			
Imm.re Miralto S.r.l.		(748)	(296)		(9,036)	(44)	8,812
Famiglia Grassi Damiani		(120)		4		(194)	
Jewels Manufacturing SA			16	50			
Immobiliare Pessina SA			21				
<b>Total with related parties</b>	3,267	(1,590)	(259)	7,025	(9,036)	(238)	8,812
<b>Group Total</b>	81,764	(65,695)	(675)	60,867	(56,357)	(60,517)	
<b>%</b>	4%	2%	38%	12%	16%	n.m.	

The transactions with each related party are described below:

- Operating costs of Euro 127 thousands to the related party Sparkling Inv. SA are for the payment made by the subsidiary Damiani International BV for the use in special events of the jewels winners of the



Diamonds International Awards which are owned by Sparkling Inv. SA.;

- Revenues from Rocca S.p.A. include: sale of jewels of various Group brands for Euro 2,682 thousands, rental income of Euro 127 thousands due to New Mood S.p.A. for the rent of the boutique of Via Montenapoleone 16 in Milan, rental income due to Damiani S.p.A. for a total of Euro 83 thousands for the rent of mono-brand Damiani stores in Verona and Portofino and royalties of Euro 125 thousands as per the cooperation agreement stipulated in March 2008 with Damiani International BV for the boutique in Venice. Costs due to Rocca S.p.A. relate for Euro 560 thousands to the expenses incurred by Damiani International BV for the termination, on May 21, 2007, of a preliminary contract stipulated with Rocca S.p.A. in September 2006 for the acquisition of a company division consisting of a store site in Italy. Furthermore, expenses due to Rocca S.p.A. include Euro 35 thousands paid by New Mood SpA for property conveyance charges of commercial premises located in a shopping centre in Rome where a franchise store is planned;
- Euro 250 thousand was received by Damiani International BV from Rocca International SA in relation to sales of jewels;
- Costs due to Immobiliare Miralto S.r.l. are for the rent paid for the lease of the office buildings in Milan (Corso Magenta) and some other premises in Valenza (AL) for a total of Euro 284 thousands. In addition, operating costs included depreciation expense of Euro 464 thousands for buildings in Milan – (the Damiani, and Bliss stores), for the laboratory facilities at Bassignana (AL) used by the controlled subsidiary Laboratorio Damiani Srl, and the boutique in Portofino. These four locations, owned by the related party, had been the subject of sale and lease back transaction and recorded as such (pursuant to IAS 17); consequently this gave rise to an interest expense on this debt equal to Euro 296 thousands, as shown in the table above. The remaining financial debt from these sale and lease back transactions amounts to Euro 9,036 thousands at September 30, 2007, and the corresponding net book value of the premises is Euro 8,812 thousands;
- Euro 120 thousands paid to the Grassi Damiani family are for the rent paid for the lease of the office premises in Valenza (AL);
- Financial income of Euro 16 thousands from Jewels Manufacturing SA relate to interest on a funding loan made to the company when it was still a subsidiary of the Group. The sale of this company to Jewellery Investment SA (now renamed D.Holding SA) and the exit from the scope of the consolidation generated a financial receivable of Euro 1,531 thousands which was fully repaid on September 14, 2007;
- Financial income of Euro 21 thousands from Immobiliare Pessina SA (formerly Damiani Suisse SA) relate to the interest on a funding loan made to the company when it was still a subsidiary of the Group. The sale of this company to Jewellery Investment SA (now renamed D.Holding SA) and the exit from the scope of the consolidation generated a financial receivable of Euro 2,405 thousands which was fully repaid on July 23, 2007.

In both periods there were also outstanding financing agreements between the Holding Company and some of its controlled subsidiaries; these were negotiated on normal market terms.

### **35. *Commitments and potential liabilities***

There were no commitments other than those already reported in the financial statements closed on September 30, 2008.

### **36. *Non-recurring, atypical and/or unusual transactions***

There were no positions or transactions arising from atypical and/or unusual transactions as defined by CONSOB Resolution 15519 of 27/07/2006.

### **37. *Earning per share***

Basic EPS has been calculated by dividing the net profit for the period attributable to Damiani's ordinary shareholders by the weighted average number of outstanding shares in the financial period in question. Moreover, for the calculation of EPS for the financial period closed at September 30, 2008, the weighted average number of ordinary shares outstanding was determined considering also the effects of the purchase of own shares which took place after the month of March 2008, following the resolution of the Shareholders' meeting of February 22, 2008.

Diluted EPS, in accordance with paragraph 64, IAS 33, was calculated for both half-year periods by taking into account the increase in the number of shares which took place following the listing of the holding company, Damiani S.p.A., in the STAR segment of the Italian Stock Exchange.

The diluting effects arising from options rights, relative to the employee stock option plan of November 5, 2007, exercisable at maturity based on the actuarial forecasts (as required by IFRS2), were also considered in the calculation of diluted EPS at September 30, 2008.

Information on the shares taken into accounts for the calculation of Basic and Diluted EPS is reported below:

**Basic Earnings per Share**

	I Half 2008/2009	I Half 2007/2008
Number of ordinary shares at the beginning of the period	82,600,000	64,137,500
Increase related to a paid capital increase (IPO) as of November 8, 2007		-
Number of ordinary shares at the end of the period	82,600,000	64,137,500
Weighted average number of ordinary shares for computation of basic earnings per share	82,600,000	64,137,500
<b>Basic Earnings per Share (amount in Euro)</b>	<b>0,02</b>	<b>0.16</b>

**Diluted Earnings per Share**

	I Half 2008/2009	I Half 2007/2008
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 diluted earnings per share	82,600,000	82,600,000
Diluted effect from Stock option plan	466,073	-
Weighted average number of ordinary shares for computation of basic earnings per share	80,678,920	82,600,000
<b>Diluted Earnings per Share (amount in Euro)</b>	<b>0,02</b>	<b>0.12</b>

**38. Stock Option Plan**

On September 26, 2007, the Ordinary Shareholders' Meeting approved a stock option scheme for all those employees, directors, agents and advisers of Damiani SpA and its controlled subsidiaries who perform significant duties or functions for Group companies. The scheme provides for the allocation of up to a maximum of no. 1,600,000 options, each granting the right to purchase or subscribe one ordinary share at the offer price, in the case of allocations made before the start of trading in the electronic stock market. On the other hand, if the allocation takes place after the start of trading, the exercise price will be equal to the arithmetic mean of the share's official market prices during the period between the allocation date and the same day of the preceding calendar month, in accordance with the tax laws applicable at the time.

On November 5, 2007, the Board of Directors put the stock option scheme into practice, and with the help of the Remuneration Committee named the directors, employees, agents advisers and consultants of the Group who were to be its beneficiaries; 1,543,000 options were allocated at the price of Euro 4,00 per each option. The Board of Directors then set the general target to be achieved as a necessary condition for the exercise of options by any beneficiary, and authorized the President to set individual targets which should likewise be met by each beneficiary before he or she can exercise the options. Thus the exercise of any option is conditional on the Group achieving a

general target in terms of a threshold level of consolidated Group EBITDA by the end of the three-year period 2008-2010 in line with the Group's Industrial Plan, and on reaching certain personal goals set for each of the three financial years.

In the six-months financial period ended September 30, 2008 the impact on the Consolidated Income Statement arising from the actuary's valuation of the options at fair value on the allocation date, in accordance with the criteria prescribed in IFRS 2, amounted to Euro 72,000.

In particular, the binomial Black-Scholes model adopted by the actuary is based on the following main assumptions:

- Volatility of comparable companies listed in Italy: 23.5%
- Risk-free rate: 4.10%
- Dividend yield: 0%
- The option maturity date is March 31, 2011 and the vesting date is April 5, 2010, as reported in the Stock Option Scheme Rules approved by the Damiani SpA AGM on September 26, 2007.

The following table gives details of the stock options allocated to directors, general managers and senior managers with strategic responsibilities:

Name and Surname	Office held	Number of option
Giulia De Luca (*)	Director, General Manager	500,000
Stefano Graidi	Director	50,000
Simone Rizzetto	Director Damiani Manufacturing	12,500
Cristian Rizzetto	Director Damiani Manufacturing	12,500
Maurizio Ponta	Director Laboratorio Damiani	12,500
Managers with strategic responsibilities		200,000

(\*) On May 21, 2008 Damiani S.p.A. announced that Mrs. Giulia De Luca had resigned from her position as General Manager and CFO of the Group for personal reasons although she continues to serve as a member of the Board of Directors of Damiani S.p.A. The handing over of her responsibilities was completed in the first part of August 2008.

### 39. Capital management

The company's primary objective is to ensure a constant balance between profitability measures (the Company's ability to turn the profits generated into cash flows), solvency measures (its ability to maintain a balanced structure of assets and liabilities), and growth measures (its ability to ensure revenue performance in line with the overall soundness of the balance sheet).

With reference to capital management, the Company considers it essential to maintain a very sound balance sheet in order to maximize its credit rating and hence support its plans for growth under the best possible conditions.

The Company manages the structure of its capital and amends it in accordance with changes in economic

circumstances and the objectives of its strategic plans. In order to maintain or adjust its capital structure the Company may revise its dividend distribution policy from time to time, sell treasury shares which it holds, purchase further treasury shares, or make new issues of shares.

#### **40. Exchange Rates**

Foreign exchange rates at September 30, 2008 and at September 30, 2007 used for the conversion of the financial statements reported in foreign currency are presented below:

Currency	Average I Half 2008/09	Punctual	Average I Half 2007/08	Punctual
		September 30, 2008		September 30, 2007
US Dollar	1.5332	1.4303	1.3613	1.4179
Japanese Yen	162.5805	150.47	162.3846	163.55
Swiss franc	1.6115	1.5774	1.6476	1.6601
Hong Kong dollar	11.9574	11.1124	10.6333	11.0055

#### **41. Significant events after the end of the first half period**

After 30 September 2008, Damiani S.p.A. continued the share buy back program as authorised by resolution of the ordinary Shareholders' Meeting of 22 February 2008. As of November 18, 2008 Damiani S.p.A. held a total of 3,057,919 ordinary shares, equal to 3.7021% of its own share capital. On October 13, 2008 the first mono-brand Bliss boutique was opened in Osaka in the prestigious shopping district of Shinsaibashi. The opening of the Osaka boutique is part of the agreement recently signed with the Japanese partner BGioielli LTD.

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

**Attestation regarding the half yearly condensed consolidated financial statements, pursuant to article 81-ter of the Consob (Italian SEC) Regulation no. 11971 dated May 14, 1999, and its subsequent changes and additions**

1. The undersigned Mr. Guido Grassi Damiani, Chairman and CEO, and Mr. Gilberto Frola, Executive in charge of drawing up the company's accounting documents of Damiani S.p.A., also considering the provisions of article 154-bis, paragraphs 3 and 4, of the Legislative Decree no. 58 of February 24, 1997, 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 half-yearly condensed consolidated financial statements for the six months period closed on September 30, 2008.
2. Furthermore it is certified that the condensed half yearly financial report:
  - a) is prepared in conformity with International Accounting Standards as endorsed by the European Union pursuant to EC regulation 1606/2002 of the European Parliament and Council dated July 19, 2002;
  - b) agrees with the contents of the accounting books and entries;
  - c) provides a true and fair representation of the Balance Sheet, Income Statement and financial situation of Damiani S.p.A. and of the companies included in the consolidation area;
  - d) the interim report on operations contains references to important events which took place during the first six months of the financial year and their impact on the half-yearly condensed consolidated financial report, along with the description of the main risks and uncertainties for the remaining six months of the financial year, as well as information concerning important related party transactions.

Milan, November 26, 2008

Mr. Guido Grassi Damiani

Mr. Gilberto Frola

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Chairman and CEO

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Executive in charge of drawing up the  
Company's accounting documents

**Auditors' review report on the interim condensed consolidated financial statements**

(Translation from the original Italian text)

To the Shareholders of  
Damiani S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, consisting of the balance sheet, income statement, statement of changes in shareholders' equity and cash flows statement and the related explanatory notes, of Damiani S.p.A. and its subsidiaries (the "Damiani Group") as of September 30, 2008. Management of Damiani S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting ("IAS 34") as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management and the performance of analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on July 4, 2008 and on November 26, 2007, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Damiani Group as of September 30, 2008 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by European Union.

Milan, November 27, 2008

Reconta Ernst & Young S.p.A.  
Signed by: Maurizio Girardi, partner

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