DAMIANI S.p.A.

Consolidated Interim Financial Report as of September 30, 2009

Damiani S.p.A.
Valenza (AL), Viale Santuario n.46
Share Capital Euro 36,344,000
VAT number and Tax Code 01457570065

November 21, 2009

INDEX

CORPORATE BODIES

Board of Directors

Guido Grassi Damiani (Chairman and CEO)
Giorgio Grassi Damiani (Vice Chairman)
Silvia Grassi Damiani (Vice Chairman)
Roberta Benaglia (Board Director)
Stefano Graidi (Board Director)
Giancarlo Malerba (Board Director)
Fabrizio Redaelli (Board 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 Control and Corporate Governance Committee

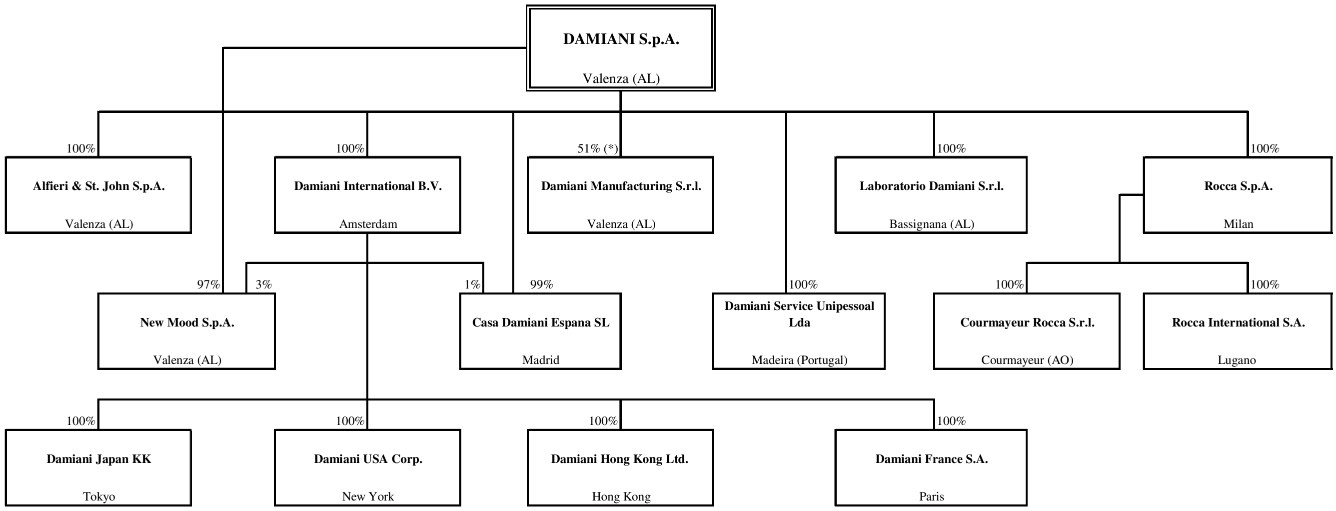
Giancarlo Malerba (Chairman)
Roberta Benaglia
Fabrizio Redaelli

Remuneration Committee

Giancarlo Malerba (Chairman)
Roberta Benaglia
Fabrizio Redaelli

REPORT ON OPERATIONS [1].

Structure and business activities of the Damiani Group



(*) Il 49% is held by Christian and Simone Rizzetto, both currently Damiani Manufacturing S.r.l. directors, with control over production, administration 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 first half consolidated financial statements as of 30 September 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.

The consolidation area at 30 September 2009, which is unchanged compared to the situation on March 31, 2009, date of the closing of the financial year, is reported in the company's organisation chart shown above.

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 wide range of variously priced jewellery. The Group's portfolio is made up of five brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni.

Furthermore, following the acquisition of Rocca S.p.A. and its two subsidiaries (included in the consolidation area starting from September 1, 2008), the Damiani Group, in addition to

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[1] Damiani Group closes its financial year on March 31, therefore the six-months period April-September 2009 is the Semester I of the Financial year that will close on March 31, 2010 (henceforth the Financial year 2009/2010).

own brands, distributes also prestigious third party brands, particularly in the timepiece sectors, through directly managed multi-brand *boutiques*.

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 the individual single-brand boutiques managed directly by the Group. As of September 30, 2009 the single-brand POS managed directly by the Group were 20: 13 in Italy and 7 abroad, of which 14 with the Damiani brand, 4 with the Bliss brand and 1 each with the Calderoni brand and the Salvini brand. The POS multi-brand of the Rocca Group were 16, of which 15 in Italy and 1 in Switzerland

The parent company, Damiani S.p.A., is responsible for coordinating Group companies and offering them economic, administrative and technical assistance of both commercial and financial nature, which are based on normal market conditions.
Intra-group relationships have been eliminated from the consolidated financial statement.

Share buy back program

The ordinary Shareholders' Meeting of Damiani S.p.A. of July 22, 2009 has approved the authorization, upon revocation for the part not executed of the resolution of the Shareholders' meeting of February 22, 2008, to the purchase and the placement of own shares pursuant to articles 2357 and 2357ter of the Civil Code and of article132 of the Legislative Decree 58/1998. The reasons underlying the authorization consist in making possible the execution of plans based on financial instruments pursuant to article 114 bis of the Legislative Decree 58/1998 and to increase the so-called "securities store" for the purpose of using the company's own shares in the context of transactions of interest for Damiani S.p.A., as well as the possibility to intervene, for the interest of all the shareholders and in relation to market situations, to support the share, fully respecting all the applicable legislation.
The transaction is structured as follows:

- Damiani S.p.A. can buy back up to a maximum of 8,260,000 ordinary shares with nominal value of Euro 0.44 each, and at any rate not more than 10% of the share capital over a period of 18 months from the date of the Shareholders' resolution, therefore until 22 January 2011.

- The purchase price of each share, including the necessary expenses for the purchase, 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 among the shareholders.

The Shareholders' meeting also authorized, without time limits, the placement of own shares purchased for a minimum amount due that will have to be such to not allow negative financial effects for Damiani S.p.A. ,and however not inferior to 90% of the average of the official prices recorded on the "Mercato telematico" share in the five days before the sale.

As of March 31, 2009, date of the closing of the previous financial year, there were no. 3,753,788 own shares in portfolio (equal to 4.54% of the share capital) for a value of Euro 6,046 thousands and an average purchase price of Euro 1.611 per share. During the six-months period April-September 2009, no. 1,865,821 additional ordinary shares of Damiani S.p.A. were purchased, for a total value of Euro 2,181 thousands; therefore, as of September 30, 2009, the own shares in portfolio are no. 5,619,609 (equal to 6.80% of the share capital) and the total expense for the *buy-back* plan was of Euro 8,227 thousands at an average purchase price of Euro 1.464 per share.

Stock option

On July 22, 2009 the Shareholders' Meeting approved two stock option plans based on financial instruments pursuant to art. 114bis of the Legislative Decree 58/1998, denominated *Stock option plan 2009* and *Stock grant plan 2009*.

The Board of Directors received mandate from the Shareholders' Meeting to implement these plans, including the identification of the beneficiaries. The shares to be used for both stock option plans will be taken from the title repository of shares actually held by Damiani S.p.A., up to a maximum of no. 4,500,000 shares, of which no. 3,500,000 to service the *Stock option plan 2009* and no. 1,000,000 for the *Stock grant plan 2009*.

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

The stock grant program foresees the assignment, free of charge, of Damiani shares to all employees in one or more lots, within five years of its approval by the Shareholders' Meeting.

On September 24, 2009 the Board of Directors of Damiani S.p.A. has proceeded, together with the Remuneration Committee, to the implementation of the *Stock option 2009* plan reserved to part of the management. **16 beneficiaries were identified** (the members of the Damiani family are not included among this group) **who have purchased, against payment of 0.126 Euro for each option, a total of no. 685,000 options**, each granting the right to purchase one share of Damiani S.p.A. at the price of Euro 1.60 (the so-called "strike price"). The right to buy will mature on September 12, 2012 and can be exercised starting from the successive day and until September 30, 2012 provided that to such date the employment relationship with the Damiani Group is still existing. The price of the options, corresponding to their market value, was determined from the Company with the assistance of Equita Sim S.p.A.

On September 10, 2009 the Board of Directors of Damiani S.p.A. has proceeded with the implementation of the Stock grant 2009 plan, dedicated to the majority of the employees, with the exception of the employees residing or living in the USA. The plan foresees free assignment of the shares to all its beneficiaries as follows :

- n. 50 shares from the Issuer, which will be distribuited as of September 12, 2011;
- no. 100 shares from the Issuer, which will be distribuited as of September 12, 2011, only if there is a positive financial estimate of the consolidated financial results reached as of March 31, 2010.

A required condition for both lots is that the beneficiaries must be Damiani Group employees at the date of the transfer of the shares.

The initial implementation cycle of the Plan is aimed at a total of 582 employees and Directors of the Group Companies.

Detailed information regarding the categories of employees (managers, staff, other employees of the Issuer or of its subsidiaries), and the title of directors or qualified subjects, in terms of the procedure of the "Internal Dealing" of the Damiani Group are listed together in the summary table made in conformance with laws currently in force, in the supplementary information memorandum prepared pursuant to art. 84 bis of Consob Regulations no. 11971/99, available on the website www.damiani.com and at Borsa Italiana S.p.A.

Main risks and uncertainties for Damiani Group

In consideration of the lasting of the situation of economical and market crisis with respect to the end of the previous financial period, the main risks to which the Damiani Group is exposed to are substantially the same as those of the financial year closed at March 31, 2009, although the lengthening of the time for the sale of the current assets entails more uncertainty in the execution of estimates and in the forecasts of the future trend. For further details, see what reported on the Consolidated Financial Statements as of March 31, 2009 and the summary reported on note 39. Risk Management.

Research and Development

The products offered by the Group, together with the reputation and image of the brands sold, has always represented the key to the Group's success, which over the years has always been able to provide innovations in style and design that have characterised the collections offered to customers. Our internal staff, specifically dedicated to product development, operates in this light, with the goal of interpreting the changing tastes of our customers and to offer products that can satisfy our customers' expectations.
During the first six-month period of the 2009/2010 financial year, the total cost for product development was equal to Euro 372 thousands.

Remuneration for company bodies

The following table shows as required by Annex 3C to Layout 1 prescribed in the Regulations for Listed Companies, the remuneration accrued during the period to members of the administrative and control bodies and senior managers who have strategic responsibilities:

Individual	Office	Duration of office (*)	Remuneration from Damiani S.p.A.	Not monetary benefits	Bonus and other incentives	Other remunerations*	Total
Guido Roberto Grassi Damiani	Chairman and CEO Damiani S.p.A., Chairman and CEO Alfieri & St. John S.p.A., Chairman Laboratorio Damiani S.r.l., Chairman and CEO New Mood S.p.A., Chairman Rocca S.p.A., Chairman Courmayeur Rocca S.r.l., Chairman and CEO Damiani Japan K.K., Director Damiani Manufacturing S.r.l., Damiani International B.V., Chairman Damiani Usa Corp., Damiani Hong Kong Ltd and Damiani Service Unipessoal Lda	up to 31 March 2012	481,500	3,919	-	15,000	500,419
Giorgio Andrea Grassi Damiani	Director Damiani S.p.A., Director Alfieri & St. John S.p.A., Director New Mood S.p.A., Chairman Damiani Manufacturing S.r.l., Vice Chairman Rocca S.p.A., Director Damiani Japan K.K., Director Damiani International, Director Damiani USA Corp., Chairman Damiani France S.A.and Director Damiani Service Unipessoal Lda	up to 31 March 2012	187,500	3,670		15,000	206,170
Silvia Maria Grassi Damiani	Director Damiani S.p.A.	up to 31 March 2012	155,000	1,795		-	156,795
Stefano Graidi	Director Damiani S.p.A., Executive Director charged with the internal control Damiani S.p.A., Director Damiani International B.V., Damiani Japan K.K., Damiani Hong Kong Ltd and Damiani Service Unipessoal Lda	up to 31 March 2012	12,500			5,000	17,500
Giancarlo Malerba	Director Damiani S.p.A.	up to 31 March 2012	7,500				7,500
Fabrizio Redaelli	Director Damiani S.p.A.	up to 31 March 2012	7,500				7,500
Roberta Benaglia	Director Damiani S.p.A.	up to 31 March 2012	7,500				7,500
Gianluca Bolelli	Chairman of the Board of Statutory Auditors Damiani S.p.A.	up to 31 March 2012	22,500				22,500
Simone Cavalli	Acting Statutory Auditor Damiani S.p.A.	up to 31 March 2012	15,000			6,202	21,202
Fabio Massimo Micaludi	Acting Statutory Auditor Damiani S.p.A.	up to 31 March 2012	15,000				15,000
Strategic Managers				13,899		261,500	275,399

(*) On April 3, 2009 the Damiani's Shareholders Meeting appointed the new Board of Directors.Their office will be terminated on the Shareholders'Meeting for the approval Financial Statements as of March 31, 2012.
(**) Includes fees being component of the administrative body or control in other controlled company, salaries (where applicable) and from any salaries regarding the work provide.

Quotation in the Stock Market and performance of the share

The following graph represents the price trend of the Damiani shares during the first six-month period of the 2009/2010 financial year.

The main share and market data for the six-month period closed at September 30, 2009 are reported below.

Damiani in the Stock Market 1H 09/10 (April 1st, 2009-September 30, 2009)

Price on April 1st 2009 (euro)	0.95
Price on September 30th, 2009 (euro)	1.11
Maximum price 1H (euro)	1.315 (on June 3 2009)
Minimum price 1H (euro)	0.947 (on April 1 2009)
Average volumes	95,247
Maximum volumes	1,916,418 (on May 25 2009)
Minimum volumes	952 (on July 9 2009)
N.shares Company capital	82,600,000
Market capitalization on September 30th, 2009 (euro mln)	91.7

Key data

Share Capital	September 30, 2009	March 31, 2009
Number of shares issued	82,600,000	82,600,000
Par value per share	0.44	0.44
Share Capital	36,344,000	36,344,000

Ownership	% on shares issued	% on shares issued
Leading Jewels S.A.	56.37%	55.82%
Guido Grassi Damiani	5.02%	5.02%
Giorgio Grassi Damiani	6.11%	6.11%
Silvia Grassi Damiani	5.68%	5.68%
Damiani S.p.A. (own shares) (1)	6.80%	4.54%
Market	20.02%	22.83%

Shares held by the subjects indicated by art.79 Issuers' Regulations (implementing the Legislative Decree n. 58/98)

First and last name	Office held	Number of shares
Guido Grassi Damiani (indirectly n. 46,563,791) (2)	Director	4,150.808
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,687,371
Managers with strategic responsibilities		9,000

(1) The ordinary Shareholders' Meeting of July 22, 2009 has approved the authorization, for the part not executed, of the resolution of the Shareholders' meeting of February 22, 2008, for the purchase of own shares up to a maximum of 8,260,000 ordinary shares of Damiani S.p.A. within a period of 18 months from the date of the Shareholders' resolution. As of September 30, 2009 the own shares in portfolio were no. 5,619,609, equal to 6.80% of the share capital.

(2) As controlling shareholder of Leading Jewels SA the own shares of Damiani S.p.A. (n° 5,619,609)are traceable to Mr. Guido Grassi Damiani.

Main economic data					
(in thousands of Euro)	I Half 2009/2010	Of which Rocca Group contribution	I Half 2008/2009	Of which Rocca Group contribution	Change %
Revenues from sales and services	**56,159**	**15,889**	**65,692**	**5,520**	**-14.5%**
Total revenues	56,333	15,943	66,103	5,526	-14.8%
Cost of production	(63,190)	(16,271)	(61,627)	(5,424)	2.5%
EBITDA *	**(6,857)**	**(328)**	**4,476**	**102**	**n.s.**
EBITDA %	***-12.2%***	***-2.1%***	***6.8%***	***1.8%***	
Amortization and depreciation	(2,325)	(594)	(1,635)	(112)	42.2%
Operating income	**(9,182)**	**(922)**	**2,840**	**(10)**	**n.s.**
Operating income %	***-16.4%***	***-5.8%***	***4.3%***	***-0.2%***	
Net financial income (expenses)	(1,036)	(621)	1,249	(199)	n.s.
Result before taxes	(10,218)	(1,543)	4,090	(209)	n.s.
Net result of the Group	(9,552)	(1,170)	1,806	(215)	n.s.
Basic Earnings (Losses) per Share	(0.12)		0.02		
Personnel cost	(12,744)	(1,804)	(13,040)	(406)	-2.3%
Average number of employees (**)	609	97	708	109	-14.0%
Gross Margin%(***)	49.1%	20.7%	57.4%	15.7%	

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

**) Average number of employees for September 2009 and September 2008

(***) Gross Margin: the difference between revenues from sales and the cost of good sold meant as the sum of costs for raw materials and other materials (including finished goods) and the cost of operations performed outside the company. Gross margin is a measure used by management of the Group to monitor and evaluate the company's operational performance and is not considered an IFRS accounting measure. Therefore it cannot be considered an alternative measure for the evaluation of the Group's results. Since the composition of Gross Margin is not regulated by the accounting standards of reference, the criteria of determination applied by the Group could not be homogeneous with that adopted by others and thus not comparable.

Balance sheet Data (In thousands of Euro)	Situation at September 30 2009	Situation at March 31 2009	change
Fixed Assets	64,013	64,208	(195)
Net working capital	117,235	115,168	2,067
Non current Liabilities	(9,808)	(11,141)	1,333
Net Capital Invested	**171,440**	**168,235**	**3,205**
Net Equity	117,464	129,838	(12,374)
Net Financial position (*)	53,976	38,397	15,579
Sources of Financing	**171,440**	**168,235**	**3,205**

(*)The Net Financial Position was determined on the basis of the indications of CONSOB communication n. DEM/6064923 of 28.07.06

Comments on the main economic and financial result of the Group.

The Group's activity, similarly with that of other players in the same sector, is marked by a significant seasonality. Sales of jewellery are mostly concentrated in the quarter October – December (and for the retail channel mainly in December), in relation to the Christmas season. Consequently the Damiani Group realizes a minor profitability in the first half (April – September) of the financial year which closes on March 31.

Total revenues and profitability of the Damiani Group in the first half year period closed on September 30, 2009 decline compared to the corresponding period of the previous financial year, reported in the table below for comparative purposes, because in this period the most severe effects of the global crisis which affected the sector of the luxury goods did not manifest fully.

Profit & Loss (in thousands of Euro)	I Half 2009/2010	Of which Rocca Group contribution	I Half 2008/2009	Of which Rocca Group contribution	Change Consolidated Income Statement	Change Rocca Group contribution
Revenues from sales and services	56,159	15,889	65,692	5,520	(9,533)	10,369
Other recurring revenues	174	54	411	6	(237)	48
Total revenues	**56,333**	**15,943**	**66,103**	**5,526**	**(9,770)**	**10,417**
Cost of production	(63,190)	(16,272)	(61,627)	(5,424)	(1,563)	(10,848)
EBITDA *	**(6,857)**	**(329)**	**4,476**	**102**	**(11,333)**	**(431)**
EBITDA %	***-12.2%***	***-2.1%***	***6.8%***	***1.8%***		
Depreciation and amortization	(2,325)	(594)	(1,635)	(112)	(690)	(482)
Operating income	**(9,182)**	**(923)**	**2,840**	**(10)**	**(12,022)**	**(913)**
Operating income %	***-16.3%***	***-5.8%***	***4.3%***	***-0.2%***		
Net financial incomes (losses)	(1,036)	(621)	1,249	(199)	(2,285)	(422)
Result before taxes	**(10,218)**	**(1,544)**	**4,090**	**(209)**	**(14,308)**	**(1,335)**
Result before taxes %	***-18.1%***	***-9.7%***	***6.2%***	***-3.8%***		
Taxes	669	374	(2,294)	(6)	2,963	380
Net result	**(9,549)**	**(1,170)**	**1,796**	**(215)**	**(11,345)**	**(955)**
Net result %	***-17.0%***	***-7.3%***	***2.7%***	***-3.9%***		
Minorities Interests	3		(10)		13	
Net result of the Group	(9,552)		1,806		(11,358)	
Net result of the Group %	*-17.0%*		*2.7%*			

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

<u>REVENUES</u>

Revenues from sales and services, which in the two six-month period are not influenced by non-recurring transactions, decline compared to the first six-month period of the previous financial year by Euro 9,533 thousands, a reduction of 14.5% with current exchange rates (-15.8% at constant exchange rates). Consolidated revenues decrease by Euro 9,770 thousands, passing from Euro 66,103 thousands for the six-month period closed at September 30, 2008 to Euro 56,333 thousands of the first half year period of the current financial year with a decrease of 14.8%. The following table gives revenues by sales channel.

Revenues by Sales Channel (In thousands of Euro)	I Half 2009/2010	I Half 2008/2009	Change	Change %
Retail	**14,716**	**6,740**	**7,976**	**118.3%**
Percentage on total sales	*26.1%*	*10.2%*		
Wholesale	**41,443**	**58,952**	**(17,509)**	**-29.7%**
Percentage on total sales	*73.6%*	*89.2%*		
Total revenues from sales and services	**56,159**	**65,692**	**(9,533)**	**-14.5%**
Percentage on total sales	*99.7%*	*99.4%*		
Other revenues	174	411	(237)	-57.7%
Percentage on total sales	*0.3%*	*0.6%*		
Total Revenues	**56,333**	**66,103**	**(9,770)**	**-14.8%**

- Revenues of the retail channel were Euro 14,716 thousands, an increase of 118,3% compared to the first half year of the previous financial year (+115,6% at constant exchange rates), mainly for the contribution of the Rocca *boutiques*, acquired in the previous financial year and included in the perimeter of activities starting from September 1, 2008 (therefore contributing to the total revenues of the first half year of the 2008/2009 year for one month only), whose revenues were equal to Euro 10,360 thousands in the half year period closed at September 30, 2009 versus Euro 1,829 thousands of the first half year period of the 2008/2009 financial year.
- In the wholesale channel, revenues were Euro 41,443 thousands, -29.7% at current exchange rates (-30.9% a constant rates) with decreases in all of the markets (for greater details by geographical area see paragraph "Main economical data for geographical area"); in this channel are included also sales revenues for jewellery products carried out with counterparts with whom the Group does not have on-going relationships.

Cost of production

The total net cost of productions for the first half year period of the 2009/2010 financial year was Euro 63,190 thousands, an increase of Euro 1,563 thousand (+2.5%) compared to the corresponding period of the previous financial year (Euro 61,627 thousands).

In detail, the trend of costs in the period ended on September 30 2009 was the following:

- Cost of raw materials and other materials, including purchase of finished products, was Euro 27,360 thousands, an increase of 5.3% compared to the first half year period of the 2008/2009 financial year (Euro 25,988 thousands). The increase is principally attributable to the consolidation for six months of the Rocca Group which sells mainly third party brands with a lower margin, against one month in the corresponding period of the previous financial year. Without the contribution of Rocca Group, cost of raw materials and other materials would have been Euro 14,877 thousands with a decrease of 30.3 % over the previous period.
- Cost for services is equal to Euro 20,876 thousands, a decrease of 14.1% compared to the first half year period of the previous financial year (Euro 24,302 thousands); the decrease is primarily traceable to the *savings* measures achieved by the Group, which counter-balanced the increase of rental costs tied to the development of the retail channel and the higher contribution of the Rocca Group compared to the corresponding period of the previous financial year.
- Personnel cost amounts to Euro 12,744 thousands, a decrease of 2.3% compared to the corresponding period of the previous financial year (Euro 13,040 thousands); excluding the Rocca Group from the consolidation area the decrease in personnel costs would have been equal to Euro 1,694 Euro/thousands, -13.4%, following the actions of rationalization of the organisational structure which were started in the second half year period of the previous financial year which determined a reduction of the staff and of related costs.
- Other net operating (charges)/incomes in the first half year period of the 2009/2010 financial year show a negative balance of Euro 2,210 thousands against a positive balance of Euro 1,703 thousands in the first six-months period of the 2008/2009 financial year, which benefited from positive exchange differences, due to the appreciation of foreign currencies versus the euro that are not repeatable.

Gross Margin

In the first six-month period of the 2008/2009 financial year, Gross Margin was equal to Euro 27,597 thousands against Euro 37,697 thousands in the corresponding period of the previous financial year. The impact on revenues in percentage is 49.1% against 57.4% of the first six-month period of the previous financial year. This reduction is due principally by the lower margin on sales of third party brands of the multi-brand Rocca boutiques, whose incidence on total revenues is higher because in the previous financial period they were included in the consolidation perimeter starting from the month of September only.

EBITDA

The trend of revenues and costs of the production described above determine a value of EBITDA in the six-months period closed on September 30, 2009 that is negative and equal to Euro 6,857 thousands, lower by Euro 11,333 thousands with respect to the gross operating result of the preceding financial year which was positive and equal to Euro 4,476 thousands. This reduction is attributable to the lower Gross Margin caused by the drop in sales and by the lower margin in percentage, and also to the lack of the mentioned income from exchange differences, only partially offset by the savings achieved on the other operating costs.

Depreciation and devaluation

In the first half period closed on September 30, 2009 depreciation amounted to Euro 2,325 thousands, an increase of Euro 690 thousands compared to the corresponding period of the previous financial year. This difference is due principally to the depreciation of the fixed assets of the companies of the Rocca Group, whose higher incidence on the period is equal to Euro 482 thousands, as well as to the capitalized expenses for the development of the network of directly managed *boutiques*.

Operating result

Due to the trends described in the above paragraphs, Operating result for the six-month period closed on September 30, 2009 is negative and is equal to Euro -9,182 thousands, a decrease of Euro 12,022 thousands compared to the corresponding period of the previous financial year.

Net financial costs

The balance of net financial income/expenses in the first six-month period of the 2009/2010 financial year is negative and equal to Euro 1,036 thousands, thus equal to a

worsening of Euro 2,285 thousands compared to the positive balance of Euro 1,249 thousands of the corresponding period of the 2008/2009 financial year.
The negative change is due to the average level of financial indebtedness of the period against net liquid assets of the corresponding period of the previous financial year.

Pre-tax result

In the six-months period closed on September 30, 2009 the pre-tax result was a negative and equals to Euro 10,218 thousands while in the first half of the previous financial year the pre-tax result was equal to Euro 4,090 thousands.

Current, prepaid and deferred taxes

In the six-months period closed on September 30, 2009 income taxes had a positive impact equal to Euro 669 thousands due to the provision for prepaid taxes in reference to losses recorded by some Italian companies (for the foreign subsidiaries, conservatively and in line with the past, provisions for pre-paid taxes are not taken on the negative result of the period). In the first six-month period of the previous financial year, taxes had a negative impact equal to Euro 2,294 thousands.

Net result

The net Group consolidated result for the first six-month period of the 2008/2009 financial year was negative and equals to Euro 9,552 thousands, against a positive net result of Euro 1,806 thousands recorded in the first six-months period of the 2008/2009 financial year.

Capital and financial situation

The reclassified consolidated capital-financial situation of Damiani Group on September 30, 2009 compared to that of March 31, 2009 is given in the following table:

Balance sheet Data (In thousands of Euro)	Situation at September 30 2009	Situation at March 31 2009	change
Fixed Assets	64,013	64,208	(195)
Net working capital	117,235	115,168	2,067
Non current Liabilities	(9,808)	(11,141)	1,333
Net Capital Invested	**171,440**	**168,235**	**3,205**
Net Equity	117,464	129,838	(12,374)
Net Financial position (*)	53,976	38,397	15,579
Sources of Financing	**171,440**	**168,235**	**3,205**

(*) The net financial position was determined on the basis of the indications of Consob communication no. DEM/6064923 of 28.07.06.

Invested capital

As of September 30, invested capital is equal to Euro 64,013 thousands, consistent with that of March 31, 2009.

Net working capital

As of September 30, net working capital is equal to Euro 117,235 thousands, an increase with respect to March 31, 2009 of Euro 2,067 thousands: against a small increase of inventories, the reduction of trade payables and tax payables has compensated the drop in trade receivables and tax receivables.

Non-current liabilities

As of September 30, 2009 non-current liabilities amount to Euro 9,808 thousands, a decrease compared to March 31, 2009 of Euro 1,333 thousands: this variation is principally due to the decrease of liabilities towards the previous shareholders of Damiani France for the payment of an instalment of the residual debt relative to the acquisition of the French subsidiary.

Net Capital

As of September 30, 2009 net capital amounted to Euro 117,464 thousands, a decrease of Euro 12,374 thousands compared to March 31, 2009. The variation, as well as the net negative result of the first half period (equal to Euro 9,549 thousands), is due to the following main reasons:

- effects deriving from the purchase of own shares carried out in the period for Euro 2,181 thousands,
- recording of exchange differences from financial statements conversions in currencies different from the Euro into Euro and exchange rate expenses on inter-company transactions for Euro 653 thousands.

Net financial position

The composition of the net financial position on September 30, 2009 and its evolution with

Net Financial Position (*) (in thousands of Euro)	Situation at September 30 2009	Situation at March 31 2009	change
Medium-long term loans and financing - Current portion	9,306	8,902	404
Usage of credit lines, short term financing and others	7,250	16,229	(8,979)
Medium-long term loans and financing with related parties - Current portion	932	779	153
Current financial indebtness	**17,488**	**25,910**	**(8,422)**
Medium-long term loans and financing - Non current portion	26,801	5,757	21,044
Medium-long term loans and financing with related parties - Non current portion	15,748	16,272	(524)
Non current financial indebtness	**42,549**	**22,029**	**20,520**
Total financial indebtness	**60,037**	**47,939**	**12,098**
Cash and cash equivalents	(6,061)	(9,542)	3,481
Net Financial Position (*)	**53,976**	**38,397**	**15,579**

respect to March 31, 2009 is given in the following table:

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

On September 30, 2009 the Group had a net financial indebtedness of Euro 53,976 thousands, a consequent worsening by Euro 15,579 thousands compared to the situation on March 31, 2009. This reduction is mainly attributable to the cash flow absorbed by the operating activities, equal to Euro 11,577 thousands and to the *buy-back* plan of own shares now taking place equal to Euro 2,181 thousands. This decrease was recorded mainly in the first quarter (April-June 2009) of the first half-year period: as of June 30, 2009 the net financial indebtedness of the Group was already equal to Euro 51,462 thousands, while in the second quarter, a careful monitoring of working capital along with the seasonality of cash flows, has brought a smaller change of the balance for Euro 2,514 thousands.

It should be noted that, during the first half of the financial year, the Parent company subscribed, with two financial institutions, loans for a total of Euro 25,000 thousands which determined the different composition of the gross financial debt with a higher weight of the medium-long term part compared to March 31, 2009 (approximately 71% for long-term debt against 46% as of March 31, 2009). These loans, without guarantees and covenants, are at fixed rate and have maturities between 5 and 6 years.

These long-term loans did not determine changes in the existing short-term lines of credit with the financial institutions; such lines of credit remain capacious and only partially used.

It is noted that the net financial position on September 30, 2009 also includes Euro 16,680 thousands in debts towards related parties for 7 real estate operations recorded as sale and lease-back (on March 31, 2009, this debt component amounted to Euro 17,051 thousands); net of this component, the net financial position as of September 30, 2009 would have been equal to Euro 37,296 thousands.

Main economical data by geographical area

The Damiani Group operates in a single business segment without any significant differences of products which could constitute separate business units. Therefore, the geographical dimension is the object of periodical observations and revision by the directors, as well as of the involvement of the management team. Coherently with this model, in the previous annual and interim financial statements, segment information was provided, which is also in line with the requirements of the new accounting principle IFRS 8. The areas are identified as such:

i) the Italy area includes the revenues and operating costs of the parent company Damiani S.p.A. and its subsidiaries which operate in Italy;

ii) the Americas area includes revenues and operating costs of Damiani USA Corp. which operates in the United States of America and markets the Group's products throughout the continent;

iii) the Japanese area includes revenues and operating costs of Damiani Japan KK which operates in Japan;

iv) the Rest of the World area includes revenues and operating costs of the other subsidiaries which operate and sell in other countries not included in the above defined areas.

Revenues for the first half year period closed on September 30, 2009 and for the same period of the previous financial year for each geographical area are shown in the following table:

Revenues by Geographical Area (In thousands of Euro)	**I Half 2009/2010**	**% of total**	**I Half 2008/2009**	**% of total**	**change**	**change %**
Italy:	**43,030**	76.3%	**44,030**	66.6%	(1,000)	-2.3%
- revenues from sales of goods and services	42,972		43,634			
- other recurring revenues	58		396			
Americas:	**2,463**	4.4%	**4,159**	6.3%	(1,696)	-40.8%
- revenues from sales of goods and services	2,463		4,159			
- other recurring revenues	-		-			
Japan	**3,311**	5.9%	**4,520**	6.8%	(1,209)	-26.7%
- revenues from sales of goods and services	3,310		4,516			
- other recurring revenues	1		4			
Rest of the World	**7,529**	13.4%	**13,394**	20.3%	(5,865)	-43.8%
- revenues from sales of goods and services	7,414		13,383			
- other recurring revenues	115		11			
Total revenues	**56,333**	**100%**	**66,103**	100.0%	(9,770)	-14.8%

Revenues by geographical area experienced the following trends:

- sales in **Italy** experienced a slight drop (-2.3% compared to the first half-year period of the 2008/2009 financial year) due to lower *wholesale revenues (-21.3%)* in part mitigated by the increase of the retail sales (+139%) thanks to the contribution of the sales of the Rocca *multi-brands* which in the first half-year period of the 2008/2009 financial year contributed for a period of six months, while for the same period of the last year (2008/2009) they had contributed for one month only.
- In the **Americas** there was a decrease of 40.8% (-46% at constant exchange rates) compared to the same period of the 2008/2009 financial year, due to the drop in sales of the wholesale channel which neutralized the positive effects of the increase in sales reported by the retail channel.
- In **Japan** sales decreased by 26.7% (-39.9% at constant exchange rates) as a result of the stagnation in consumption.
- In the **Rest of the World** a reduction of 43,8% is recorded compared to the corresponding period of the previous financial year due to the drop in sales in two areas (Russia and Middle East) which have an important weight on the revenues of this area.

EBITDA values for each geographical area in the first half-year period of the 2009/2010 financial year and in the corresponding period of the previous financial year are given in the following table:

EBITDA by Geographical Area (in thousands of Euro)	I Half 2009/2010	I Half 2008/2009	change %
Italy	**(2,223)**	**2,338**	n.s
Americas	**(2,539)**	**(167)**	n.s
Japan	**(2,004)**	**(837)**	-139.3%
Rest of the World	**(91)**	**3,142**	-102.9%
Consolidated EBITDA	**(6,857)**	**4,476**	n.s.
% on Revenues	*-12.2%*	*6.8%*	

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

In terms of EBITDA, the Italy segment shows a strong contraction due to the effect of the lower margins recorded on third party brand sales in the multi-brand Rocca boutiques.
The contraction in the other areas (**Americas**, **Japan** and **Rest of the World)** is due principally to the significant reduction of revenues and consequently of the gross margin in absolute terms, as well as to the lack of income from exchange differences recorded in the first six-months period of the 2008/2009 financial year.

Transactions with related parties

The operations carried out by the Damiani Group with related parties are mainly of real estate nature (property leasing for offices and shops).
During the first six-months period of the 2008/2009 financial year, before the acquisition of Rocca S.p.A. and its subsidiaries (of which the accounting effects take place starting from September 1, 2008), the Damiani Group also had relationships of commercial nature for the sale of the different brands of the Rocca Group, which was considered a related party because of the same ownership.
Data concerning dealings of the Group with related parties in the period ended September 30, 2009 and the previous financial year are displayed hereunder. (for further details see note 34 of the consolidated financial statements – Transaction with related parties)

(in thousands of Euro)	I Half 2009/2010		Situation as of September 30, 2009		
	Operating costs	Financial expenses	Financial payables (including leasing)	Trade payables	Lease back property
Total with related parties	(1,291)	(680)	(16,680)	(1,572)	15,519
Total from Financial Statements	(65,515)	(1,558)	(60,037)	(50,922)	
% age weight	2%	44%	28%	3%	

(in thousands of Euro)	I Half 2008/2009			Situation as of September 30, 2008			
	Revenues	Operating costs	Financial expenses	Other current assets	Financial payables (including leasing)	Trade payables	Lease back property
Total with related parties	2,254	(968)	(354)	8,570	(24,769)	(418)	16,965
Total from Financial Statements	66,103	(63,262)	(919)	24,255	(55,305)	(64,394)	
% age weight	3%	2%	39%	35%	45%	1%	

Non-recurring, atypical and/or unusual operations

In the first half-year period of the 2009/2010 financial year there are no positions or transactions deriving from atypical, unusual and non-recurring operations as defined in the Consob ruling n.15519 as of July, 27 2006.

Significant events of the first half period

On April 3 2009, the Shareholders' Meeting of Damiani S.p.A. appointed the new Board of Directors which remains in office until approval of the financial statement as of March, 30 2012, setting their number at seven members versus the eight of the previous Board of Directors.

The current composition of the Corporate Bodies is reported in this document on page 3.

On May 20, 2009 an agreement was signed with the prestigious fashion brand, Gianfranco

Ferrè, for the development and production of a new line of jewellery signed Gianfranco Ferrè.
On June 15, 2009 a licensing agreement was signed the Jil Sander Group for the creation of a jewellery and watches line signed Jil Sander. The Damiani Group will be the exclusive licensee for the design, production and distribution on a worldwide level of these collections which will be sold in the Jil Sander boutiques worldwide, in the Rocca boutiques and in selected jewellery and department stores.

During the month of June 2009 the Damiani Group was awarded the Vogue Joyas prize with the Valencienne bracelet, a masterpiece of diamonds mounted on white gold with details of bronzed gold. The contest, organized by the prestigious Spanish edition of Vogue, has reached the sixth edition and awards the best jewellery creations for creativity and realization.

Damiani was chosen as the pre-eminent ambassador of the "Made in Italy" to enrich the recent G8 summit of July 2009, with jewels chosen by the Prime Minister of the Italy to pay homage the Heads of State and leaders of international politics who participated to the meeting.

On July 7, 2009 the second collection created by the Damiani Group for the Maison Martin Margiela was presented.

Always during the month of July 2009 Damiani has announced together with the actress Sharon Stone an important international humanitarian project in favour of the African people.
The project revolves around the will of the American actress and the Damiani family to help concretely these populations both in economic terms and in terms of involvement of the media and of the public opinion. To reach this important goal, Damiani has designed with Sharon Stone a jewellery collection that will be in stores starting with the upcoming Christmas season. Part of the profits will be donated to no profit and non-governmental humanitarian associations that work on bringing water in the most remote villages of Africa, this way contributing to reduce the very high mortality rate among infants.

Within the scope of increasing the presence of the Group abroad, the opening in London, in the prestigious Old Bond Street, of the first mono-brand Damiani boutique should be highlighted, which took place at the beginning of July 2009 and the opening in Mumbai of the first mono-brand Bliss in September 2009.

During September 2009 Damiani has signed a licensing agreement for a jewellery and luxury giftware line signed for by Ferrari. On the basis of a partnership agreement valid until the end of 2012, Damiani will be partner of the prestigious car maker in the production and distribution of a special and precious line of jewellery and giftware. The sales of this collection will be carried out through the multi-brand boutiques of Rocca, selected specialty stores and Ferrari Stores worldwide.

Significant events after the end of the first half period

In October 2009, Damiani announced the license agreement with the prestigious car maker Maserati of Modena for their first jewellery collection. On the basis of a partnership valid until the end of 2012, Damiani will design, produce and sell for Maserati a special line of jewellery inspired to the world and elegance of Maserati. The marketing of this collection will be carried out through the sales network of the Damiani Group, Maserati dealers and selected multi-brand jewellery boutiques.

During the month of October a mono-brand Damiani corner, under a franchising agreement, was opened in the Ataturk airport of Istanbul, crossroads of several international flights.

During the month of November Damiani announced an agreement for the commercial distribution with the retail chain Birks & Mayors Inc, a North-American retailer of high-end jewellery and watches listed in the NYSE Amex and with a network of 65 high-end boutiques of jewellery and watches in Canada and in the South East of the United States. The agreement is for five years and is for all of the brands of the Damiani Group. Thanks to the synergies with the structure of the Damiani Group already present in the United States, the operation will not bring increases at the operating costs level.

Business outlook

The results achieved by the Damiani Group in the six-month period closed on September 30, 2009 reflect the current situation with an ongoing economic crisis which affected all sectors on a worldwide level and which determined a drop in consumer confidence.

In this context the Group continues its activities of rigorous containment of costs and of selective control on in the investments with the goal to improve the operating efficiency not only in the short but especially in the medium term, with the goal of pursue the strategic objectives which remain confirmed and that are aimed at strengthening the strong points of the brands in portfolio and the domestic leadership, and at increasing the presence in the key markets abroad.

Side by side with the core objectives of the Group, there is the intention to diversify our activities in the field of licenses with the agreements already stipulated with prestigious brands of the "Made in Italy", which recognized in Damiani their ideal partner because of our in-house consolidated technical competencies (design and production) and our outstanding distribution network, which can guarantee the commercial success of such initiatives almost immediately in the short-term.

Milan, November 21, 2009

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

DAMIANI S.p.A.

Condensed Consolidated Financial Statements as of September 30, 2009

Index

Balance Sheet Statement

At September 30, 2009 and at March 31, 2009.

(in thousands of Euro)	Note	September 30, 2009	March 31, 2009
NON-CURRENT ASSETS			
Goodwill	7	4,984	5,002
Other Intangible Fixed Assets	8	8,744	9,204
Tangible Fixed Assets	9	25,758	26,626
of which towards related parties		*15,519*	*16,250*
Investments	10	167	169
Financial receivables and other non current assets	11	4,778	4,655
Deferred tax assets	12	19,582	18,552
TOTAL NON CURRENT ASSETS		**64,013**	**64,208**
CURRENT ASSETS			
Inventories	13	122,315	121,192
Trade receivables	14	36,030	54,551
Tax receivables	15	3,733	5,571
Other current assets	16	13,619	12,619
Cash and cash equivalents	17	6,061	9,542
TOTAL CURRENT ASSETS		**181,758**	**203,475**
TOTAL ASSETS		**245,771**	**267,683**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		89,157	96,691
Group net income (loss) for the period		(9,552)	(4,709)
TOTAL GROUP SHAREHOLDERS' EQUITY		**115,949**	**128,326**
MINORITY SHAREHOLDERS' EQUITY			
Minority share capital and reserves		1,512	1,668
Minority net income (loss) for the period		3	(156)
TOTAL MINORITY SHAREHOLDERS' EQUITY	**18**	**1,515**	**1,512**
TOTAL SHAREHOLDERS' EQUITY		**117,464**	**129,838**
NON CURRENT LIABILITIES			
Long term financial debts	19	42,549	22,029
of which towards related parties		*15,748*	*16,272*
Termination Indemnities	20	4,509	4,868
Deferred Tax liabilities	12	4,311	4,227
Other non current liabilities	21	988	2,046
TOTAL NON CURRENT LIABILITIES		**52,357**	**33,170**
CURRENT LIABILITIES			
Current portion of long term financial debts	19	10,238	9,681
of which towards related parties		*932*	*779*
Trade payables	22	50,922	70,923
of which towards related parties		*1,572*	*865*
Short term borrowings	23	7,250	16,229
Income tax payables	24	1,965	2,752
Other current liabilities	25	5,575	5,090
TOTAL CURRENT LIABILITIES		**75,950**	**104,675**
TOTAL LIABILITIES		**128,307**	**137,845**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**245,771**	**267,683**

Income Statement

For the six-month period closed at September 30, 2009 and at September 30, 2008.

(in thousands of Euro)	Note	I Half 2009/2010	I Half 2008/2009
Revenues from sales and services		56,159	65,692
of which towards related parties		-	*2,254*
Other recurring revenues		174	411
TOTAL REVENUES	26	**56,333**	**66,103**
Cost of raw materials and consumables	27	(27,360)	(25,988)
Cost of services	28	(20,876)	(24,302)
of which towards related parties		*(560)*	*(467)*
Personnel cost	29	(12,744)	(13,040)
Other net operating (charges) incomes	30	(2,210)	1,703
Amortization and depreciation	31	(2,325)	(1,635)
of which towards related parties		(731)	*(501)*
TOTAL OPERATING EXPENSES		**(65,515)**	**(63,262)**
OPERATING INCOME (LOSS)		**(9,182)**	**2,840**
Financial Expenses	32	(1,558)	(919)
of which towards related parties		*(680)*	*(354)*
Financial Incomes	32	522	2,168
INCOME (LOSS) BEFORE INCOME TAXES		**(10,218)**	**4,090**
Income Taxes	33	669	(2,294)
NET INCOME (LOSS) FOR THE PERIOD		**(9,549)**	**1,796**
Attributable to:			
Group		(9,552)	1,806
Minorities		3	(10)
Basic Net Result per Share(*)		**(0.12)**	**0.02**
Diluted Net Result per Share(**)		**(0.12)**	**0.02**

(*) The Basic Net Result per Share was calculated by taking into account also the effects of the purchase of own shares carried out starting from March 2008.

(**) Diluted Net Result per Share relative to the six months period closed at September 30, 2008 was calculated by taking into account also the dilutive effects deriving from the options relative to the stock option plans granted to employees on November 5, 2007.

Comprehensive Income Statement

For the six-month period closed at September 30, 2009 and at September 30, 2008.

(in thousands of Euro)	**I Half 2009/2010**	**I Half 2008/2009**
Net income (Loss) for the period	**(9,549)**	**1,796**
Gain (Losses) on cash flow hedges	7	12
Gain (Losses) on exchange differences on translating foreign operations	(653)	(2,714)
Effects on Shareholders equity due to the Rocca acquisition	-	(7,270)
Total Comprehensive Income (loss) for the period	**(10,195)**	**(8,176)**

Statement of changes in equity

For the six-month period closed at September 30, 2009 and at September 30, 2008.

(In thousands of Euro)	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging 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 result of the period			769					14,358	(15,127)	-		-
Other comprehensive Income/ (loss)				12				(9,908)		(9,896)	(76)	(9,972)
Stock option						72				72		72
Purchase of own shares							(4,277)			(4,277)		(4,277)
Utilization of own shares for Rocca S.p.A. purchase							2,050			2,050		2,050
Net income (loss) for the period									1,806	1,806	(10)	1,796
Balances at September 30, 2008	**36,344**	**69,858**	**2,397**	**12**	**8,618**	**130**	**(4,564)**	**29,367**	**1,806**	**143,968**	**1,660**	**145,628**

	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging 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, 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 result of the period			37					(4,746)	4,709	-		-
Other comprehensive Income/ (loss)				7				(653)		(646)		(646)
Stock option						**2**				2		2
Purchase of own shares							(2,181)			(2,181)		(2,181)
Net income (loss) for the period									(9,552)	(9,552)	3	(9,549)
Balances at September 30, 2009	**36,344**	**69,858**	**2,434**	**(84)**	**8,618**	**2**	**(8,227)**	**16,556**	**(9,552)**	**115,949**	**1,515**	**117,464**

Cash flow statement

For the six-month period closed at September 30, 2009 and at September 30, 2008.

(In thousands of Euro)	**First Half 2009/2010**	**First Half 2008/2009**
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Net income (loss) for the period	(9,549)	1,796
Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:		
Amortization, depreciation and write-downs	2,325	1,635
(Gains)/Losses from sale of intangible and tangible assets	77	-
Provisions to Bad Debts Reserve	1,473	1,790
Provisions to risks fund	200	-
Changes in the Fair value of Financial Instruments	(87)	464
Provisions for termination Indemnity and actuarial valuation of ELI Fund	163	184
Termination indemnity payments	(522)	(308)
Changes in the deferred tax assets and liabilities	(946)	(3,183)
	(6,866)	2,378
Changes on operational assets and liabilities		
Trade receivables	17,048	11,093
Inventories	(1,123)	(5,368)
Trade payables	(20,001)	(14,978)
Tax receivables	1,838	(255)
Income Tax payables	(787)	489
Other current and non current assets and liabilities	(1,686)	(2,144)
NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)	**(11,577)**	**(8,785)**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash in from disposal of Intangible and tangible Fixed Assets	31	-
Tangible Fixed Assets purchased	(973)	(2,898)
Intangible Fixed Assets purchased	(114)	(323)
Net change in the other non current assets	(121)	(1,106)
Cash used for the acquisition of Rocca Group, net of cash acquired (1) :	-	(3,865)
NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)	**(1,177)**	**(8,192)**
CASH FLOW FROM INVESTING ACTIVITIES		
New Long term loans	25,000	
Payment of long-term debt	(3,923)	(2,421)
Net change in short-term financial liabilities	(8,979)	(4,614)
Purchase of own shares	(2,181)	(4,277)
Cash used for the distribution of reserves to the mayorities Shareholders in relation with the acquisition of Rocca Group (1)	-	(457)
Other changes in Net Equity	(644)	(25)
NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)	**9,273**	**(11,794)**
TOTAL CASH FLOW (D= A+ B+ C)	**(3,481)**	**(28,771)**
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)	**6,061**	**24,042**

(1) The acquisition price paid was equal to Euro 7,406 thousands, of which Euro 2,050 thousands paid by transfer of own shares. The financial outlay was equal to Euro 5,356 thousands 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 and structure of the financial statements

Company information

The Damiani Group has been engaged for many years in the production and distribution of jewellery products through both the 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 15, 2008 (but with accounting effects from September 1, 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.

More recently, Damiani also signed licensing agreements with prestigious brands for the production and sale in Italy and abroad of jewellery and giftware.

The registered office of the Parent Company Damiani S.p.A is Viale Santuario n. 46, Valenza (AL).

Structure of the financial statements

This condensed consolidated financial statements of the Damiani Group at September 30, 2009 for the six months period 1 April 2009 – 30 September 2009, consisting of the Balance Sheet Statement, the Income Statement, the total Comprehensive Income Statement, the Statements of changes in equity, the Cash Flow Statement and the Explanatory Notes (hereafter "the Consolidated Financial Statement"), was approved by the Company's Board of Directors on November 21, 2008.

The structure of the balance sheet takes into account the classification between "current assets" and "non-current assets" while, with reference to the income statement, the classification by the nature of the items has been maintained since this format is believed to be most representative in relation to the so-called "presentation by destination" (also called "cost of sales" method).

Pursuant to 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 six months period ended on September 30 2009, are shown in separate tables. Transactions with Related Parties are identified in accordance with the extended definition laid provided by the IAS 24 which includes the relationships with the administrative and governance bodies of the company as well as those company executives who have strategic responsibilities. For more details see what specified in note 34. Transactions with related parties.

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 expressed in thousands of Euro, except where otherwise indicated.

2. Statement of compliance, criteria used and consolidation area

Statement of compliance and criteria used

The half yearly condensed 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. These half-yearly condensed consolidated financial statements were prepared in accordance to IAS 34- Interim Financial Reporting. Therefore 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, 2009.

The accounting principles used in preparing these 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, 2009, to which reference should be made for more details, except for what reported in note 3-Accounting standards, amendments and interpretations applied starting from January 1, 2009.

The half yearly condensed consolidated financial statements as of September 30, 2009 were prepared on the premise of continuity in that the Group maintains that there are no uncertainties concerning the capacity to continue its activity both in the productive-commercial sense and in the financial sense, for the foreseeable future.

Consolidation Area

The consolidated financial statements include the Financial Statements of Damiani S.p.A. 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.

The figures in the income statement, the changes in the net equity and the cash flows for the half year period closed at September 30, 2009 are presented in a comparative format with the figures of the first half year of the previous financial year. The balance sheet data at September 30, 2009 are presented in a comparative format with the data for the financial periods closed at March 31, 2009 and at September 30, 2008.

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, 2009:

Company name	Registered office	Currency	Share Capital (local currency)	Held by	% direct	% Group
Alfieri & St. John S.p.A.	Valenza (AL), Italy	EURO	1,462,000	Damiani S.p.A.	100.00%	100.00%
New Mood S.p.A.	Valenza (AL), Italy	EURO	1,040,000	Damiani S.p.A.	97.00%	100.00%
Damiani Manufacturing S.r.l	Valenza (AL), Italy	EURO	850,000	Damiani S.p.A.	51.00%	51.00%
Laboratorio Damiani S.r.l.	Bassignana (AL), Italy	EURO	200,000	Damiani S.p.A.	100.00%	100.00%
Damiani International B.V.	Amsterdam, Netherland	EURO	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan K.K.	Tokyo, Japan	JPY	1,305,732,000	Damiani International B.V.	100.00%	100.00%
Damiani USA, Corp.	New York, USA	USD	55,000	Damiani International B.V.	100.00%	100.00%
Casa Damiani Espana S.L.	Madrid, Spain	EURO	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Hong Kong L.t.d.	Hong Kong, Hong Kong	HKD	2,500,000	Damiani International B.V.	100.00%	100.00%
Damiani France S.A.	Paris, France	EURO	38,500	Damiani International B.V.	100.00%	100.00%
Damiani Service Unipessoal L.d.a.	Madeira, Portugal	EURO	5,000	Damiani International B.V.	100.00%	100.00%
Rocca S.p.A.	Milan, Italy	EURO	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	EURO	100,000	Rocca S.p.A.	100.00%	100.00%

The consolidation area as of September 30, 2009 has not changed since March 31, 2009.

Associated companies

Associated companies are those in which the Group holds at least 20% of the voting rights, that is, exercise a significant influence, but not control, over financial and operating policies.

At September 30, 2009, the Group had no shareholdings in associated companies.

Other participations

Details of the Damiani Group's holdings in other companies at September 30, 2009 which have a total value of 167 thousands Euro are given below:

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

3. Accounting standards, amendments and interpretations applicable from January 1, 2009

The following principles, which are effective for the financial periods that begin in January 1, 2009, were applied for the first time to the half-yearly report.

IAS 1 revised – Presentation of financial statements

This standard prescribes the basis for the presentation of comprehensive financial statements that highlights both the income statement results and the economic results charged directly to shareholders' equity. This standard lets the company choose whether to present this figures in a single comprehensive profit and loss statement or in two separate statements presented one after the other

- a first separate statement that highlights the components of the income (loss) for the period and
- a second statement that starting from the income (loss) for the period, includes the other components of the total income statement

The Damiani Group opted for the second type of presentation through the two separate statements denominated respectively separate income statement and total income statement.

IAS 23 revised- Borrowing costs

The option included in the previous version of the standard is eliminated. The option allowed for the booking of borrowing costs in the income statement for the same period in which they were paid as an alternative to their capitalization.

Therefore in the revised version, borrowing costs that are directly attributable to the acquisition, the construction of production of a good requiring a significant amount of time before being ready for use or for sale, must be capitalized as part of the cost of the good itself. The application of this standard did not produce any accounting entries, as in this case this is not applicable to the Group.

IAS 38 revised –Intangible assets

This amendment prescribes for the recognition in the income statements of advertising and marketing costs. Moreover, in case the company sustains costs which will produce benefits in the

future, in the absence of recording intangible assets, these costs will have to be booked in the income statement at the time when the company acquires the right to the good, in case of acquisition of goods, or when the service is rendered, in case of the purchase of services.
The application of this standard did not produce any accounting entries, as in this case this is not applicable to the Group.

Amendment to IFRS 2-Share-based payments- Vesting conditions and cancellation

The standard was modified in order to clarify the definition of the vesting conditions and to prescribe the accounting treatment in case of a bonus actually cancelled following the failed reaching of a condition of non maturity. The adoption of this amendment had no impact on the financial position or the performance of the Group.

IFRS 8-Operating segments (replaces IAS 14)

It establishes that an entity prepares quantitative and qualitative information reported in the segment information on the base of the elements used by the management to make their actual operating decisions, determining the identification of the operating segments on the base of the internal reports that are reviewed by management on a regular basis for the allocation of the resources to the different areas. The application of this standard has not had any impact on the Group as the base criteria with which the Group determined the operating segments in the past correspond to what established by the new standard.

IFRIC 13-Customer loyalty programmes

This interpretation defined the formal procedure of the accounting treatment of the obligation that arises at the time of granting of the reward points to the customers at the time of the sale and established that the fair value of the obligations related to such prize should be separated from the revenue from the sale and deferred until the moment in which obligation towards the customers is extinguished. The application of this standard has no impacts on the Group since this type of programs is not present in the Group.

IFRIC 14-Defined benefit assets and minimum funding requirements

This interpretation defined the formal procedure on how to determine the limit amount from the IAS 19 for the recognition of the activities in service of the plans and gives an explanation about the accounting effects caused by the presence of a clause of minimum funding requirement of the plan. The application of this standard has not had any accounting impact on the Group.

IFRIC 16-Hedges of a net investment

This interpretation defined the guidelines regarding the accounting treatment of the hedges of a net investment. The Group does not have any hedges of net investments in foreign transactions.

4. Use of estimates

In preparing the condensed consolidated statements for the first six-month 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 impairment test on fixed and current assets are carried out in a complete manner only at the time of the preparation of the consolidated annual report, when all the necessary information is available, except in cases when there are indicators of impairment that require an immediate impairment test.

During the first six-month period, Group's Management carried out estimates to determine the provisions for credit risk and returns, current and deferred taxes and inventories.

Particularly, considering the current market situation that is reflected in the not positive achieved performance in the first half-year 2009/2010, the valuation of the inventory takes into account the activities already started, of those expected in the second half of the current financial year, of the seasonality of the activities of the Group and the trend of the prices of the raw materials that is object of periodic monitoring by management. With reference to the credits for prepaid taxes, whose increase is correlated mainly to the losses recorded in the period by the Italian companies because of the market situation and from the low seasonality that characterizes the first half-year, the analysis of the time of using of the temporary differences that generated them did not highlight problems of recovering in the expected normal trend of the operating activities of the Group.

5. 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, based on pasted experience, the Damiani Group realizes a minor profitability in the first half (April – September) of the financial year which closes on March 31.

6. *Segment reporting*

The Damiani Group operates in a single business segment without any significant differences of products which could constitute separate business units.
Therefore, the geographical dimension to which the directors assign goals and responsibilities and in which the management operates is the geographical one, with the structuring already indicated in the management report on operations, and of which the operating results for the first half-year periods of the 2009/2010 and 2008/2009 (for comparative purposes) financial years are reported.

Breakdown by geographical area (first half of the 2009/2010 financial year)

I Half 2009/2010	Italy	Americas	Japan	Rest of the World	Eliminations	Consolidated
(In thousands of Euro)						
Net Sales to third party customers	42,972	2,463	3,310	7,414		56,159
Other revenues	58	-	1	115		174
Intercompany sales	13,758	-	-	5,195	(18,953)	-
Total net sales	**56,788**	**2,463**	**3,311**	**12,724**	**(18,953)**	**56,333**
Operating Costs	**(60,671)**	**(5,273)**	**(5,492)**	**(13,040)**	**18,961**	**(65,515)**
Operating profit (loss)	**(3,883)**	**(2,810)**	**(2,181)**	**(316)**	**8**	**(9,182)**

(In thousands of Euro) **Situation at September 30, 2009**	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Total current assets	207,319	23,746	18,928	53,804	(122,039)	181,758
Total assets	312,182	25,434	25,764	137,583	(255,191)	245,771
Total liabilities	150,226	13,789	13,449	69,192	(118,350)	128,307
Capex	414	7	460	369	0	1,250

Breakdown by geographical area (first half of the 2008/2009 financial year)

I Half 2008/2009	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
(In thousands of Euro)						
Net Sales to third party customers	43,634	4,159	4,516	13,383		65,692
Other revenues	396	-	4	11		411
Intercompany sales	20,915	165	-	10,236	(31,316)	-
Total net sales	**64,945**	**4,324**	**4,520**	**23,630**	**(31,316)**	**66,103**
Operating Costs	**(63,822)**	**(4,704)**	**(5,430)**	**(20,620)**	**31,314**	**(63,262)**
Operating profit (loss)	**1,123**	**(380)**	**(911)**	**3,010**	**(2)**	**2,840**

(In thousands of Euro) **Situation at September 30, 2008**	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Total current assets	245,616	24,612	19,093	129,325	(192,022)	226,624
Total assets	333,815	26,891	24,833	166,712	(264,592)	287,660
Total liabilities	169,837	31,543	26,107	92,240	(177,695)	142,032
Capex	865	953	976	427	0	3,221

Comments to the main items of the balance sheet statement

7. Goodwill

(in thousands of Euro)	**September 30 2009**	**March 31 2009**
Goodwill, boutiques	726	719
Goodwill, Alfieri & St.John S.p.A.	4,258	4,258
Goodwill, Damiani Service Unipessoal L.d.a.	-	25
Total goodwill	**4,984**	**5,002**

The breakdown for the item at September 30, 2009 and at March, 31 2009 is reported below:

This item includes 4,258 thousands Euro booked as goodwill with reference to the acquisition, in 1998, of 100% of the shares of Alfieri & St. John S.p.A. and 726 thousands Euro for goodwill paid in 1996, 2002, 2007 and 2009 in reference to the purchase of four mono-brand boutiques directly managed by Damiani Group.

Compared to March 31, 2009 amortization was done for Euro 25 thousands for the goodwill referring to the acquisition of 100% of the shares of Damiani Service Unipessoal L.d.a. (currently not operating) which took place in November 2007.

Impairment test for intangible assets with indefinite useful life

Goodwill, as an intangible asset with an indefinite useful life reported among fixed assets, is not amortized in the income statement, 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. In the first six-months of the 2009/2010 financial year the trend observed in the business is essentially in line with the scenario expected and used for the impairment test on March 31, 2009 therefore, even considering the seasonality of the business, management has decided to not execute a new impairment test on goodwill values.

8. Other intangible fixed assets

The breakdown for the item at September 30, 2009 and at March, 31 2009 is reported below:

(in thousands of Euro)	September 30 2009	March 31 2009
Industrial rights and patents	786	823
Key Money	7,896	8,368
Fixed intangible assets under construction	62	13
Total other intangible fixed assets	**8,744**	**9,204**

Intangible fixed assets decrease in this first half year period by Euro 460 thousands mainly due to the amortizations of the period.

9. *Tangible fixed assets*

(in thousands of Euro)	September 30 2009	March 31 2009
Land and buildings	17,081	17,830
Plant and machinery	1,005	1,063
Industrial and commercial equipment	806	872
Other assets	6,866	6,861
Total tangible fixed assets	**25,758**	**26,626**

The breakdown for the item at September 30, 2009 and at March, 31 2009 is reported below:

Tangible fixed assets decrease compared to March 31, 2009 by Euro 868 thousands due to the changes which took place during the period (investments and depreciation).

The increases, equal to a total of Euro 1,101 thousands, are mainly represented by the restructuring works done in the building where our Japanese subsidiary is located and for the opening of the Damiani boutique in London.

"Land and buildings" includes also assets in sale and lease back which related parties have purchased from Group companies and subsequently leased for commercial use to these same entities (for details see note 34 Transaction with related parties).

Assets in sale and lease back recognized under the heading land and buildings amount respectively to 15,519 thousands Euro on September 30, 2009 and 16,250 thousands Euro on March 31, 2009.

The item "Other assets" includes furniture, fittings, office machines, vehicles and improvements to third party buildings (costs incurred to adapt/restructure the boutiques).

10. *Investments*

On September 30 2009 the item was exclusively made up of minority investments in the companies Fin.Or.Val Srl and Banca d'Alba, for a total of 167 thousands Euro.

11. Financial receivables and other non current assets

The breakdown for the item at September 30, 2009 and at March, 31 2009 is reported below:

(in thousands of Euro)	September 30 2009	March 31 2009
Guarantee deposits	4,727	4,604
Other receivables	51	51
Total financial receivables and non current assets	**4,778**	**4,655**

The increase in guarantee deposits compared to March 31, 2009 for Euro 123 thousands is mainly due to the sums paid in guarantee for the opening in franchise of a new Damiani point of sale in London.

12. Deferred and prepaid taxes

As of September 30, 2009 the net deferred tax assets show an increase of Euro 946 thousands compared to March 31, 2009 due to higher prepaid taxes receivables.

Deferred tax assets (Euro 19,582 thousands at September 30, 2009, versus a balance of Euro 18,552 thousands at March 31, 2009) 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 compared to March 2009 is principally due to the provisions of advance taxes in reference to losses recorded by some Italian companies since it is believed that the future taxable incomes will absorb all of the temporary differences between the taxable income and statutory pre-tax income that generated them (for the foreign subsidiaries we proceed prudently and in line with what done in the past, and provisions are not made of advance taxes on the negative results of the period since the time of their recoverability is uncertain.

Deferred tax liabilities (Euro 4,311 thousands as of September 30, 2009, against a balance of Euro

4,227 thousands as of March 31, 2009) are principally related to the deferred taxation of gains on sale of brands.

It should be noted that the Group has computed its deferred and prepaid taxes on the basis of the current tax rates, believing that they will remain unchanged also in the period in which the various temporary differences are likely to reverse.

13. Inventories

(in thousands of Euro)	September 30 2009	March 31 2009
Raw materials, semi-finished goods and advance payments	11,825	10,805
Finished products and goods	110,490	110,387
Total inventories	**122,315**	**121,192**

The breakdown of this item at September 30, 2009 and at March 31, 2009 is given below:

The net value of inventories as of September 30, 2009 shows an increase of Euro 1,123 thousands compared to the value of March 2009.

It should be noted that the item "finished products and goods" includes Euro 13,236 thousands (Euro 13,328 thousands as of March 31, 2009) of finished goods delivered to customers for which there were not yet verified, on the end of the period's date, the requirements for the related revenue recognitions.

The inventory value as of September 30, 2009 is shown net of 2,866 thousands Euro of inventory devaluation provision of foreign subsidiaries which is the potential loss from operations of elimination of some types of jewellery for which, in the present market conditions, the Group considers no longer marketable according to the lines and standards of the Group.

14. Trade receivables

The breakdown of this item on September 30, 2009 and March 31, 2009 is given below:

(in thousands of Euro)	September 30 2009	March 31 2009
Trade receivables, gross	**68,549**	**86,670**
Bad Debts Reserve	(5,001)	(4,415)
Fund for returns on sales from customers	(27,319)	(27,511)
Impact of Net Present Value calculation of receivables	(199)	(193)
Total trade receivables	**36,030**	**54,551**

The reduction of net trade receivables of 18,521 thousands Euro is due to the drop in sales registered in the period.

The balance of the trade receivables is shown net of the bad debts reserve and the fund for returns from customers 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 the next accounting period.

It should be noted that during the period the provisions for bad debt are included in the item "other net operating (costs) incomes" in the income statement.

The changes of the fund for returns on sales from customers for the period are accounted for directly in the item "Revenues from sales and services" of the income statement.

There are no receivables with a contractual duration beyond 5 years.

15. Tax receivables

As of September 30, the balance of tax receivables is equal to Euro 3,733 thousands versus Euro 5,571 thousands of March 31, 2009. The change with respect to March 31, 2009 is due to the decrease of the item tax advances.

16. Other current assets

The breakdown of this item on September 30, 2009 and March 31, 2009 is given below:

(in thousands of Euro)	September 30 2009	March 31 2009
VAT receivables from the Tax Authorities	3,715	3,471
Prepayments on exchanges of goods	4,268	2,710
Deposits to suppliers	1,948	1,971
Prepayments	3,096	2,830
Receivables from other	592	1,637
Total other current assets	**13,619**	**12,619**

The prepayments on exchanges of goods increase due to reclassifications of Euro 970 thousands previously reported among trade receivables, and of Euro 758 thousands previously reported as deposits to suppliers.
Deposits to suppliers increase for effect of the prepayments paid to suppliers of services.
Prepaid expenses are related to costs of advertising campaigns of *testimonials* for services not yet rendered.

17. Cash and cash equivalents

The breakdown of this item on September 30, 2009 and March 31, 2009 is given below:

(in thousands of Euro)	September 30 2009	March 31 2009
Bank and post accounts	5,800	9,308
Cash on hand	261	234
Total cash and cash equivalents	**6,061**	**9,542**

The balance represents the liquidities available in bank and postal accounts and the existence of petty cash and cash values on the closing date of the period.
The decrease from March 31, 2009 is principally related to the purchase of own shares carried out in the period, equal to Euro 2,181 thousands.

18. Shareholders' equity

As of September 30, 2009 Net Shareholders' equity is equal to Euro 117,464 thousands, a decrease of Euro 12,374 thousands compared to March 31, 2009. The change is due to, besides the negative result of this period equal to Euro 9,549 thousands, the following:

- Effects deriving from the share buy back for Euro 2,181 thousands,
- Changes in other reserves for exchange differences upon conversion of the financial statements which were in currencies different from the Euro and exchange rate expenses on inter-company items for 653 thousands Euro.

19. *Financial debt : current and medium-long term portion*

The composition of the current and medium/long term portions of financial liabilities at September 30, 2009 and at March 31, 2009 is the following:

(in thousands of Euro)	September 30 2009	March 31 2009	Note
Non current portion			
Loan A	1,000	2,000	a
Loan B	670	1,992	b
Loan C	15,000	-	c
Loan D	8,750	-	d
Loan E	265	435	e
Loan F	291	351	f
Loan H	735	869	h
Loan L	90	110	l
Financial Leasing	15,748	16,272	m
Total non current portion of medium/long financial debt	**42,549**	**22,029**	
Current portion			
Loan A	2,000	2,000	a
Loan B	2,619	2,570	b
Loan D	1,250	-	d
Loan E	337	329	e
Loan F	118	142	f
Loan G	1,833	2,000	g
Loan H	265	131	h
Loan I	834	1,667	i
Loan M	-	23	
Loan L	50	40	l
Financial Leasing	932	779	m
Total current portion of medium/long financial debt	**10,238**	**9,681**	
Total medium/long financial debt	**52,787**	**31,710**	

Details of the main information regarding loans granted by financial institutions to Group's companies that are still outstanding as of September 30, 2009 are given below.

a) Loan A was originally granted in June 2005 to Damiani S.pA. 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) Loan B was originally granted in October 2005 to Damiani S.pA. for Euro 10,000,000 to be paid back in equal instalments 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) Loan C was originally granted in June 2009 to Damiani S.pA. for Euro 15,000,000 to be paid back in equal half-year repayments instalments over the period from December 31, 2010 to June 30, 2015; interest on this loan is equal to an annual rate of 4.40%;

d) Loan D was originally granted in June 2009 to Damiani S.pA. for Euro 10,000,000 to be paid back in equal quarterly instalments over the period from June 30, 2010 to March 31, 2014; interest on this loan is equal to an annual rate of 4%;

e)Loan E was issued to Rocca S.p.A. in 2006 for Euro 1,000,000 to be paid back with quarterly instalments. The loan expires on April 30 2011; interest on this loan is at the rate of 5.10% a year;

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

g) Loan G was obtained in December 2007 by Rocca S.p.A. for Euro 2,000,000 with a repayment schedule of fixed quarterly instalments 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 nor renegotiated with the financial institution, this loan was reclassified as short term debt fir its entirety;

h) Loan H was obtained in March 2008 by Rocca S.p.A. for Euro 1,000,000 with a repayment schedule of fixed quarterly instalments 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%;

i) Loan I was issued in 2002 to Rocca S.p.A. for Euro 10,000,000 with a repayment schedule of fixed 6-month instalments. 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%;

l) Loan L was originally issued to Courmayeur Rocca S.r.l. in December 2007 for Euro 200,000 to be repaid through quarterly instalments. 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%;

m) leasing debt on buildings for 16,680 thousands Euro includes the amount relative to contracts for the sale of building to related parties which are accounted for as a sale and leaseback arrangement under IAS 17. These properties are the locations of Bliss, Damiani and Rocca boutiques.

The table below gives details of the Group's net financial indebtedness on September 30, 2009 and March 31, 2009:

Net Financial Position (*) (in thousands of Euro)	Situation at September 30 2009	Situation at March 31 2009	change
Medium-long term loans and financing - Current portion	9,306	8,902	404
Usage of credit lines, short term financing and others	7,250	16,229	(8,979)
Medium-long term loans and financing with related parties - Current portion	932	779	153
Current financial indebtness	**17,488**	**25,910**	**(8,422)**
Medium-long term loans and financing - Non current portion	26,801	5,757	21,044
Medium-long term loans and financing with related parties - Non current portion	15,748	16,272	(524)
Non current financial indebtness	**42,549**	**22,029**	**20,520**
Total financial indebtness	**60,037**	**47,939**	**12,098**
Cash and cash equivalents	(6,061)	(9,542)	3,481
Net Financial Position (*)	**53,976**	**38,397**	**15,579**

The net financial position on September 30, 2009 showed a net negative balance of 53,976 thousands Euro with a worsening of 15,579 thousands Euro with respect to March 31, 2009. The worsening is due to the both the cash flow used for operating management, equal to 11,577 thousands Euro and the buy-back plan currently being implemented.

Its different composition with respect to March 31, 2009, with an increasing contribution of medium/long term indebtedness is the result of two long term loans signed in June 2009 for a total of Euro 25,000 thousands. Such long term financings did not cause changes in the short-term lines of credit in place with the financial institutions, which have sufficient funds that are only partially utilized. Finally, it should be noted that as of September 30, 2009 the net financial position includes Euro 16,680 thousands as residual debt towards related parties for no. 7 real estate transactions accounted for as sale and lease-back (as of March 31, 2009 such component of debt amounted to Euro 17,051 thousands).

20. Termination indemnities

In the half year period closed at September 30, 2009 there were the following changes to the provision for employee termination indemnities ("TFR"):

(in thousands of Euro)	
Termination Indemnities at March 31 2009	4,868
Cost related to current work performed	80
Financial expenses	83
Paid benefits	(522)
Termination Indemnities at September 30 2009	**4,509**

The changes over the period reflect the additional provisions made and the disbursements, including early payments, which took place during the six-month period that ended on September 30, 2009.

21. Other non current liabilities

The amount decreased from 2,046 thousands Euro on March 31, 2009 to 988 thousands Euro on September 30, 2009. The decrease compared to the situation on March 31, 2009 is due to the decrease of the debt towards the previous shareholders of Damiani France which will be completely paid by June 15 2010, with the payment of the instalment of the acquisition price and the reclassification to short-term of the residual debt on the basis of what provided for in the acquisition contract for the French subsidiary.

22. Trade payables

The amount of trade payables goes from Euro 70,923 thousands for the financial year closed at March 31, 2009 to Euro 50,922 thousands at September 30, 2009. The decrease is traceable to the drop in purchases from suppliers due to the lower volume of activities.

23. Short term borrowings

The breakdown for the item at September 30, 2009 and at March 31, 2009 is reported below:

(in thousands of Euro)	September 30 2009	March 31 2009
Usages of short term credit lines and bank loans	7,124	12,934
Payables to factor for receivables yielded	-	3,169
Fair value of financial derivatives	126	126
Total short term borrowings	**7,250**	**16,229**

The uses of short term credit lines are intended for the financing of working capital.
The decrease compared to March 31, 2009 is linked to the obtaining of two long-term loans for a total of Euro 25,000 thousands which determined a lower recourse to short-term financing, normally more onerous.

24. Income tax payables

The breakdown for the item at September 30, 2009 and at March 31, 2009 is reported below:

(in thousands of Euro)	September 30 2009	March 31 2009
VAT payables	533	151
Taxes withheld from employees (IRPEF)	299	318
Current income tax payables (IRES and IRAP)	1,002	2,142
Other tax payables	131	141
Total income tax payables	**1,965**	**2,752**

25. Other current liabilities

The breakdown for the item at September 30, 2009 and at March 31, 2009 is reported below:

(in thousands of Euro)	September 30 2009	March 31 2009
Payables to social security institutions	1,139	1,190
Payables to employees	2,626	2,883
Other liabilities	1,641	684
Accrued expenses	142	265
Deferred income	27	68
Total other current liabilities	**5,575**	**5,090**

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

"Payables 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 "13th and 14th months' salary".

The increase in other liabilities compared to the situation on March 31, 2009 is due to the reclassification of the residual debt towards the previous shareholders of Damiani France which will be completely paid on June 15, 2010, in line with the provisions of the acquisition contract of the company (previously the debt was classified among other non current liabilities).

26. Revenues

The breakdown for the item for the half year periods at September 30, 2009 and at September 30, 2008 is reported below:

(in thousands of Euro)	I Half 2009/2010	I Half 2008/2009
Revenues from sales and services	56,159	65,692
Other recurring revenues	174	411
Total revenues	**56,333**	**66,103**

The impact on revenues determined by the different perimeter of consolidation of the Rocca Group (consolidated for six months in the first half year period of the 2009/2010 financial year, while in the first half year period of 2008/2009 was consolidated for one month only) is equal to Euro 10,417 thousands.

The breakdown of revenues by distribution channel is as follows:

Revenues by Sales Channel (In thousands of Euro)	**I Half 2009/2010**	**I Half 2008/2009**
Retail	**14,716**	**6,740**
Percentage on total sales	*26.1%*	*10.2%*
Wholesale	**41,443**	**58,952**
Percentage on total sales	*73.6%*	*89.2%*
Total revenues from sales and services	**56,159**	**65,692**
Percentage on total sales	*99.7%*	*99.4%*
Other revenues	174	411
Percentage on total sales	*0.3%*	*0.6%*
Total Revenues	**56,333**	**66,103**

The consolidated revenues for the half year period closed at September 30, 2009 amount to Euro 56,333 thousands, versus Euro 66,103 thousands for the half year period closed at September 30, 2008, showing a decrease of Euro 9,770 thousands, equal to approximately 14.8%.

Details of other revenues for the half year periods closed at September 30, 2009 and at September 30, 2008 are given below:

(in thousands of Euro)	I Half 2009/2010	I Half 2008/2009
Leases and rentals	167	317
Franchising	5	88
Capital gain on disposals of fixed assets	1	2
Revenue from sale of advertising material	1	4
Total other revenues	**174**	**411**

27. Cost of raw materials and consumables

Cost for raw materials and other materials (including purchases of finished products) for the half year periods closed at September 30, 2009 and at September 30, 2008 presented the following trend:

(in thousand of Euro)	I Half 2009/2010	I Half 2008/2009
Purchases	28,844	30,542
Change in inventory of finished products	(743)	(3,685)
Change in inventory of raw materials and consumables	(741)	(869)
Total cost of raw materials and consumables	**27,360**	**25,988**

The impact on cost for raw materials and other materials determined by the different perimeter of consolidation of the Rocca Group is equal to Euro 7,850 thousands.

Cost for raw materials and consumables changes from Euro 25,988 thousands for the half year closed at September 30, 2008 to Euro 27,360 thousands for the half year closed September 30, 2009, increasing by Euro 1,372 thousands, (approximately 5.3%). Not considering the consolidation of the Rocca Group, the decrease in sales would have caused a decrease in costs for raw materials and other materials of Euro 6,478 thousands.

28. Cost of services

Detailed breakdown for this item for the half year periods closed at September 30, 2009 and at

September 30, 2008 is reported below:

(in thousands of Euro)	I Half 2009/2010	I Half 2008/2009
Functional expenses	4,042	4,284
Advertising expenses	2,978	5,257
Other commercial expenses	1,302	1,856
Production costs	1,576	2,586
Consultancy	2,184	2,143
Travel/transport expenses	1,869	2,434
Directors' Fees	1,307	1,469
Usage of third party properties	5,618	4,273
Total cost of services	**20,876**	**24,302**

The impact on cost for services determined by the different perimeter of consolidation of the Rocca Group is equal to Euro 1,582 thousands.

Cost of services decreased 3,426 thousands Euro (-14.1%) compared to the corresponding period of the previous financial year due to general actions of savings which more than offset the increase in rental costs for the expansion of the retail channel following the acquisition of the Rocca Group.

29. Personnel cost

Detailed breakdown for this item for the half year periods closed at September 30, 2009 and at September 30, 2008 is reported below:

(in thousand of Euro)	I Half 2009/2010	I Half 2008/2009
Wages and salaries	9,319	9,615
Social security costs	2,494	2,470
Termination indemnity	554	502
Other personnel costs	377	453
Total personnel cost	**12,744**	**13,040**

The impact on personnel cost determined by the different perimeter of consolidation of the Rocca Group is equal to Euro 1,398 thousands.

The decrease compared to the first half period of 2008/2009 is equal to Euro 296 (–2.3%); without considering the changes in the scope of consolidation the decrease in personnel costs would have been equal to Euro 1,694 thousands, -13.4%, on the basis of rationalization measures started in the second six-months period of the previous financial year which determined a reduction in the number of employees and of the correlated costs.

The table below shows the average number of Group employees in the half years at September 30, 2009 and 2008:

Labour category	I Half 2009/2010	I Half 2008/2009
Managers	55	57
Clerks	449	426
Workers	126	125
Total	**630**	**608**

The increase is the consequence of the different impact on the half year periods of the employees of the Rocca Group, that in the 2008/2009 financial year was calculated based on the *pro-rata temporis* of the real period of consolidation (one month instead of six months as in the current financial year).

30. Other net operating (charges) income

The breakdown for the item for the half year periods at September 30, 2009 and at September 30, 2008 is reported below:

(in thousand of Euro)	**I Half 2009/2010**	**I Half 2008/2009**
Other operating (charges) incomes	(737)	3,493
Bad debt reserve allowance	(1,473)	(1,790)
Total other net operating (charges) incomes	**(2,210)**	**1,703**

The impact on other net operating (charges) incomes determined by the different perimeter of consolidation of the Rocca Group is negative for Euro 18 thousands.

The balance of other net operating (charges) incomes of the first half year of the 2008/2009 financial year includes net exchange difference income for Euro 2,782 thousands on commercial transactions and compensation from customer for Euro 700 thousands, which did not occur in the first half year period of 2009/2010.

31. Amortization and depreciation

The breakdown for the item for the half year periods at September 30, 2009 and at September 30, 2008 is reported below:

(in thousand of Euro)	**I Half 2009/2010**	**I Half 2008/2009**
Amortization of intangible assets	488	411
Depreciation of tangible assets	1,827	1,224
Devaluation of intangible and tangibles assets	10	-
Total Amortization and depreciation	**2,325**	**1,635**

The impact on this item determined by the different perimeter of consolidation of the Rocca Group is equal to Euro 482 thousands.

The increase of Euro 690 thousands is due to both the different impact of the consolidation of the Rocca Group and the investments made for the new directly managed boutiques (including key money paid).

32. Financial (expenses) and incomes

The breakdown for the financial expenses and incomes for the half year periods at September 30, 2009 and at September 30, 2008 is reported below:

(in thousand of Euro)	I Half 2009/2010	I Half 2008/2009
Net gains (losses) on exchange	254	997
Other financial charges	(1,555)	(919)
Other financial revenues	265	1,171
Total financial (expenses) and incomes	**(1,036)**	**1,249**

The impact on financial incomes and expenses determined by the different perimeter of consolidation of the Rocca Group is negative for Euro 422 thousands.

The worsening compared to the first six-month period of the 2009/2010 financial year is due to both higher financial expenses resulting from the worsening of the net financial position and to lower positive exchange rate differences.

33. Income taxes

The impact on income taxes determined by the different perimeter of consolidation of the Rocca Group is equal to Euro 380 thousands.

In the first half year period of 2009/2010 income taxes are positive (lower costs) for Euro 669 thousands against a negative balance of Euro 2,294 thousands for the first half year period of 2008/2009. The change compared to the first half year period of 2008/2009 is due to the provision for deferred taxes in reference to the losses recorded by some Italian companies(for the foreign

subsidiaries, conservatively and in line with the past, provisions for deferred taxes are not taken on the negative result of the period).
Current taxes include both national corporate income tax (IRES) and the regional 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, 2009 and at September 30, 2008, highlighting the effect of these transactions on the consolidated financial statements. The transactions with related parties for the first six months period of the 2009/2010 financial year are almost exclusively of real estate- financial nature (leases, sale/lease back transactions, leasing of company divisions).
To the contrary, in the first six months period of the 2008/2009 financial year, before the acquisition, the Rocca Group was considered a related party with whom the Damiani Group had relationship of trading nature (sale of jewellery products, cooperation agreement).
The table below gives details of the transactions between Group companies and related parties

(in thousands of Euro)	I Half 2009/2010		Situation as of September 30, 2009		
	Operating costs	Financial expenses	Financial payables (including leasing)	Trade payables	Lease back property
Sparkling Inv. SA	(85)			(340)	
Imm.re Miralto S.r.l.	(1,119)	(680)	(16,680)	(1,106)	15,519
Roof Garden SA	(44)			(127)	
Immobiliare Pessina SA	(42)				
Total with related parties	(1,291)	(680)	(16,680)	(1,572)	15,519
Total from Financial Statements	(65,515)	(1,558)	(60,037)	(50,922)	
% age weight	2%	44%	28%	3%	

for the half year closed at September 30, 2009.

- The costs of 85 thousands Euro to Sparkling Inv. SA are relative to a payment by the subsidiary Damiani International BV based on the concession agreement for the use of the winning jewels of the Diamonds International Awards, property of the related party, for special events;

- Costs to Immobiliare Miralto S.r.l. are relative to instalments paid for the rent of the boutiques of Corso Magenta in Milan and Valenza (AL) for a total of 388 thousands Euro. Furthermore, among the operating costs are the portions of amortization equal to 731 thousands Euro relative to the properties in Milan, where the boutiques of Damiani, Bliss and Rocca are located, of the laboratory building in Bassignana (AL) used by the subsidiary Laboratorio Damiani S.r.l., and of three shops in Portofino, Padova and Taormina. These properties, owned by the related party, were, in the past, the object of sale and lease-back transactions and booked as such (based on the provisions of IAS 17); in consequence, there are also financial costs for the interest rate connected to the reimbursement of the financial debt of 680 thousands Euro, reported in the table. For these sale and leaseback operations, the residual financial debt amounts to 16,680 thousands Euro and the corresponding net book value of the buildings is 15,519 thousands Euro;
- The costs towards Roof Garden SA are for rents paid for the building in New York;
- Costs towards Immobiliare Pessina SA are payments for the rental of space for a Rocca boutique in Lugano.

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

(in thousands of Euro)	I Half 2008/2009			Situation as of September 30, 2008			
	Revenues	Operating costs	Financial expenses	Other current assets	Financial payables (including leasing)	Trade payables	Lease back property
Sparkling Inv. SA		(85)	(8)		(1,520)		
Rocca S.p.A.	2,204						
Rocca International S.A.	43						
Imm.re Miralto S.r.l.		(883)	(319)	8,570	(17,420)	(418)	16,965
Courmayeur Rocca S.r.l.	6						
WJR Partecipations			(27)		(5,829)		
Total with related parties	2,254	(968)	(354)	8,570	(24,769)	(418)	16,965
Total from Financial Statements	66,103	(63,262)	(919)	24,255	(55,305)	(64,394)	
% age weight	3%	2%	39%	35%	45%	1%	

The transactions with each related party are described below:

- Costs of 85 thousands Euro to Sparkling Inv. SA are for rents paid by the subsidiary Damiani International BV as per the agreement for special event usage of the winning jewels of the Diamonds International Awards which are the property of the related party; financial expenses of Euro 8 thousands towards Sparkling Inv. SA are relative to the interest costs accrued on a financial loan granted by the company to Rocca S.p.A. As of September 30, 2008 this debt is equal to Euro 1,520 thousands.
- Revenues towards Rocca S.p.A. are for sales of jewellery of different Group brands for 1,733 thousands Euro, the rent received by New Mood S.p.A. and by Damiani S.p.A. for 471 thousands Euro for company rent for the management of three mono-brand boutiques (Milan, Verona and Portofino), relative to the period preceding the acquisition;
- the Revenues towards Rocca International SA of 43 thousands euro are for the sale of jewellery by Damiani International BV relative to the period preceding the acquisition;
- Costs to Immobiliare Miralto S.r.l. are relative to instalments paid for the rent of the boutiques of Corso Magenta in Milan and Valenza (AL) for a total of 382 thousands Euro. Furthermore, among the operating costs are the portions of amortization equal to 501 thousands Euro relative to the properties in Milan, where the boutiques of Damiani, Bliss and Rocca are located, of the laboratory building in Bassignana (AL) used by the subsidiary Laboratorio Damiani S.r.l., and of three shops in Portofino, Padova and

Taormina. These properties, owned by the related party, were, in the past, the object of sale and lease-back transactions and booked as such (based on the provisions of IAS 17); in consequence, there are also financial costs for the interest rate connected to the reimbursement of the financial debt of 319 thousands Euro, reported in the table. For these sale and leaseback operations, the residual financial debt amounts to 17,420 thousands Euro and the corresponding net book value of the buildings is 16,965 thousands Euro; the credit of Euro 8,570 thousands is originated from the sale from the Rocca Group to Immobiliare Miralto S.r.l, in August 2008, of two shops in Padova and Taormina and of the Rocca boutique in Milan (the object of the above mentioned sale and lease back transactions);

- The revenues from Courmayeur Rocca S.r.l. of 6 thousands Euro are for the sale of jewels in the period April-August 2008;
- The financial costs of 27 thousands Euro towards WJR Partecipations S.A are for interest on a financial debt paid by the company to Rocca S.p.A.; on September 30, 2008, the debt amounts to Euro 5,829 thousands.

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, 2009.

36. Atypical and/or unusual and non recurring 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. Net result per share

Net result per share 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 net result per share, the weighted average number of ordinary shares outstanding was determined considering also the effects of the purchase of own shares carried out starting from the month of March 2008, following the resolution of the Shareholders' meeting of July 22, 2009 which approved the authorization, for the part not completed, of the resolution passed by the Shareholders' Meeting of February 22, 2008.

The calculation of diluted net result per share as of September 30, 2008 took into account also the dilutive effects deriving from the option rights relative to the stock option plan granted to employees on November 5, 2007 and that can be exercised at maturity on the basis of the actuarial valuations as required by IFRS2.

Information on the shares taken into accounts for the calculation of Basic and Diluted Net Result per Share is reported below:

Basic Earnings (Losses) per Share

	I Half 2009/2010	I Half 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	79,110,174	80,212,847
Basic Earnings per Share (amount in Euro)	**(0.12)**	**0.02**

Diluted Earnings (Losses) per Share

	I Half 2009/2010	I Half 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	79,110,174	80,212,847
Diluted effect from Stock option plan	-	466,073
Weighted average number of ordinary shares for computation of basic earnings per share	79,110,174	80,678,920
Diluted Earnings per Share (amount in Euro)	**(0.12)**	**0.02**

38. Stock Option Plan and Stock Grant Plan

On July 22, 2009 the Shareholders' Meeting approved two stock option plans based on financial instruments pursuant to art. 114bis of the Legislative Decree 58/1998, denominated Stock option plan 2009 and Stock grant plan 2009.

The Board of Directors received mandate from the Shareholders' Meeting to implement these plans, including the identification of the beneficiaries. The share to be used for both stock option plans will be taken from the title repository of shares actually held by Damiani S.p.A., up to a maximum of no. 4,500,000 shares, of which no. 3,500,000 to service the Stock option plan 2009 and no. 1,000,000 for the Stock grant plan 2009.

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

The stock grant program foresees the assignment, free of charge, of Damiani shares to all employees in one or more lots, within five years of its approval by the Shareholders' Meeting.

On September 24, 2009 the Board of Directors of Damiani S.p.A. has proceeded to the implementation of the Stock option 2009 plan reserved to part of the management. 16 beneficiaries were identified who can purchase, with the payment of 0.126 Euro for each option, a total of no. 685,000 options, each granting the right to purchase one share of Damiani S.p.A. at the price of Euro 1.60. The price of the options, corresponding to their market value, was determined from the Company with the aid of Equita Sim S.p.A. The right to buy will mature on September 12, 2012 and can be exercised starting from the successive day and until September 30, 2012 provided that to such date the employment relationship with the Damiani Group is still existing.

On September 10, 2009 the Board of Directors of Damiani S.p.A. has proceeded with the implementation of the Stock grant 2009 plan, dedicated to the majority of the employees, with the exception of the employees residing or living in the USA. The plan foresees the granting to all beneficiaries, free of charge, of :

- n. 50 shares of the Issuer, which will be distribuited as of September 12, 2011;
- no. 100 shares if the Issuer, which will be distribuited as of September 12, 2011, only if there is a positive financial estimate of the consolidated results achieved on March 31, 2010.

Necessary condition for the granting of both lots is given by the existence of the work relationship with the Damiani Group by the beneficiaries on the date of the transfer of the shares.

39. Risk management

The capital-financial situation on September 30, 2009 of Damiani Group, as well as on March 31, 2009, suffers the negative trend of business operations penalized by the effects of the ongoing economic crisis. Consequently, the Parent company has adapted its financial risk management policy to the present situation.

Risks related to the trend of interest rates

With the object of re-qualify the financing sources and reduce the risk of exposure to interest rate oscillations (as of March 31 2009, approximately 70% of the gross financial indebtedness, excluding the lease-back debt, was of short-term nature and not any long term loans had maturities beyond March 31, 2013), within a program to restructure the Group debt, in the first six-months of the 2009/2010 financial year, two medium-long term loans were taken (for a maximum period of 6 years), at fixed rate (between 4 and 4.5%) and without guarantees and covenants, for a total of Euro 25,000 thousands.

By doing so, the Group has reduced the short-term financing (lines of credit and factor) most exposed to interest rate movements, movements extremely large in time of crisis of the credit market like the present one.

Exchange rate risks

The Damiani Group prepares its consolidated financial statements in Euro therefore the fluctuations of exchange rates of the currencies (prevalently USD and Yen) with which the financial statements of the foreign subsidiaries situated outside the Euro area are prepared, influence the economic and capital-financial situation of the Group upon conversion.

Moreover, some purchases of raw materials and finished products are carried out in dollars and yen with consequent exposure to exchange risk. Whenever the risk is deemed significant (in periods of particular tension on exchange rates) specific foreign currency forward contracts are stipulated for the purpose of covering the risk of exchange fluctuations.

As of September 30 2009, there are forward currency purchase contracts stipulated by Damiani S.p.A. for an amount equivalent to Euro 880 thousands, using the spot exchange rate for the end of the period. As of March 31 2009, said contracts amounted to Euro 4,118 thousands.

The policy of such exchange rate risk hedging was not significantly different in the first half of the financial year 2009/2010 from what it had been in previous periods.

Liquidity risk

Exposure to third partied of the Damiani Group mainly consists of trade payables related to its relationships with suppliers and of financial debt; due to the reduction in the volumes of activities and to seasonal trends, as of September 30, 2009 trade payables are much lower compared to the balance as of March 31, 2009. For the reasons explained in the above paragraph, maturities of financial debt were moved towards the medium/long term, with consequent reduction of the short-term exposure.

In the context of balance between sources and uses as well as working capital management, the situation as of September 30, 2009 is more balanced with respect to that of March 31 2009 and is object of constant monitoring by the management.

Credit risk

Credit risk may be defined as the possibility of suffering a financial loss as the result of other parties' failure to fulfil their contractual obligations.

With reference to commercial management, the Group deals with a select, reliable set of customers mainly consisting of jewellery stores and wholesalers, therefore collateral-backed guarantees are usually not requested. It is Group's policy to subject its new customers to preliminary screening through a special business information provider to monitor all customers by awarding them individual credit limits; moreover the credit of each is monitored automatically by recourse to an information provider which reports possible adverse indications

(e.g. dishonoured bills) that would immediately trigger freeze procedures and accelerated credit recovery. This constant monitoring has determined, even in moments of most severe market crisis like the present one, a containment of losses on receivables.

Price risk

The Damiani Group uses various raw materials, but mainly precious stones, gold, pearls and other precious materials whose price and availability in the market is liable to vary considerably as a result of factors such as laws and government regulations, market trends and speculative positions of investors, relations with suppliers (above all as concerns the purchase of diamonds) and consequent supply conditions.

During the first six-month period of the 2009/2010 financial year, the average price of gold was 21.67 Euro/gram, while it had been 19.72 Euro/gram in the previous period, an increase of about 10% on an annual basis.

The risks can grow further in relation to exchange rate trends since some purchases of raw materials are settled in currency such as USD (diamonds) and Yen (pearls) while the financial statements are prepared in Euro.

Damiani Group mitigates this risk since the impact of raw material purchases is relatively small with respect to the total cost of production. In fact, purchases are prevalently of finished products from suppliers with whom there are long term consolidated relations and agreements set for the medium term which make it possible to attenuate the effects linked to sudden and frequent price movements, as happened during the period.

40. Exchange rates

Foreign exchange rates at September 30, 2009 and at September 30, 2008 used for the conversion of the financial statements reported in foreign currency are presented below:

Currency	Average I Half 2009/10	Spot September 30, 2009	Average I Half 2008/09	Spot September 30, 2008
U.S. Dollar	1.3978	1.4643	1.5332	1.4303
Japanese Yen	133.2218	131.07	162.5805	150.47
Swiss franc	1.5167	1.5078	1.6115	1.5774
G.B.Pound	0.8751	0.9093	N/A	N/A
Hong Kong Dollar	10.8337	11.3485	11.9574	11.1124

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

Attestation regarding the condensed consolidated financial statements as of September 30, 2009, 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 Director in charge of preparing the 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, 1998, certify:
   - The adequacy in relation to the characteristics of the company and
   - The effective application of the administrative and accounting procedures for the preparation of condensed consolidated financial statements as of September 30, 2009.

2. Furthermore it is certified that the condensed financial statements as of September 30, 2009:

   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 consolidated interim financial report contains references to important events which took place during the first six months of the financial year and their impact on the condensed consolidated financial statements, 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 21, 2009

Mr. Guido Grassi Damiani	Mr. Gilberto Frola
Chairman and CEO	Executive in charge of drawing up the Company's accounting documents

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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, the statements of income and of comprehensive income, the statement of changes in equity, the cash flow statement and the related explanatory notes, of Damiani S.p.A. and its subsidiaries (the "Damiani Group") as of September 30, 2009. 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 of applying 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, which have been reclassified in order to take into account the amendments of the IAS 1 (2007), reference should be made to our reports issued on July 6, 2009 and on November 27, 2008, 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, 2009 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 the European Union.

Milan, November 25, 2009

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