# DAMIANI S.p.A.

# Consolidated First Quarter 2009/2010 Report

Drawn up pursuant to the IAS/IFRS
Not audited by the Independent Auditors

Damiani SpA
46, Viale Santuario, Valenza (AL).
Share Capital €36,344,000
Tax and VAT registration no. 01457570065

INDEX

COMPANY BODIES

## Board of Directors

Guido Grassi Damiani (Chairman and CEO)
Giorgio Grassi Damiani (Vice President)
Silvia Grassi Damiani (Vice President)
Roberta Benaglia (Director)
Stefano Graidi (Director)
Giancarlo Malerba (Director)
Fabrizio Redaelli (Director)

## Board of Statutory Auditors

Gianluca Bolelli (Chairman)
Simone Cavalli (Statutory Auditor)
Fabio Massimo Micaludi (Statutory Auditor)
Pietro Sportelli (Alternate Auditor)
Pietro Michele Villa (Alternate Auditor)

## External Auditors

Reconta Ernst & Young S.p.A.

## Internal Controls and Corporate Governance Committee

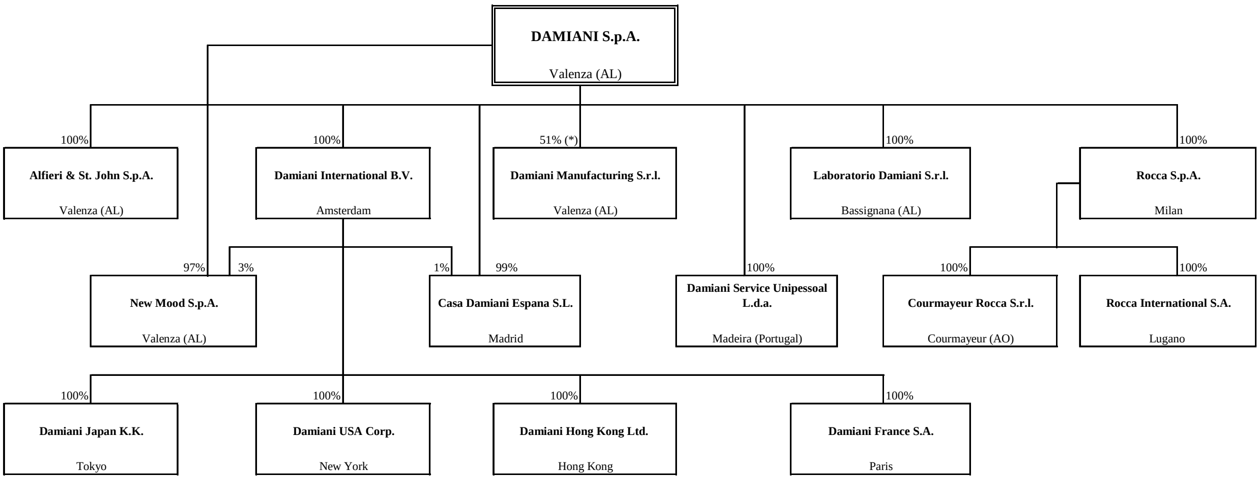
Giancarlo Malerba (Chairman)
Roberta Benaglia
Fabrizio Redaelli

## Remuneration Committee

Giancarlo Malerba (Chairman)
Roberta Benaglia
Fabrizio Redaelli

REPORT ON OPERATIONS [1].

## Structure and Business Activities of Damiani Group




(*) Il 49% is held by Christian and Simone Rizzetto, both currently Damiani Manufacturing S.r.l.directors, with control over production, administrative and finance.

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 three months period ended on June 30, 2009 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.

If compared to the financial report ended March 31, 2009, the consolidation area as reported in the organization chart pointed up above is unchanged.

The Group, which concentrates on producing and distributing top quality jewellery both in Italy and abroad, offers wide coverage of the main market segments and thanks to its different brands provides customers with a large range of variously priced jewellery. The Group's portfolio is made up of five brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni.

Furthermore, after the purchase of Rocca S.p.A. and its two subsidiaries (happened on September 15, 2008), Damiani Group also distributes prestigious brands of third parties (above all watchmakers), with its multi brand boutiques directly managed, which are located in the main national and international (Switzerland) shopping cities.

[1] Damiani Group closes its financial year at March 31, and therefore the period from April 1, 2009 to June 30, 2009 represents the first quarter of the financial year that will end March 31, 2010.

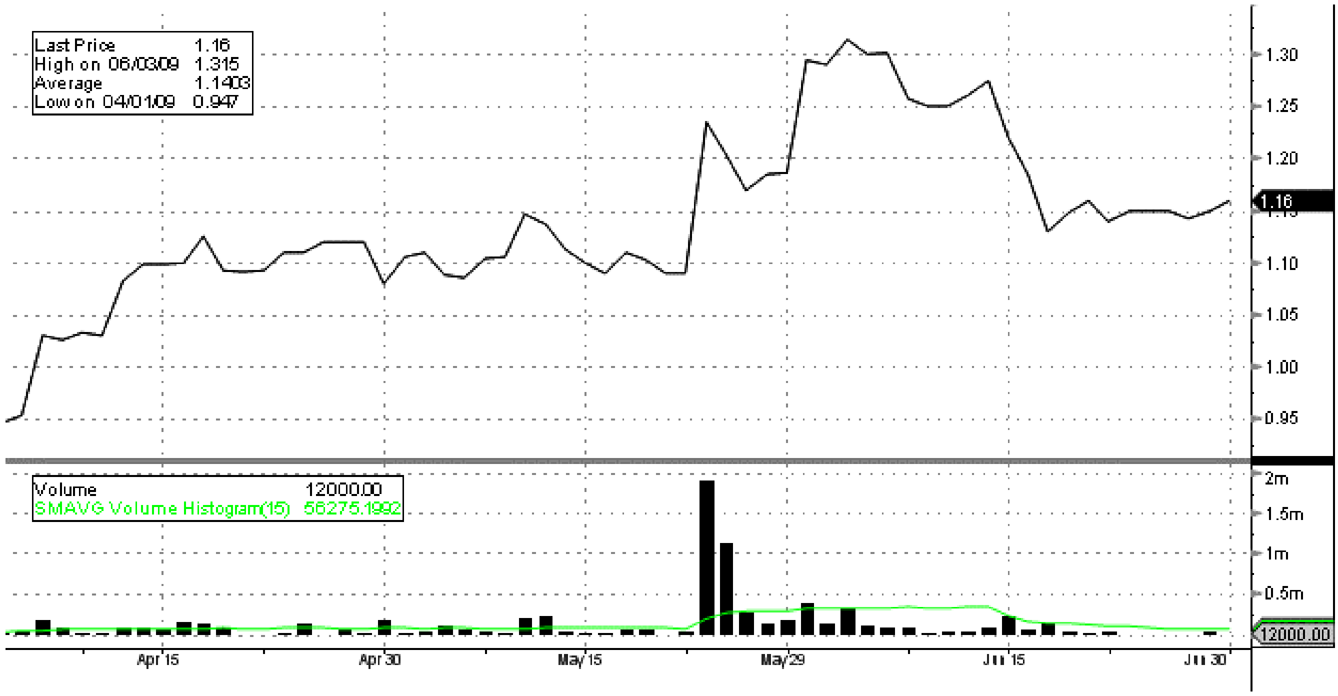
The Group's products are marketed in Italy and abroad through two main distribution channels:

- the wholesale channel, consisting of independent multi-brand jewellers, department stores, franchisees and distributors;
- the retail channel, consisting of individual sales outlets run directly by the Group. As of June 30, 2009, there were 20 directly run single-brand sales outlets: 13 in Italy and 7 abroad of which 14 with Damiani brand, 4 with Bliss brand, 1 respectively of Calderoni and Salvini brand. Multi brand boutiques of Rocca Group were 17, of which 15 in Italy and 2 in 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.

In the consolidated financial statements intercompany transactions have been eliminated.

Title's Performance on Market Stock Exchange




Damiani in the Stock Market 1Q 2009/2010 (April 1, 2009-June 30, 2009)

| | |
|---|---|
| Price on April 1st 2009 (euro) | 0,95 |
| Price on June 30th, 2009 (euro) | 1,16 |
| Maximum price 1Q (euro) | 1.315 (on June 3 2009) |
| Minimum price 1Q (euro) | 0.947 (on April 1 2009) |
| Average volumes | 133.523 |
| Maximum volumes | 1,916,418 (on May 25 2009) |
| Minimum volumes | 7,467 (on June 23 2009) |
| N.shares Company capital | 82.600.000 |
| Market capitalization on June 30, 2009 (euro mln) | 95,8 |

## Key Data

| Share Capital | June 30, 2009 | March 31, 2009 | June 30, 2008 |
|---|---|---|---|
| Number of shares issued | 82,600,000 | 82,600,000 | 82,600,000 |
| Par value of individual share | 0.44 | 0.44 | 0.44 |
| Share Capital | 36,344,000 | 36,344,000 | 36,344,000 |

| Ownership | % on shares issued | % on shares issued | % on shares issued |
|---|---|---|---|
| Leading Jewels S.A. | 56.20% | 55.82% | 52.49% |
| Guido Grassi Damiani | 5.02% | 5.02% | 5.01% |
| Silvia Grassi Damiani | 5.68% | 5.68% | 5.68% |
| Giorgio Grassi Damiani | 6.11% | 6.11% | 6.11% |
| Damiani S.p.A. (buy back) (1) | 6.12% | 4.54% | 3.00% |
| Colombo Damiani Gabriella (2) | 0.15% | 0.15% | 0.15% |
| Market | 20.72% | 22.68% | 27.56% |

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

| Individual | Office | Number of shares |
|---|---|---|
| Guido Grassi Damiani (indirectly n. 46.417.347) (3) | Director | 4,150,808 |
| Giorgio Grassi Damiani | Director | 5,047,371 |
| Silvia Grassi Damiani | Director | 4,687,371 |
| Strategic managers | | 9,000 |

(1) The shareholders' Meeting of February 22, 2008 authorized the purchase of company shares (buy back program) within a period of 18 months after the resolution, up to maximum of 8,250,000 ordinary shares in Damiani S.p.A.. At June 30, 2009 own shares purchased were n. 5.054.305, equal to 6.119% of share capital.
(2) Usufructuary of n. 943,125 shares corresponding to 1.14% of share capital.
(3) As a controlling shareholder in Leading Jewels S.A., the own shares of Damiani S.p.A. (n. 5.054.305) are also related to Mr. Guido Grassi Damiani.

| Main economic data (In thousands of Euro) | I Quarter Financial Year 2009/2010 | Financial Year 2008/2009 | Change % |
|---|---|---|---|
| Revenues from sales and services | 33,347 | 38,957 | -14.4% |
| **Total Revenues** | **33,383** | **39,162** | **-14.8%** |
| Cost of production | (34,727) | (34,655) | 0.2% |
| **EBITDA (*)** | (1,344) | 4,507 | n.s. |
| EBITDA % | -4.0% | 11.5% | |
| **Operating income** | (2,549) | 3,828 | n.s. |
| Result before taxes | (2,921) | 4,110 | n.s. |
| **Net result of the Group** | (2,954) | 2,101 | n.s. |
| Basic Earnings (Losses) per Share | (0.04) | 0.03 | n.s. |
| Personnel Costs | (6,901) | (6,325) | 9.1% |
| Average number of employees | 640 | 578 | 10.7% |
| Gross Margin %(**) | 47.9% | 57.7% | |

(*) EBITDA represents the operating result intended as Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is used by the 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 as used by other companies and therefore cannot be used for comparative purposes.
(**) Gross Margin: the difference between revenues from sales and the cost of sales understood as the sum of costs for raw materials, other materials and finished goods and the cost of operations performed outside the Group. Gross margin thus defined is a measure used by the management to monitor and evaluate the Group's operational performance and is not an IFRS accounting measure. It cannot be considered as an alternative measure for evaluating the Group's results. Since the composition of Gross margin is not regulated by the referenced accounting principles, the criteria applied by the Group in calculating it may not be the same as used by other companies and thus not comparable.

| Balance sheet Data | Situation at June 30, 2009 | Situation at March 31, 2009 | change | Situation at June 30, 2008 | change |
|---|---|---|---|---|---|
| (In thousands of Euro) | | | | | |
| Fixed Assets | 63,425 | 64,208 | (783) | 43,470 | 19,955 |
| Net working capital | 123,076 | 115,168 | 7,908 | 92,327 | 30,749 |
| Non current Liabilities | (10,344) | (11,141) | 797 | (8,589) | (1,755) |
| Net Capital Invested | 176,157 | 168,235 | 7,922 | 127,208 | 48,949 |
| Net Equity | 124,695 | 129,838 | (5,143) | 155,314 | (30,619) |
| Net Financial Position * | 51,462 | 38,397 | 13,065 | (28,106) | 79,568 |
| Sources of Financing | 176,157 | 168,235 | 7,922 | 127,208 | 48,949 |

(*) The net financial position was determined on the basis of the indications of Consob (Italian SEC) communication DEM/6064923 of 28.07.06.

## Comments on the main economic and financial consolidated results

The total revenues and the profitability of Damiani Group in the first three months of the financial year 2009/2010 showed a decrease if compared to the same period of the previous financial year.

| | I Quarter | | | |
|---|---|---|---|---|
| *(in thuousands of Euro)* | Financial Year 2009/2010 | Financial Year 2008/2009 | Change | Change % |
| **Revenues from sales and services** | 33,347 | 38,957 | (5,610) | -14.4% |
| Other revenues | 36 | 205 | (169) | -82.4% |
| **Total Revenues** | **33,383** | **39,162** | **(5,779)** | **-14.8%** |
| Cost of production | (34,727) | (34,655) | (72) | 0.2% |
| **EBITDA (*)** | **(1,344)** | **4,507** | **(5,851)** | **n.s.** |
| EBITDA % | -4.0% | 11.5% | | |
| Depreciation and amortization | (1,205) | (679) | (526) | 77.5% |
| **Operating income** | **(2,549)** | **3,828** | **(6,377)** | **n.s.** |
| Operating income % | -7.6% | 9.8% | | |
| Net Financial incomes (losses) | (372) | 282 | (654) | n.s. |
| **Result before taxes** | **(2,921)** | **4,110** | **(7,031)** | **n.s.** |
| Result before taxes % | -8.7% | 10.5% | | |
| Taxes | 9 | (1,910) | 1,919 | n.s. |
| **Net result** | **(2,912)** | **2,200** | **(5,112)** | **n.s.** |
| **Net result %** | -8.7% | 5.6% | | |
| Minorities Interests | 42 | 99 | (57) | -57.6% |
| **Net result of the Group** | **(2,954)** | **2,101** | **(5,055)** | **n.s.** |
| Net result of the Group % | -8.8% | 5.4% | | |

(*) EBITDA represents the operating result intended as Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is used by the 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.

### REVENUES

The total revenues showed a decrease compared to the first quarter of the previous financial year by Euro 5,610 thousands, equal to –14.4% at current exchange rate (-15.6% at constant exchange rates).

The following table shows the revenues breakdown by sales channel.

| Revenues by Sales Channel (in thousands of Euro) | I Quarter Financial Year 2009/2010 | Financial Year 2008/2009 | Change | Change % |
|---|---|---|---|---|
| Retail | 7,034 | 2,497 | 4,537 | 181.7% |
| *Percentage on total revenues* | *21.1%* | *6.4%* | | |
| Wholesale | 26,313 | 36,460 | (10,147) | -27.8% |
| *Percentage on total revenues* | *78.8%* | *93.1%* | | |
| **Total revenues from sales and services** | **33,347** | **38,957** | (5,610) | -14.4% |
| *Percentage on total revenues* | *99.9%* | *99.5%* | | |
| Other revenues | 36 | 205 | (169) | -82.4% |
| *Percentage on total revenues* | *0.1%* | *0.5%* | | |
| **Total Revenues** | **33,383** | **39,162** | (5,779) | -14.8% |

- In the retail channel the revenues amounted to Euro 7,034 thousands, growing by 181.7% compared to the first three months of the previous financial year (Euro 2,497 thousands), thanks to the increase of point of sales directly managed due to the acquisition of Rocca's boutiques, included into the scope of activities starting from September 1, 2008, whose revenues were Euro 5,001 thousands in the first quarter of the financial year 2009/2010.
- In the wholesale channel the revenues amounted to Euro 26,313 thousands, -27.8% at current exchange rates (-28.9% at constant exchange rates) with reductions in all served markets (more details by geographical area are reported in the paragraph "Key data by geographical area"). Those revenues included also sales of jewelry products made with counterparts, e.g. suppliers, promotions, stockists and barterers, whom the Group does not maintain ongoing trading relations with, and that therefore show greater fluctuations from one period to another.

Cost of production

Overall the production costs in the first three months of the financial year 2009/2010 amounted to Euro 34,727 thousands, increasing by Euro 72 thousands (+0.2%) compared to the same period of the previous financial year (Euro 34.655 thousands).

Details of the trend of production costs were as follows:

- Costs of raw materials and other materials, (including the cost for finished goods) amounted to Euro 16,499 thousands, with a increase by 9.3% compared to the same period of the previous financial year (Euro 15,100 thousands). The change was directly correlated to the weight of the finished products of the third parties brands purchased by Rocca Group; the impact of cost of sales on revenues for these brands is higher than Group brands with negative effects on gross margin (see next paragraph).

- Costs for services: in the first quarter of the financial year 2009/2010 amounted to Euro 10,540 thousands, decreasing by 18.0% compared to the first three months of the previous financial year (Euro 12,915 thousands); the decrease was mainly due to the actions of cost reduction implemented by the Group and to the savings achieved thanks to the stronger correlation between the revenues and the advertising costs that have offset the higher costs of rent due to the development of the retail channel.
- Cost of personnel: in the first three months of 2009/2010 was equal to Euro 6,902 thousands increasing by 9.1% compared to the same accounting period of the previous financial year (Euro 6,325 thousands); the increase was mainly due to the increase in the average manpower of the Group that amounted to approximately 10.7% between the two periods under analysis. The major average number of employees was an effect of the development of the retail channel (mainly through the acquisition of the Rocca Group that in the first quarter of financial year showed a cost of personnel of Euro 969 thousands), while processes of rationalization in the other departments led to a reduction of the headcount and correlated costs.

Gross Margin

In the first quarter of the financial year 2009/2010 Gross margin was equal to Euro 15,971 thousands compared to Euro 22,474 thousands for the same period of the previous financial year. The percentage of revenues was 47.9% compared with 57.7% in the first quarter of the previous financial year: this reduction was mainly due to a lower margin recorded on third parties brands sales in multibrands Rocca boutiques, that weren't included in the scope of activities in the first quarter 2008/2009.

EBITDA

The trend of revenues and production costs described above determined a negative EBITDA for the three months ended on June 30, 2009 equal to Euro –1,344 thousands, down of Euro 5,851 thousands compared to the same period of the previous financial year. The reduction is due to lower Gross Margin caused by the decrease both of revenues and of gross margin rate while the other costs of production, particularly cost of services, decrease by Euro 821 thousands.

Depreciation, Amortization and Write Downs

In the first quarter of financial year 2009/2010 depreciation and amortization were equal to Euro 1,205 thousands, an increase of Euro 526 thousands compared to the same period of the previous financial year: this growth was due both to the consolidation of Rocca Group (Euro 327 thousands) and to the effects related to capital expenditure made to support the development of retail channel.

Net Financial Incomes/(losses)

The net financial losses for the first three months of the financial year 2009/2010 were Euro 372 thousands, worsening by Euro 654 thousands compared with the surplus of the corresponding quarter of the financial year 2008/2009. The variation was due to the net financial position that was negative in the first quarter of financial year 2009/2010 while it was positive in the same period of the previous year.

Group Net Result

The Group closed the first three months of the financial year 2009/2010 with a consolidated result for the period equal to Euro –2,954 thousands decreasing of Euro 5,055 thousands compared to the same period of the previous year.

Balance Sheet and Financial situations

In the following table there is shown the breakdown of the consolidated Balance Sheet and financial situations of Damiani Group at June 30, 2009 compared with the one at March 31, 2009 and June 30, 2008.

| Balance sheet Data | Situation at June 30, 2009 | Situation at March 31, 2009 | change | Situation at June 30, 2008 | change |
|---|---|---|---|---|---|
| (In thousands of Euro) | | | | | |
| Fixed Assets | 63,425 | 64,208 | (783) | 43,470 | 19,955 |
| Net working capital | 123,076 | 115,168 | 7,908 | 92,327 | 30,749 |
| Non current Liabilities | (10,344) | (11,141) | 797 | (8,589) | (1,755) |
| **Net Capital Invested** | **176,157** | **168,235** | **7,922** | **127,208** | **48,949** |
| Net Equity | 124,695 | 129,838 | (5,143) | 155,314 | (30,619) |
| Net Financial Position * | 51,462 | 38,397 | 13,065 | (28,106) | 79,568 |
| **Sources of Financing** | **176,157** | **168,235** | **7,922** | **127,208** | **48,949** |

(*) The net financial position was determined on the basis of the indications of Consob (Italian SEC) communication DEM/6064923 of 28.07.06.

In the first three months of the financial year 2009/2010 the consolidated **Net Capital Invested** increased by Euro 7,922 thousands towards to March 31, 2009. The growth was mainly due to the increase of the net working capital as a consequence of the trend of cash in and payments tied both to the seasonality of the business and to the economic slump that caused an extension of the payment conditions of the wholesale customers.

The decrease in **Net Equity** between March 31, 2009 and June 30, 2009, equal to Euro 5,143 thousands, was due not only to the negative result of the period but also to n. 1,300,517 purchase of own ordinary shares in the quarter for a total amount of Euro 1,542 thousands.

In the following table is shown the breakdown of the Net Financial Position at June 30, 2009 and its evolution compared with that at March 31, 2009 and at June 30, 2008.

| Net Financial Position (*) (in thousands of Euro) | Situation at June 30, 2009 | Situation at March 31, 2009 | change | Situation at June 30, 2008 | change |
|---|---|---|---|---|---|
| Medium-Long term loans and financing- current portion | 7,406 | 8,902 | (1,496) | 2,865 | 4,541 |
| Usage of credit lines, short term finanncing and others | 7,646 | 16,229 | (8,583) | 1,095 | 6,551 |
| Medium-Long term loans and financing with related parties- current portion | 817 | 779 | 38 | 950 | (133) |
| Current financial indebtness | 15,869 | 25,910 | (10,041) | 4,910 | 10,959 |
| Medium-Long term loans and financing- non current portion | 29,645 | 5,757 | 23,888 | 8,575 | 21,070 |
| Medium-Long term loans and financing with related parties- non current portion | 16,062 | 16,272 | (210) | 7,639 | 8,423 |
| Non-current financial indebtness | 45,707 | 22,029 | 23,678 | 16,214 | 29,493 |
| Total financial indebtness | 61,576 | 47,939 | 13,637 | 21,124 | 40,452 |
| Cash and cash equivalents | (10,114) | (9,542) | (572) | (49,230) | 39,116 |
| Net Financial Position * | 51,462 | 38,397 | 13,065 | (28,106) | 79,568 |

(*) The net financial position was determined on the basis of the indications of Consob (Italian SEC) communication DEM/6064923 of 28.07.06.

At June 30, 2009 the Group's net financial indebtedness amounted to Euro 51,462 thousands worsening by Euro 13,065 thousands compared to the situation as of March 31, 2009. The deterioration was due to the cash flow absorbed by the operating and investing activities and by the purchase of own shares.

Moreover, the financial debt structure has changed significantly compared to March 31, 2009 as a consequence of new long term financing signed in June 2009 with two different major banks for a total amount of Euro 25.000 thousands, in the process of debt restructuring. These financing, with fixed interest rate between 4 and 4.5 percent, are without collateral and covenants and have maturities between 5 and 6 years.

It is noted that the net financial position on June, 30 2009 also includes Euro 16,879 thousands in debts towards related parties for n.7 real estate operations booked as sale and lease back (on March, 31 2009 this debt component amounted to Euro 17,051 thousands).

## Key data by geographical areas

The geographical areas that have been identified by Damiani Group and that are monitored by the management in term of operating results are the following: "Italy", "The Americas", "Japan" and "Rest of the World".

The sectors consist of the following:

i) the geographical area Italy includes the revenues and the operating costs of the Group 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 that operates in the United States of America and that commercializes the products of the Group all over the American continent;

iii) the geographical area Japan includes the revenues and the operating costs of the subsidiary company Damiani Japan 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 all the other countries that are not included in the previous areas.

In the following table are shown the revenues for each geographical area in the first three months of the financial year 2009/2010 and 2008/2009.

| Revenues by Geographical Area (in thousands of Euro) | I Quarter Financial Year 2009/2010 | % of total | I Quarter Financial Year 2008/2009 | % of total | Change 2009/10 vs 2008/09 |
|---|---|---|---|---|---|
| Italy | 26,643 | 79.8% | 26,417 | 67.5% | 0.9% |
| - Revenues from sales and services | 26,611 | | 26,218 | | 1.5% |
| - Other revenues | 32 | | 199 | | |
| Americas | 912 | 2.7% | 2,258 | 5.8% | -59.6% |
| - Revenues from sales and services | 912 | | 2,258 | | -59.6% |
| - Other revenues | - | | - | | |
| Japan | 1,819 | 5.4% | 2,220 | 5.7% | -18.1% |
| - Revenues from sales and services | 1,818 | | 2,218 | | -18.0% |
| - Other revenues | 1 | | 2 | | |
| Rest of the World | 4,009 | 12.0% | 8,267 | 21.1% | -51.5% |
| - Revenues from sales and services | 4,006 | | 8,263 | | -51.5% |
| - Other revenues | 3 | | 4 | | |
| Total Revenues | 33,383 | 100.0% | 39,162 | 100.0% | -14.8% |

Revenues for geographical area recorded the following performance:

- In Italy segment (around +0.9% compared to the first three months of the financial year 2008/2009) the slight growth was due to increase in retail sales for the input of Rocca Group boutiques that offset the reduction in the wholesale channel.
- In the Americas segment there was a decrease by –59.6% compared to the first three months of the financial year 2008/2009 mainly due to the general consumption stagnation in the United States.
- In Japan segment revenues decreased by –18.1 compared to the first three months of 2008/2009 mainly due to the decrease both in wholesale and retail channel.
- In the Rest of the World area revenues decrease by –51.5% compared to the first three months of the financial year 2008/2009 mainly due to the strong slowdown of revenues in Russia and former Soviet Republics.

In the following table the values of EBITDA are given for each geographical area in the first three months of the financial year 2009/2010 and 2008/2009.

| EBITDA by Geographical Area(*) (In thousands of Euro) | I Quarter Financial Year 2009/2010 | I Quarter Financial Year 2009/2010 | I Quarter 2009/10 vs 2008/09 |
|---|---|---|---|
| Italy | 639 | 4,367 | -85.4% |
| Americas | (1,397) | (1,664) | 16.0% |
| Japan | (796) | (861) | 7.5% |
| Rest of the World | 210 | 2,665 | -92.1% |
| Consolidated EBITDA | (1,344) | 4,507 | n.m. |
| *% of revenues* | *-4.0%* | *11.5%* | |

(*) EBITDA represents the operating result intended as Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is used by the 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 area showed a strong reduction mainly due to the lower marginality of the sales of third parties brands marketed in the Rocca multibrand boutiques.

The Americas area, even if with a negative EBITDA, registered a slight improvement as consequence of reduction costs plan worked out.

Japan area showed a slight improvement due to the efficiency achieved on the side of the operating costs towards to the first quarter of previous financial year.

The decrease of EBITDA in the segment Rest of the World, was referable to strong reduction of revenues and consequently of Gross Margin.

### Transactions with related parties

Damiani Group has mainly real estate relationship with related parties ( i.e. the renting of buildings for use as shops and offices). In the first quarter of the financial year 2008/2009, before the acquisition of Rocca S.p.A. and of its two subsidiaries (happened on September 15, 2008), Damiani Group was involved with Rocca Group (included between related parties because under common control) also for commercial agreements, through sales of jewelry products of the brand portfolio.

In the following table are shown, for the periods of April-June of the financial year 2009/2010 and of the financial year 2008/2009, the relations that the Group has had with related parties.

| (in thousands of Euro) | First Quarter Financial Year 2009/2010 | | | Situation at June 30, 2009 | | | |
|---|---|---|---|---|---|---|---|
| | Revenues | Operating costs | Financial expenses | Trade receivables | Financial payables (including leasing) | Trade payables | Lease back property |
| Total with related parties | 8 | (728) | (342) | 29 | (16,879) | (913) | 15,884 |
| Total from Financial Statements | 33,383 | (36,090) | (870) | 52,599 | (53,930) | (59,192) | |
| % age weight | 0% | 2% | 39% | 0% | 31% | 2% | |

| (in thousands of Euro) | First Quarter Financial Year 2008/2009 | | | Situation at June 30, 2008 | | | |
|---|---|---|---|---|---|---|---|
| | Revenues | Operating costs | Financial expenses/incomes | Trade receivables | Financial payables (including leasing) | Trade payables | Lease back property |
| Total with related parties | 1,322 | (695) | (157) | 3,786 | (8,589) | (801) | 8,159 |
| Total from Financial Statements | 39,162 | (36,060) | (476) | 65,778 | (20,029) | (58,414) | |
| % age weight | 3% | 2% | 33% | 6% | 43% | 1% | |

## Share buy back Program

The ordinary Shareholders' Meeting of Damiani S.p.A. on February 22, 2008 authorised a Group's share buy back program. The main objective of the operation is the realization of industrial projects with exchange of blocks of shares and for this purposes own shares have been used for partial payment of the acquisition of Rocca S.p.A. (n. 1,000,000 ordinary shares for a value of Euro 2,050 thousands).

The buy back program has been 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 June 30, 2009, the total number of ordinary shares purchased amounted to 5,054,305 equal to 6.119% of the share capital of Damiani S.p.A. (net of the utilization of n. 1,000,000 ordinary shares in order to purchase Rocca S.p.A.), for a total amount of Euro 7,591 thousand at an average purchase price of Euro 1.5018 per share.

## Significant events of the quarter

On April 3, 2009 the Shareholders' meeting of Damiani S.p.A. appointed the new Board of directors in charge until the approval of the results for the financial year as of March 31, 2012 and set the number of board members equal to seven. The current composition of the company bodies is stated on page 3.
On May 20, 2009 was signed an agreement with Gianfranco Ferrè, a prestigious Made in Italy fashion brand, for the development and production of a new line of jewellery signed Gianfranco Ferrè, which will be presented to international public during fashion shows in the next September 2009 and sold in single-brand boutiques and franchises Ferrè worldwide and in Rocca and selected jewellery stores.
On 15 June 2009 was signed a licensing agreement with Jil Sander Group to create a line of jewellery and watches, signed by Jil Sander, which will be presented next autumn / winter 2009. The Damiani Group will be exclusive licensee for the design, production and worldwide distribution of these collections which will be sold in Jil Sander boutique and in Rocca and selected department and jewellery stores.
In June 2009, the Damiani Group has won the Vogue Joyas prize with bracelet Valencienne, masterpiece of diamonds mounted in white gold with gold burnished details. The competition, organized by the prestigious Spanish edition of Vogue, is now in its sixth edition and rewards the best jewellery for creativity and implementation.

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

In the first three months of the financial year 2009/2010 there weren't any positions or transactions to highlight as these are defined by the Consob (Italian SEC) Resolution number 15519 of 27/07/2006.

## Significant events after the end of the quarter

After June 30, 2009, Damiani S.p.A. continued the share buy back program as authorized by resolution of the ordinary Shareholders' Meeting of February 22, 2008. As of July 22, 2009 Damiani S.p.A. held a total of 5,216,378 ordinary shares, equal to 6.32% of its own share capital.
The Shareholders' meeting of July 22, 2009 passed a resolution giving the authorization (subject to prior revocation, for the part not utilized, of the resolution passed by the Shareholders' meeting on February 22, 2008) for the purchase of the company's own shares, pursuant to the combination in article 2357 and 2357, third part, of the Italian Civil Code and in article 132 of the Legislative Decree 58/1998. The reasons underlying the authorization are the possibility of putting in place plans based on financial instruments, pursuant to article 114, second part, of the Legislative Decree 58/1998 as well as being able to increase the so called "securities store" for the purpose of using its own shares in the context of operations that interest the parent company Damiani S.p.A. and also the possibility of being able to intervene, in the interest of all shareholders and in relation to contingent market situations, in order to

carry out any actions that support the level of the liquidity of the security itself, fully respecting all the applicable rules and regulations.

The authorization to purchase the company's own shares is structured as follows:

- Maximum number of shares purchasable equal to 10% of the share capital (maximum number of 8,260,000 ordinary shares) with a par value of Euro 0.44 each;
- Duration of the authorization for a period of 18 months from July 22, 2009 to January 22, 2011;
- The purchase price of each of the company's own share, including the ancillary purchase charges, minimally no lower/higher than 20% of the official price of the security in the Stock Exchange session before each individual operation;
- The purchases can be made on regulated stock markets while observing the legislation which is currently in force (article 132 of the Legislative Decree 58/1998; article 144, second part, paragraph 1, letter b, of the Consob, Italian SEC, regulation number 11971/99 and its successive changes and additions).

Furthermore, the Shareholders' meeting authorized, without any time limits, the sale of the company's own shares that have been purchased for a minimum price that must not create any negative financial impacts for Damiani S.p.A. but, in any case, that is not less than 90% of the average of the official trading prices recorded on the Computerized Stock Market in the five days before the day of the sale.

The Shareholders' meeting approved the adoption of two plans based on financial instruments, pursuant to article 114, second part, of the Legislative Decree 58/1999, called "Stock grant plan 2009" and "Stock option plan 2009". The stock grant program foresees a free allocation of Damiani shares to, basically, all of the company's employees, in one or more lots, within five years from the date of its approval by the Shareholders' meeting.

The stock option plan is aimed at the management of Damiani Group and can be implemented in one or more lots, within five years from the date of its approval by the Shareholders' meeting.

The Board of Directors then received the mandate from the Shareholders' meeting to identify the names of the beneficiaries. The shares that service both of these plans will be withdrawn from the securities portfolio of the company's own shares for a maximum of 4,500,000 ordinary shares, of which 1,000,000 shares to service the stock grant plan 2009 and 3,500,000 shares to service the stock option plan 2009.

On July 7, 2009 the second collection made by Damiani Group for the Maison Martin Margiela has been presented.

In July 2009, Damiani Group and the famous American actress Sharon Stone, with whom have established working relationships, announced a major humanitarian project aimed at helping the poorest

of the African continent by giving a percentage of the proceeds of a collection jewelry designed with the American star (which will be presented next autumn) to a humanitarian non-governmental and non-profit organization which works to bring water in the most remote villages in Africa, thus contributing to the decrease in the rate of infant mortality.
Damian was selected as an authoritative ambassador of Made in Italy to embellish the recent G8 summit in July 2009, with jewels selected by the Prime Minister of the Italian government to pay homage to the heads of state and top officers of the international political speakers at the summit.

Moreover, starting from the beginning of July 2009, the development of the worldwide presence of the Group include the first mono-brand boutiques Damiani in London, in the prestigious Old Bond Street.

## Business outlook

The results reached by Damiani Group in the first quarter closed at June 30, 2009 reflected the contingent economical crisis which has affected all sectors worldwide and has determined a decrease in the consumption demand from customers.
The Group in this contest carries on a process of costs reduction and of investments selection, already started in the previous financial year, whose aim is to improve the operating efficiency in the short and above all in the medium term, in order to pursue the strategic target which are confirmed and are aimed to reinforce the key factors of portfolio brands and the domestic leadership as well as to increase the presence in the key foreign markets.

Milan, August 7, 2009

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

# CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2009

## INTERIM CONSOLIDATED BALANCE SHEET

At June 30, 2009, at March 31, 2009 and at June 30, 2008

| (in thousands of Euros) | June 30, 2009 | March 31, 2009 | June 30, 2008 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Goodwill | 4,984 | 5,002 | 5,002 |
| Other Intangible Fixed Assets | 9,308 | 9,204 | 7,295 |
| Tangible Fixed Assets | 25,813 | 26,626 | 14,879 |
| *of wich towards related parties* | *15,884* | *16,250* | *8,159* |
| Investments | 41 | 169 | 169 |
| Financial receivables and other non current assets | 4,761 | 4,655 | 3,313 |
| Deferred tax assets | 18,518 | 18,552 | 12,812 |
| TOTAL NON-CURRENT ASSETS | 63,425 | 64,208 | 43,470 |
| CURRENT ASSETS | | | |
| Inventories | 120,193 | 121,192 | 94,339 |
| Trade receivables | 52,599 | 54,551 | 65,778 |
| *of wich towards related parties* | *29* | *31* | *3,786* |
| Tax receivables | 5,304 | 5,571 | 499 |
| Other current assets | 12,808 | 12,619 | 9,698 |
| Cash and cash equivalents | 10,114 | 9,542 | 49,230 |
| TOTAL CURRENT ASSETS | 201,018 | 203,475 | 219,544 |
| TOTAL ASSETS | 264,443 | 267,683 | 263,014 |
| | | | |
| GROUP SHAREHOLDERS' EQUITY | | | |
| Share Capital | 36,344 | 36,344 | 36,344 |
| Reserves | 89,751 | 96,691 | 115,018 |
| Group net income (loss) for the period | (2,954) | (4,709) | 2,101 |
| TOTAL GROUP SHAREHOLDERS' EQUITY | 123,141 | 128,326 | 153,463 |
| MINORITY SHAREHOLDERS' EQUITY | | | |
| Minority share capital and reserves | 1,512 | 1,668 | 1,752 |
| Minority net income (loss) for the period | 42 | (156) | 99 |
| TOTAL MINORITY SHAREHOLDERS' EQUITY | 1,554 | 1,512 | 1,851 |
| TOTAL SHAREHOLDERS' EQUITY | 124,695 | 129,838 | 155,314 |
| NON CURRENT LIABILITIES | | | |
| Long term financial debt | 45,707 | 22,029 | 16,214 |
| *of wich towards related parties* | *16,062* | *16,272* | *7,639* |
| Termination Indemnities | 4,692 | 4,868 | 4,275 |
| Deferred Tax liabilities | 4,305 | 4,227 | 1,843 |
| Other non current liabilities | 1,347 | 2,046 | 2,472 |
| TOTAL NON CURRENT LIABILITIES | 56,051 | 33,170 | 24,804 |
| CURRENT LIABILITIES | | | |
| Current portion of long term financial debt | 8,223 | 9,681 | 3,815 |
| *of wich towards related parties* | *817* | *779* | *950* |
| Trade payables | 59,192 | 70,923 | 58,414 |
| *of wich towards related parties* | *913* | *870* | *801* |
| Short term borrowings | 7,646 | 16,229 | 1,095 |
| Income tax payables | 3,287 | 2,752 | 13,513 |
| Other current liabilities | 5,349 | 5,090 | 6,059 |
| TOTAL CURRENT LIABILITIES | 83,697 | 104,675 | 82,896 |
| TOTAL LIABILITIES | 139,748 | 137,845 | 107,700 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 264,443 | 267,683 | 263,014 |

## INTERIM CONSOLIDATED INCOME STATEMENT

For the period of three months closed at June 30, 2009 and June 30, 2008.

| | I Quarter | |
|---|---|---|
| *(in thousands of Euros)* | Financial Year 2009/2010 | Financial Year 2008/2009 |
| Revenues from sales and services | 33,347 | 38,957 |
| *of wich towards related parties* | *8* | *1,322* |
| Other revenues | 36 | 205 |
| TOTAL REVENUES | **33,383** | **39,162** |
| Costs of raw materials and consumables | (16,499) | (15,100) |
| Costs of services | (10,540) | (12,915) |
| *of wich towards related parties* | *(362)* | *(476)* |
| Personnel cost | (6,902) | (6,325) |
| Other net operating (charges) incomes | (786) | (315) |
| Amortization and depreciation | (1,205) | (679) |
| *of wich towards related parties* | *(366)* | *(219)* |
| TOTAL OPERATING EXPENSES | **(35,932)** | **(35,334)** |
| OPERATING INCOME (LOSS) | **(2,549)** | **3,828** |
| Financial Expenses | (870) | (476) |
| *of wich towards related parties* | *(342)* | *(157)* |
| Financial Incomes | 498 | 758 |
| INCOME (LOSS) BEFORE INCOME TAXES | **(2,921)** | **4,110** |
| Income Taxes | 9 | (1,910) |
| NET INCOME (LOSS) FOR THE PERIOD | **(2,912)** | **2,200** |
| | | |
| Attibutable to: | | |
| Group | (2,954) | 2,101 |
| Minorities | 42 | 99 |
| | | |
| Basic Earnings (Losses) per Share(*) | (0.04) | 0.03 |
| Diluted Earnings (Losses) per Share(*) | (0.04) | 0.03 |

### (*) Basic and diluted earnings per share

The basic earnings per share has been calculated by dividing the net profit for the three months that is attributable to the ordinary shareholders of the Issuer for the weighted average number of the shares that are in circulation within the relative company accounting period.

The diluted earnings per share, applying what is laid down paragraph 64 of IAS 33 was calculated for both the periods taking into account the increase in the number of shares following the increase in the Share Capital that was a consequence of listing of the shares of the Group Parent Company Damiani S.p.A. in the STAR segment, managed by the Italian Stock Exchange ( November 8, 2007).

Furthermore the calculation of EPS for the quarter ended June 30, 2009 used the weighted mean number of ordinary shares in circulation taking into account the effects of the purchase of treasury shares in accordance with the EGM resolution of 22 February 2008.

Details of the shares taken into account for the purposes of calculating Basic and Diluted EPS are set out below:

*Basic Earnings (Losses) per Share*

| | I Quarter | |
|---|---|---|
| | Financial Year 2009/2010 | Financial Year 2008/2009 |
| Number of ordinary shares at the beginning of the period | 82,600,000 | 82,600,000 |
| Number of ordinary shares at the end of the period | 82,600,000 | 82,600,000 |
| Weighted average number of ordinary shares for computation of basic earnings per share | 79,491,407 | 80,599,147 |
| Basic Earnings (Losses) per Share | (0.04) | 0.03 |

*Diluted Earnings (Losses)per Share*

| | I Quarter | |
|---|---|---|
| | Financial Year 2009/2010 | Financial Year 2008/2009 |
| Number of ordinary shares at the beginning and at the end of the period | 82,600,000 | 82,600,000 |
| Weighted average number of ordinary shares for computation of diluited earnings per share | 79,491,407 | 71,361,622 |
| Diluted effect from Stock option plan | - | 466,073 |
| Weighted average number of ordinary shares for computation of basic earnings per share | 79,491,407 | 71,827,695 |
| Diluted Earnings (Losses) per Share (amount in Euro) | (0.04) | 0.03 |

## TABLE OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

For the period of three months closed at June 30, 2009 and June 30, 2008.

| (In thousands of Euro) | Share Capital | Share Premium Capital | Legal Reserve | Shareholders payment reserve | Stock option reserve | Own Shares | Other reserves | Net income (Loss) for the period | Group shareholder's equity | Minorities shareholder's equity | Total shareholder's equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balances at March 31, 2008** | **36,344** | **69,858** | **1,628** | **8,618** | **58** | **(2,337)** | **24,917** | **15,127** | **154,213** | **1,746** | **155,959** |
| Allocation of the profit for the period | | | 549 | | | | 14,578 | (15,127) | - | | - |
| Other movements | | | | | | | | | - | 6 | 6 |
| Stock option | | | | | 37 | | | | 37 | | 37 |
| Purchase of own shares | | | | | | (2,888) | | | (2,888) | | (2,888) |
| Net income (loss) for the period | | | | | | | | 2,101 | 2,101 | 99 | 2,200 |
| **Balances at June 30, 2008** | **36,344** | **69,858** | **2,177** | **8,618** | **95** | **(5,225)** | **39,495** | **2,101** | **153,463** | **1,851** | **155,314** |

| (In thousands of Euro) | Share Capital | Share Premium Capital | Legal Reserve | Riserva Cash Flow Hedging | Shareholders payment reserve | Own Shares | Other reserves | Net income (Loss) for the period | Group shareholder's equity | Minorities shareholder's equity | Total shareholder's equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balances at March 31, 2009** | **36,344** | **69,858** | **2,397** | **(91)** | **8,618** | **(6,046)** | **21,955** | **(4,709)** | **128,326** | **1,512** | **129,838** |
| Allocation of the profit for the period | | | 37 | | | | (4,746) | 4,709 | - | | - |
| Adjustment to fair value of the cash flow hedging | | | | 5 | | | | | 5 | | 5 |
| Intercompany exchange differences | | | | | | | (629) | | (629) | | (629) |
| Other movements | | | | | | | (65) | | (65) | | (65) |
| Purchase of own shares | | | | | | (1,542) | | | (1,542) | | (1,542) |
| Net income (loss) for the period | | | | | | | | (2,954) | (2,954) | 42 | (2,912) |
| **Balances at June 30, 2009** | **36,344** | **69,858** | **2,434** | **(86)** | **8,618** | **(7,588)** | **16,515** | **(2,954)** | **123,141** | **1,554** | **124,695** |

# CONSOLIDATED FUNDS FLOW STATEMENT

For the period of three months closed at June 30, 2009 and June 30, 2008.

| | I Quarter | |
|---|---|---|
| *(In thousands of Euros)* | Financial Year 2009/2010 | Financial Year 2008/2009 |
| CASH FLOW PROVIDED BY OPERATING ACTIVITIES | | |
| Net income (loss) for the period | (2,912) | 2,200 |
| *Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:* | | |
| Amortization, depreciation and write-downs | 1,333 | 679 |
| Costs (Revenues) for stock option | | 37 |
| Gain from sale of intangible and tangible assets | | |
| Provisions to Bad Debts Reserve | 595 | 115 |
| Changes in the Fair value of Financial Instruments | (5) | 48 |
| Provisions (Payments) termination Indemnity and actuarial valuation of ELI Fund | (176) | 52 |
| Changes in the deferred tax assets and liabilities | 112 | (1,348) |
| | (1,053) | 1,783 |
| *Changes on operational assets and liabilities* | | |
| Trade receivables | 1,357 | (99) |
| Inventories | 999 | 374 |
| Trade payables | (11,731) | (6,891) |
| Tax receivables | 267 | (105) |
| Income Tax payables | 535 | 4,536 |
| Other current and non current assets and liabilities | (624) | 4,712 |
| NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A) | (10,250) | 4,310 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Cash in from disposal of Intangible and tangible Fixed Assets | | |
| Tangible Fixed Assets purchased | (211) | (722) |
| Intangible Fixed Assets purchased | (267) | (377) |
| Net change in the other non current assets | (106) | (650) |
| NET CASH FLOW PROVIDED (ABSORBED) BY INVESTING ACTIVITIES (B) | (584) | (1,749) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| New long term debt | 25,000 | |
| Payment of long term debt | (2,780) | (1,764) |
| Net change in short-term financial liabilities | (8,583) | (1,498) |
| Purchase of own shares | (1,542) | (2,888) |
| Other changes in Net Equity | (689) | 6 |
| NET CASH FLOW PROVIDED (ABSORBED) BY FINANCING ACTIVITIES (C) | 11,406 | (6,144) |
| TOTAL CASH FLOW (D=A+B+C) | 572 | (3,583) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E) | 9,542 | 52,813 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E) | 10,114 | 49,230 |

## ATTESTATION

Ex Article 154 *bis*, Paragraph 2 – Part IV, Title III, Chapter II, Section V-*bis*, of Legislative Decree of 24 February 1998, number 58: "Consolidated Law on Finance, pursuant to articles 8 and 21 of the Law of 6 February 1996, number 52"

The undersigned Gilberto Frola,
Manager in charge of preparing the Damiani S.p.A.'s financial reports

## DECLARES

in compliance with paragraph two of Article 154*bis*, Part IV, Title III, Chapter II, Section V-*bis*, of Legislative Decree of 24 February 1998, number 58, that the Interim Consolidated report as of June 30, 2009 corresponds to the documental results, books and accounting records.

The Manager in charge of preparing the Company's financial reports
Mr. Gilberto Frola