DAMIANI S.p.A.

Consolidated Interim Financial Report as of September 30, 2010

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

November 26, 2010

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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)

Francesco Minoli (Board Director)([1])

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)([2])

Alessandro Madau (Alternate Auditor)([3])

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)

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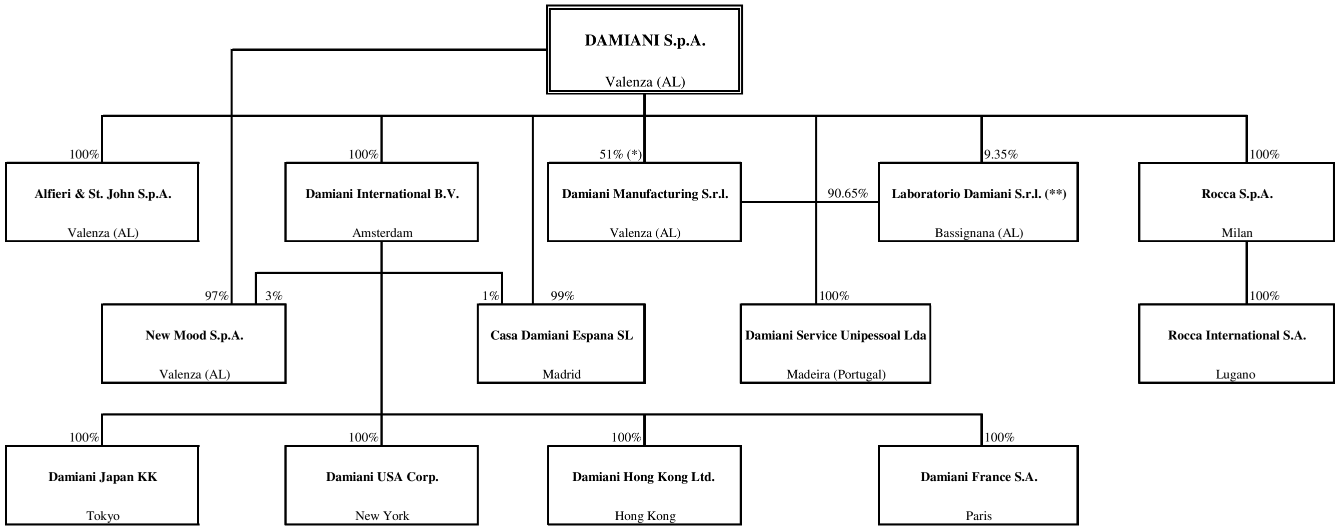
(1) Appointed by the Shareholders meeting of July 21, 2010. In office until the expiration of the present Board of Directors and so until the approval of the Financial Statements as of March 31, 2012
(2) In office until the approval of the Financial Statements as of March 31, 2010, occurred on July 21, 2010.
(3) Appointed by the Shareholders meeting of July 21, 2010. In office for three financial year until the approval of the Financial Statements as of March 31, 2013.

Roberta Benaglia

Fabrizio Redaelli

REPORT ON OPERATIONS [(4)].

Structure and business activities of the Damiani Group



(*) 49% is held by Christian and Simone Rizzetto, both currently Damiani Manufacturing S.r.l. directors, with control over production, administration and finance.
(**) 90.65% is held by Damiani Manufacturing S.r.l. while 9.35% is held by Damiani S.p.A.. In all Damiani S.p.A.helds 55.58% of the capital stock of Laboratorio Damiani S.r.l..

Damiani S.p.A. is a holding company that, apart from directly performing 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 economic, administrative and technical assistance of a commercial and financial nature, which is made by the parent company Damiani S.p.A. is based on normal market conditions.

The first half condensed consolidated financial statements as of September 30, 2010 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 Italian Civil Code.

In the consolidated financial statements intercompany transactions have been eliminated.

During the first six months of the financial year 2010/2011 in the consolidation area there was the following change: on September 30, 2010 the subsidiary Laboratorio Damiani S.r.l. approved the capital increase from 200,000 Euros to 2,140,000 Euros reserving this increase in Damiani Manufacturing S.r.l. that subscribed through a contribution in kind of the whole company. Following this, the 9.35% capital stock of Laboratorio Damiani S.r.l. is owned by Damiani S.p.A. and

(4) Damiani Group closes its financial year on March 31, therefore the six-months period April-September 2010 is the Semester I of the Financial year that will close on March 31, 2011 (henceforth the Financial year 2010/2011). For comparative purpose the present consolidated financial statements also include the figures for the period closed as of September 30, 2009, first half of the previous year.

90.65% by Damiani Manufacturing S.r.l. Overall, the share capital of Laboratorio Damiani S.r.l. owned by Damiani S.p.A., including the capital stock owned indirectly through Damiani Manufacturing S.r.l. of which Damiani in S.p.A. holds 51%, is equal to 55.58%. This deal was carried out in order to exploit economies of scale in manufacturing process inside the Damiani Group, concentrating these activities in a single production company with the aim of reducing operating costs.

The Group, which is concentrated on producing and distributing top quality jewellery and timepieces both in Italy and abroad, offers wide coverage of the main market segments and thanks to its different brands provides customers with a large range of variously priced jewellery.

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

Furthermore, through the fully owned network Rocca, Damiani Group distributes prestigious third party brands, particularly in the timepiece sectors, through directly managed multi-brand boutiques.

Moreover the Group recently started the manufacturing and marketing of products after the subscription of license agreements and supply contracts with fashion (Jil Sander, Ferrè, Martin Margiela, John Galliano) and automotive (Ferrari, Maserati, Ducati) brands.

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, 2010 the single-brand POS managed directly by the Group were 30, of which 13 with the Damiani brand, 2 with the Bliss brand and 15 multibrand boutiques of Rocca.

Share buy back program

The Shareholders' Meeting of July 21, 2010 resolved to authorize - subject to revocation, for the part not executed of the resolution adopted by the Shareholders' Meeting on July 22, 2009 – the purchase and disposal of own shares under co-joined Articles 2357 and 2357 ter of the Civil Code and Article 132, of the Legislative Decree no. 58/98. The reasons for the authorization consist of the possibility of i) using own shares in operations related to projects of interest for the Group as arises the opportunity for exchanges or transfers of share holdings; ii) implementing distribution programs of shares or options to shareholders, directors, employees or associates of the Damiani Group in full compliance with regulatory requirements currently in force; iii) performing operations to support the liquidity of these same shares, according to laws and regulations while ensuring the equal treatment of shareholders.

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;
- duration of the authorization equals to 18 months from July 21, 2010 and therefore until January 21, 2012;
- 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 (article 132 Legislative Decree no. 58/98; article 144 bis of Consob Reg. no. 11971/99).

The Shareholders' Meeting also authorized, without imposing time limits, the availability of own shares purchased for a minimum amount that, in any event, are not less than 90% of the average of the official prices recorded on the Digital Stock Market in the five days preceding the sale.

Under the own share purchase program, approved by the Board of Directors on July 22, 2009 concluded as of July 21, 2010, Damiani SpA purchased a total of no. 403,231 ordinary shares (equal to 0.488% of share capital) at an average unit price of 1.1369 Euro, for a total amount of 458,453 Euros.

As of September 30, 2010 the own shares in portfolio are no. 5,618,309 (equal to 6.80% of the share capital) and the total expense for the buy-back plan, started with the resolution of the Shareholders' Meeting of Damiani S.p.A. on February 22, 2008 was 8,227 thousand Euros at an average price for the purchase of Euro 1.464 per share. It shows that between April and September 2010 did not purchase its own shares.

Stock option

On July 21, 2010 the Shareholders' Meeting approved the adoption of a plan based on financial instruments under Article 114 bis of Legislative Decree no. 58/98, entitled "Stock Option Plan 2010" that foresees the free allocation of options to purchase Damiani shares for a maximum of 3,500,000 ordinary shares and gave the Board of Directors a mandate to implement this same plan.
The plan could be implemented in one or more tranches, within 5 years after approval by the Shareholders' Meeting and is addressed to executive directors, managers, staff and other employees, consultants and collaborators of the issuer Damiani S.p.A. and the other companies of the Group. At the date of approval of this interim consolidated financial statements has not yet proceeded to define terms and conditions of maturity of the plan.

Main risks and uncertainties for the Damiani Group

In a context of general economic and market still marked by high volatility and uncertainty, 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, 2010, with estimates and forecasts of future developments are characterized by strong uncertainty. For further details, see what reported on the Consolidated Financial Statements as of March 31, 2010 and the summary reported on note 40. Financial 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 2010/2011 financial year, the total cost for product development was equal to 365 thousand Euros.

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 the 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 and CEO New Mood S.p.A., Chairman Rocca S.p.A., Director Damiani Manufacturing S.r.l., Chairman and CEO Damiani Japan K.K., Director Damiani Service Unipessoal L.d.a., Director Damiani Hong Kong L.t.d., Director Damiani International B.V., Chairman and CEO Damiani Usa Corp.	up to 2012, 3 31	451,500	3,949		16,520	471,969
Giorgio Andrea Grassi Damiani	Vice Chairman Damiani S.p.A., Director Alfieri & St. John S.p.A., Director New Mood S.p.A., Chairman Damiani Manufacturing S.r.l., Chairman Laboratorio Damiani S.r.l., Vice Chairman Rocca S.p.A., Director Damiani Japan K.K., Director Damiani International B.V., Director Damiani USA Corp., Chairman Damiani France S.A, Director Damiani Service Unipessoal L.d.a.	up to 2012, 3 31	157,500	3,610		25,078	186,188
Silvia Maria Grassi Damiani	Vice Chairman Damiani S.p.A., Vice Chairman Damiani USA Corp.	up to 2012, 3 31	66,500	1,502		59,000	127,002
Stefano Graidi	Direcotr Damiani S.p.A., Executive Director charged with the internal control Damiani S.p.A., Director Damiani International B.V., Director Damiani Japan K.K., Director Damiani Hong Kong L.t.d. and Director Damiani Service Unipessoal L.d.a.	up to 2012, 3 31	12,500			5,000	17,500
Giancarlo Malerba	Director Damiani S.p.A. and member the Internal Control and Corporate Governance Committee and Remuneration Committee of Damiani S.p.A.	up to 2012, 3 31	7,500			2,500	10,000
Fabrizio Redaelli	Director Damiani S.p.A. and member the Internal Control and Corporate Governance Committee and Remuneration Committee of Damiani S.p.A.	up to 2012, 3 31	7,500			2,500	10,000
Roberta Benaglia	Director Damiani S.p.A. and member the Internal Control and Corporate Governance Committee and Remuneration Committee of Damiani S.p.A.	up to 2012, 3 31	7,500			1,500	9,000
Francesco Minoli	Director Damiani S.p.A.	up to 2012, 3 31	7,500				7,500
Gianluca Bolelli	Chairman of the Board of Statutory Auditors Damiani S.p.A.	up to 2013, 3 31	22,500				22,500
Simone Cavalli	Acting Statutory Auditor Damiani S.p.A.	up to 2013, 3 31	15,000			3,000	18,000
Fabio Massimo Micaludi	Acting Statutory Auditor Damiani S.p.A.	up to 2013, 3 31	15,000				15,000
Strategic managers				16,270	-	388,623	404,893

(*) Includes fees being component of the Company bodies 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 2010/2011 financial year.

The main share and market data for the six-month period closed at September 30, 2010 are reported below.

Damiani on the Stock Market 1H 2010/2011 (April 1, 2010- September 30, 2010)		
Price on April 1st 2010 (euro)	0.9265	
Price on September 30th 2010 (euro)	0.854	
Maximum price (euro)	0.975	(April 7th 2010)
Minimum price (euro)	0.740	(August 25th 2010)
Average volumes	27,447	
Maximum volumes	327,226	(June 18th 2010)
Minimum volumes	10	(August 2nd 2010)
Number of outstanding shares	82.6	Euro/mln
Market capitalization on September 30, 2010	70.54	Euro/mln

Key data

Share Capital	September 30, 2010	March 31, 2010
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.	56.76%	56.39%
Sparkling Investment S.A.	0.14%	-
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%	6.80%
Market	19.49%	20.00%

Shares held by the subjects indicated by art.79 Issuers' Regulations (implementing the Legislative Decree no. 58/98)

First and last name	**Office held**	**Number of shares**
Guido Grassi Damiani (indirectly n. 46,997,712) (2)	Director	4,150.808
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,687,371
Managers with strategic responsibilities		4,500

(1) The ordinary Shareholders' Meeting of July 21, 2010 has approved the authorization, for the part not executed of the resolution of the Shareholders' Meeting of July 22, 2009, 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, 2010 the own shares in portfolio were no. 5,618,309, equal to 6.80% of the share capital.

(2) As controlling shareholder of Leading Jewels S.A. the own shares of Damiani S.p.A. (n° 5,618,309)are traceable to Mr. Guido Grassi Damiani.

Main economic data (in thousands of Euro)	**I Half 2010/2011**	**I Half 2009/2010**	**Change**	**Change %**
Revenues from sales and services	**55,396**	**56,159**	**(763)**	**-1.4%**
Total revenues	55,508	56,333	(825)	-1.5%
Cost of production	(60,290)	(63,190)	2,900	-4.6%
EBITDA (*)	**(4,782)**	**(6,857)**	**2,075**	**30.3%**
EBITDA %	***-8.6%***	***-12.2%***	***0.0%***	
Depreciation and amortization	(3,035)	(2,325)	(710)	30.5%
Operating income	**(7,817)**	**(9,182)**	**1,365**	**14.9%**
Operating income %	***-14.1%***	***-16.4%***	***0.0%***	
Net financial incomes (expenses)	(855)	(1,036)	181	-17.5%
Result before taxes	(8,672)	(10,218)	1,546	15.1%
Net result of the Group	(8,517)	(9,552)	1,035	10.8%
Basic Earnings (Losses) per Share	(0.11)	(0.12)		
Personnel cost	(12,220)	(12,744)	524	-4.1%
Average number of employees (**)	571	630	-59	-9.4%

(*) 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 six months period closed as of September 30, 2010 and as of September 30, 2009.

Balance sheet Data (In thousands of Euro)	**Situation at September 30 2010**	**Situation at March 31 2010**	**change**
Fixed Assets	54,941	56,060	(1,119)
Net working capital	92,358	98,632	(6,274)
Non current Liabilities	(6,936)	(6,637)	(299)
Net Capital Invested	**140,363**	**148,055**	**(7,692)**
Net Equity	100,920	109,027	(8,107)
Net Financial position (*)	39,443	39,028	415
Sources of Financing	**140,363**	**148,055**	**(7,692)**

(*)The Net Financial Position was determined on the basis of the indications of CONSOB communication n. DEM/6064923 of July 28, 2006

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 than in the second half (October- March).

Total revenues of the Damiani Group in the first half year period closed at September 30, 2010 were in light decrease (-1.5%) compared to the corresponding period of the previous financial year; the profitability that remains negative showed however an improvement towards to the corresponding period of the previous year. The good trend of revenues from sales recorded in the second quarter of the financial year 2010/2011 (+27.1% towards to the corresponding quarter of the previous year) allowed to recover fully the lag achieved in the first quarter of the financial year and limit, in a low seasonality period, the Group net loss in 3,985 thousand Euros, compared to a loss of 6,598 thousand Euros recorded in the second quarter of the financial year 2009/2010.

In the following table is shown the income statement of the first six months period of the financial year 2010/2011 compared with the income statement of the corresponding period of the previous year.

Profit & Loss (in thousands of Euro)	**I Half 2010/2011**	**I Half 2009/2010**	**Change**	**Change %**
Revenues from sales and services	55,396	56,159	(763)	-1.4%
Other recurring revenues	112	174	(62)	-35.6%
Total revenues	**55,508**	**56,333**	**(825)**	-1.5%
Cost of production	(60,290)	(63,190)	2,900	-4.6%
EBITDA *	**(4,782)**	**(6,857)**	**2,075**	30.3%
EBITDA %	***-8.6%***	***-12.2%***		
Depreciation and amortization	(3,035)	(2,325)	(710)	30.5%
Operating income	**(7,817)**	**(9,182)**	**1,365**	14.9%
Operating income %	***-14.1%***	***-16.3%***		
Net financial incomes (losses)	(855)	(1,036)	181	-17.5%
Result before taxes	**(8,672)**	**(10,218)**	**1,546**	15.1%
Result before taxes %	***-15.6%***	***-18.1%***		
Taxes	129	669	(540)	-80.7%
Net result	**(8,543)**	**(9,549)**	**1,006**	10.5%
Net result %	***-15.4%***	***-17.0%***		
Minorities Interests	(26)	3	(29)	n.s.
Net result of the Group	(8,517)	(9,552)	1,035	10.8%
Net result of the Group %	*-15.3%*	*-17.0%*		

(*) 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.

Revenues

Revenues from sales and services, which in the two six-month period were not influenced by non-recurring transactions and are expressed at current exchange rates, showed a decrease of 1.4% with those recorded in the first six months period of last year. At constant exchange rate revenues would have showed a decrease of 3% compared to the first six-month period of the previous financial year. Overall Group total revenues decreased by 825 thousand Euros, passing from 56,333 thousand Euros for the six-month period closed at September 30, 2009 to 55,508 thousand Euros of the first half year period of the current financial year. The following table gives revenues by sales channel.

Revenues by Sales Channel (In thousands of Euro)	**I Half 2010/2011**	**I Half 2009/2010**	**Change**	**Change %**
Retail	**17,512**	**14,716**	**2,796**	**19.0%**
Percentage on total revenues	*31.5%*	*26.1%*		
Wholesale	**37,884**	**41,443**	**(3,559)**	**-8.6%**
Percentage on total revenues	*68.2%*	*73.6%*		
Total revenues from sales and services	**55,396**	**56,159**	**(763)**	**-1.4%**
Percentage on total revenues	*99.8%*	*99.7%*		
Other revenues	**112**	**174**	**(62)**	**-35.6%**
Percentage on total revenues	*0.2%*	*0.3%*		
Total Revenues	**55,508**	**56,333**	**(825)**	**-1.5%**

- Revenues of the retail channel were 17,512 thousand Euros, an increase of 19% compared to the first half year of the previous financial year (+17. 8% at constant exchange rates), for the contribution of the Damiani boutiques (+33.6%) and for the revenues in the multibrands boutiques (+18.6%). Therefore, in the first six months period of the financial year 2010/2011 the weight of the retail revenues amounted to 31.5% of the total, while in the first six months period of the previous year it amounted to 26.1% of the total. The positive trend of the retail revenues in a network substantially unchanged, is confirmed by some quarters and attests to the appreciation of the products offered by consumers.

- In the wholesale channel, revenues were 37,884 thousand Euros, -8.6% at current exchange rates (-10.3% at constant rates) with reductions recorded mainly in the domestic market while a positive trend was recorded in some foreign countries in which Group is gradually increasing its presence; in this channel are included also revenues for licensed products, that, in this start-up phase, are a marginal business for the Group.

<u>Cost of production</u>

Overall the total net cost of productions for the first half year period of the 2010/2011 financial year was 60,290 thousand Euros, a decrease of 2,900 thousand Euros (-4.6%) compared to the corresponding period of the previous financial year (63,190 thousand Euros).

In detail, the trend of costs in the period ended on September 30, 2010 was the following:

- **Cost of raw materials and other materials**, including purchase of finished products, was 30,095 thousand Euros, an increase of 10% compared to the first half year period of the 2009/2010 financial year (27,360 thousand Euros). The increase was principally attributable to the following factors: i) increase of the weight of the sales of third party through the Rocca network, with a lower margin towards to the sales of the Group brands; ii) different mix of the products sold and increase of the cost of raw materials.
- **Cost for services** was equal to 19,254 thousand Euros, a decrease of 7.8% compared to the first half year period of the previous financial year (20,876 thousand Euros); the decrease present in almost all expenditure items was mainly due to the savings taken by the Group.
- **Personnel cost** amounted to 12,220 thousand Euros, a decrease of 4.1% compared to the corresponding period of the previous financial year (12,744 thousand Euros) to the combined effect of both actions of rationalization of the organisational structure and of the efforts needed to support development in areas of business (foreign countries and licenses in the first place). In the six months ended in September 2010 the average number of Group employees was 571 units compared to 630 units in the six months ended in September 2009 (-9.4%).
- **Other net operating (charges)/incomes** in the first half year period of the 2010/2011 financial year showed a positive balance of 1,279 thousand Euros against a negative balance of 2,210 thousand Euros in the first six-months period of the 2009/2010 financial year. This positive balance was inclusive of key money (equal to 1,826 thousand Euros) received for the early release of some locations no longer strategic for the Group. In the face of such incomes has

been recorded the write off of net book value relative to the amount initially paid to acquire the same locations and any other fixed assets not yet fully depreciated (these amounts are accounted between the depreciation and amortization). The net effects of such operations on the income statement was positive and equal to 530 thousand Euros.

<u>EBITDA</u>

The combined effect of revenues and costs of the production described above determined a value of EBITDA in the six-months period closed on September 30, 2010 that was negative and equal to 4,782 thousand Euros, improving in with respect to the gross operating result of the corresponding period of the previous financial year (negative and equal to 6,857 thousand Euros). The savings achieved on the operating costs partially have mitigated the effects related to the evolution of the market, with sales stable, characterized by decreasing margins.

The gross operating result of the second quarter (traditionally the low season) was negative and amounted to 2,799 thousand Euros, compared to a loss of 5,513 thousand Euros in the second quarter of fiscal year 2009/2010.

<u>Depreciation and devaluation</u>

In the first half period ended September 30, 2010 depreciation amounted to 3,035 thousand Euros, an increase of 710 thousand Euros compared to the corresponding period of the previous financial year (equal to 2,325 thousand Euros). This difference was due to 1,261 thousand Euros to the devaluation of the net book value related to the unprofitable shops closed in the six months period in the manner described above and by this sale the Group received the amounts recorded in Other net operating (charges) incomes.

<u>Operating result</u>

Due to the trends described in the above paragraphs, Operating result for the six-month period closed on September 30, 2010 was negative and equal to -7,817 thousand Euros, improving in with 1,365 thousand Euros compared to the corresponding period of the previous financial year (negative operating result equal to 9,182 thousand Euros).

<u>Net financial costs</u>

The balance of net financial income/expenses in the first six-month period of the 2010/2011 financial year was negative and equal to 855 thousand Euros towards to negative amount of 1,036 thousand Euros of the first six months period of the financial year 2009/2010. The decrease was due to the lower average level of financial indebtedness of the 2010/2011 period towards to the corresponding period of the previous year.

<u>Pre-tax result</u>

In the six-months period closed on September 30, 2010 the pre-tax result was negative and equal to 8,672 thousand Euros, improving in with 1,546 thousand Euros compared to a loss in the corresponding period of the previous year (negative for 10,218 thousand Euros).

<u>Current, prepaid and deferred taxes</u>

In the six-months period closed on September 30, 2010 income taxes had a positive impact equal to 129 thousand Euros decreasing by 540 thousand Euros towards to the first six-month period of the 2009/2010 previous financial year. In the six months deferred tax assets related to the losses of the period were not accounted.

<u>Net result</u>

The net Group consolidated result for the first six-month period of the 2010/2011 financial year was negative and equal to 8,517 thousand Euros, against a negative net result of 9,552 thousand Euros recorded in the first six-months period of the 2009/2010 financial year with an improvement of 1,035 thousand Euros.

In the second quarter of the year 2010/2011 the net loss of the Group has been contained in 3,985 thousand Euros, compared to a net loss of 6,598 thousand Euros in the second quarter of the previous year, with an improvement of 2,613 thousand Euros. In a quarter that traditionally shows a loss due to the low seasonality of sales, this result summarized the effectiveness of actions taken by the Group during the period.

<u>Capital and financial situation</u>

The following table shows the reclassified consolidated capital-financial situation of Damiani Group on September 30, 2010 compared to that of March 31, 2010 and then discuss the main changes.

Balance sheet Data (In thousands of Euro)	**Situation at September 30 2010**	**Situation at March 31 2010**	**change**
Fixed Assets	54,941	56,060	(1,119)
Net working capital	92,358	98,632	(6,274)
Non current Liabilities	(6,936)	(6,637)	(299)
Net Capital Invested	**140,363**	**148,055**	**(7,692)**
Net Equity	100,920	109,027	(8,107)
Net Financial position (*)	39,443	39,028	415
Sources of Financing	**140,363**	**148,055**	**(7,692)**

(*) The net financial position was determined on the basis of the indications of Consob communication no. DEM/6064923 of July 28, 2006.

Fixed assets

As of September 30, 2010 fixed assets were equal to 54,941 thousand Euros, a decrease of 1,119 thousand Euros compared to the value at March 31, 2010 (56,060 thousand Euros). This change was mainly due to a decrease in intangible and tangible assets as well as the consequence of the natural process of depreciation (compared with limited investments), also described the write off of net assets related to stores closed in the first half because no longer considered strategic for the Group.

Net working capital

As of September 30, 2010, the net working capital amounted to 92,358 thousand Euros, a decrease compared to March 31, 2010 of 6,274 thousand Euros: while the increase in inventories (related to the normal seasonal trend of the production process/distribution), the contraction of receivables has been consistent and has absorbed the needs required from extinction in trade payables.

Non-current liabilities

As of September 30, 2010 non-current liabilities amounted to 6,936 thousand Euros, a slight increase compared to March 31, 2010 (equal to 6,637 thousand Euros) as consequence of the increase of the deferred tax liabilities and termination indemnities.

Shareholdrs equity

As of September 30, 2010 shareholders equity amounted to 100,920 thousand Euros, a decrease of 8,107 thousand Euros compared to March 31, 2010 mainly due to the net negative result of the first half period (equal to 8,543 thousand Euros). In the six months period there was no purchase of own shares.

Net financial position

The composition of the net financial position on September 30, 2010 and its evolution with respect to March 31, 2010 is given in the following table:

Net Financial Position (in thousands of Euro)	**Situation at September 30 2010**	**Situation at March 31 2010**	**change**
Medium-long term loans and financing - current portion	8,508	9,399	(891)
Usage of credit lines, short term financing and others	7,178	1,964	5,214
Medium-long term loans and financing with related parties - current portion	788	641	147
Current financial indebtness	**16,474**	**12,004**	**4,470**
Medium-long term loans and financing - non current portion	19,370	22,748	(3,378)
Medium-long term loans and financing with related parties - non current portion	11,013	11,608	(595)
Non current financial indebtness	**30,383**	**34,356**	**(3,973)**
Total gross financial indebtness	**46,857**	**46,360**	**497**
Financial current assets	(1,212)	0	(1,212)
Cash and cash equivalents	(6,202)	(7,332)	1,130
Net Financial Position (*)	**39,443**	**39,028**	**415**

(*)The net financial position was determined on the basis of Consob communication n. DEM/6064923 of July 28, 2006.

On September 30, 2010 the Group had a net financial indebtedness of 39,443 thousand Euros, in slight worsening by 415 thousand Euros compared to the situation at March 31, 2010.

Despite the negative economic performance of the six months period, the careful monitoring of net working capital and the cash in of key monies related to non-strategic locations led to the substantial stability of the consolidated net financial position. The increased financial exposure in the short term compared to March 31, 2010 did not lead to a deterioration in terms of burdens; the short-term credit lines for the Group are only partially used.

Compared to September 30, 2009, net debts of the Group are in sharp decrease (compared to 53,976 thousand Euros), thanks to the measures taken in the past twelve months which led to a more efficient net working capital management and to the implementation of real estates transactions on locations no longer strategic and unprofitable that generated a reduction in gross financial indebtedness.

It should be noted that on September 30, 2010, the net financial position includes 11,801 thousand Euros payable to related party for 4 real estate operations booked as sale and lease-back transactions (on March 31, 2010, this component of debt amounted to 12,249 thousand Euros); net of this component, the net financial position as of September 30, 2010 would have been equal to 27,642 thousand Euros.

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 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 K.K. 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, 2010 and for the same period of

Revenues by Geographical Area (In thousands of Euro)	**I Half 2010/2011**	**I Half 2009/2010**	**change**	**change %**
Italy:	**40,077**	**43,030**	(2,953)	-6.9%
- revenues from sales and services	39,987	42,972		
- other revenues	90	58		
Americas:	**2,525**	**2,463**	62	2.5%
- revenues from sales and services	2,525	2,463		
- other revenues	-	-		
Japan	**4,428**	**3,311**	1,117	33.7%
- revenues from sales and services	4,419	3,310		
- other revenues	9	1		
Rest of the World	**8,478**	**7,529**	949	12.6%
- revenues from sales and services	8,465	7,414		
- other revenues	13	115		
Total revenues	**55,508**	**56,333**	(825)	-1.5%

the previous financial year for each geographical area are shown in the following table:

Revenues by geographical area experienced the following trends:

- the decrease of sales in **Italy** (-6.9% compared to the first half-year period of the 2009/2010 financial year) was due to lower wholesale revenues (-19.2%*)* partially offset by the increase of the retail sales (+21.8%). It should be noted the good trend of the sales in the second quarter of 2010/2011 financial year towards the same period of the previous year that allowed to recover much of the delay that had occurred during the first quarter of the financial year (-26.6% towards the first quarter of 2009/2010 financial year).
- In the **Americas** the revenues increased compared to the same period of the 2009/2010 financial year, thanks to the good trend of the wholesale channel and to the exchange effect (at constant exchange rates revenues decrease by 6%).
- In **Japan** sales increased by 33.7% (+14.1% at constant exchange rates) as a result of the increase in retail and wholesale channel.
- In the **Rest of the World** an increase of 12.6% was recorded compared to the corresponding period of the previous financial year as consequence of the buildup of revenues in some countries which have an increasing weight on the revenues of this area.

EBITDA values for each geographical area in the first half-year of the 2010/2011 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 2010/2011**	**I Half 2009/2010**	change %
Italy	**(3,377)**	**(2,223)**	-51.9%
Americas	**(2,507)**	**(2,539)**	1.3%
Japan	**(873)**	**(2,004)**	56.4%
Rest of the World	**1,975**	**(91)**	n.m.
Consolidated EBITDA	**(4,782)**	**(6,857)**	30.3%
% on Revenues	*-8.6%*	*-12.2%*	

(*) 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 showed a contraction due to the effect of the lower margins recorded on third party brand sales in the multi-brand Rocca boutiques whose impact on the revenues of the area is growing and for the general downturn in sales and profitability of the Group's brands.

The increase recorded in **Japan** and **Rest of the World** (while in **America** the loss was essentially unchanged) was mainly due to higher revenues and consequently to the overall gross margin and to the efforts of saving on operating costs.

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).

Data concerning dealings of the Group with related parties in the period ended September 30, 2010 and the previous financial year are displayed hereunder (for further details see note 36 – Transactions with related parties, of the consolidated financial statements).

(in thousands of Euro)	I Half 2010/2011		Balance at September 30, 2010		
	Operating costs	Financial expenses	Other current assets	Long term debts (including leasing)	Trade payables
Total with related parties	(1,204)	(566)	1,135	(11,801)	(706)
Total from Financial Statements	(63,325)	(1,344)	11,803	(39,679)	(48,710)
% age weight	2%	42%	10%	30%	1%

(in thousands of Euro)	I Half 2009/2010		Balance at September 30, 2009	
	Operating costs	Financial expenses	Long term debts (including leasing)	Trade payables
Total with related parties	(560)	(680)	(16,680)	(1,572)
Total from Financial Statements	(65,515)	(1,558)	(52,787)	(50,922)
% age weight	1%	44%	32%	3%

Non-recurring, atypical and/or unusual operations

In the first half-year of the 2010/2011 financial year there were no positions or transactions deriving from atypical and unusual operations as defined in the Consob ruling no.15519 as of July 27, 2006.

The significant non-recurring operations carried out in the first six months of the financial year 2010/2011 can be summarized as follows:

- indemnities paid by third parties to companies of the Damiani Group for vacating in advance of three non-strategic buildings where directly operated boutiques were sited. The net income for the Group amounted to Euro 530 thousand Euros.

Significant events of the first half period

During the first six months period the new mono brand Damiani boutiques were opened in franchising in Singapore, Beirut and Ninbo (China). Morevover two flagship stores Bliss were opened in Shanghai and in the tourist city of Haerbin Quilin in China.

In the period began the cooperation with the famous designer John Galliano to produce a collection of fine jewellery.

On June 28, 2010 Damiani Group was honored along with companies that have given special credit to their women employees, under the project called "Companies that Invest in Women."
This initiative launched in 2009 by the Piedmont Region and the Ministry of Labour and Social Policies, aimed to identify companies (in firms with over 100 employees) virtuous in the management of human resources for a significant number of women staff and management positions.
At the moment the Group consists of two thirds of female workforce, about 40% of executives and managers are women, and four women are member of Board of Directors in the Group's companies and two of them are CEO.

The Shareholders' Meeting of Damiani S.p.A. of July 21, 2010 appointed the new Board of Statutory Auditors (shown on page 3 of this document) for the next three financial year and therefore until the approval of financial year that will end as of March 31, 2013. The chairman and the other statutory auditors were confirmed.

The Shareholders' Meeting as of July 21, 2010 according to art.126 of the Legislative Decree no. 58/98 determined the number of members of the Board of Directors as eight, and appointed Francesco Minoli, as a new Director of the Board of Damiani S.p.A. The office of director will last until the expiration of the current Board of Directors, and so until the approval of Financial Statements which will close on March 31, 2012. His remuneration is equal to that of others members according to that resolved by the Shareholders' Meeting as of April 3, 2009, excluding the remuneration for directors with special charges, pursuant the art. 2389 and 2390 of the Civil Code.

Significant events after the end of the first half period

On November 5, 2010 the Milan Provincial Tax Commission issued the decision at first instance that receives the reasons of the applicant New Mood S.p.A. against the assessment notice issued by the Tax office in Milan on December 29, 2009, and recognized the deductibility of costs incurred in 2004 relating to transactions with foreign suppliers for an amount of approximately 8,000 thousand Euros.

On November 20, 2010, the boutique Rocca in Roma suffered a robbery, for which the company is making the full inventory of stolen goods and whose impacts on financial statement will be marginal because the value of jewelry was adequately covered by insurance policies.

Business outlook

The results achieved by Damiani Group in the six-month period closed on September 30, 2010 reflect the existing situation that especially on the domestic market , is still marked by a strong uncertainty with the wholesale channel continuing destocking and that is not consolidating a recovery phase in contrast to what has recorded in some foreign countries.

In this environment the Group continues the implementation of its actions with the task of recovering in the next future the profitability levels achieved in the past despite the full knowledge that the target market has turned over to the special features that had characterized the period before the economic global crisis (new markets, trends in consumption, etc.).

Therefore, even in the remainder of the year the Group will carry on both actions aimed at severely restricting structural costs than actions aimed at increasing its presence in key foreign markets with higher growth potential, with the objective to recover in terms of gross operating results in respect of the financial.

Milan, November 26, 2010

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, 2010

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Balance Sheet Statement

At September 30, 2010 and at March 31, 2010.

(in thousands of Euro)	Note	September 30, 2010	March 31, 2010
NON-CURRENT ASSETS			
Goodwill	7	4,984	4,984
Other Intangible Fixed Assets	8	6,027	7,504
Tangible Fixed Assets	9	18,288	20,397
Investments	10	167	167
Financial receivables and other non current assets	11	4,124	4,479
Deferred tax assets	12	21,351	18,529
TOTAL NON CURRENT ASSETS		**54,941**	**56,060**
CURRENT ASSETS			
Inventories	13	110,853	106,108
Trade receivables	14	22,284	42,971
Tax receivables	15	3,333	4,939
Other current assets	16	11,803	9,777
of which towards related parties		*1,135*	-
Current financial receivables	17	1,212	-
Cash and cash equivalents	18	6,202	7,332
TOTAL CURRENT ASSETS		**155,687**	**171,127**
TOTAL ASSETS		**210,628**	**227,187**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		71,694	89,438
Group net income (loss) for the period		(8,517)	(18,242)
TOTAL GROUP SHAREHOLDERS' EQUITY		**99,521**	**107,540**
MINORITY SHAREHOLDERS' EQUITY			
Minority share capital and reserves		1,425	1,513
Minority net income (loss) for the period		(26)	(26)
TOTAL MINORITY SHAREHOLDERS' EQUITY		**1,399**	**1,487**
TOTAL SHAREHOLDERS' EQUITY	19	**100,920**	**109,027**
NON CURRENT LIABILITIES			
Long term financial debts	20	30,383	34,356
of which towards related parties		*11,013*	*11,608*
Termination Indemnities	21	4,777	4,693
Deferred Tax liabilities	12	1,104	649
Risks reserves	22	574	864
Other non current liabilities	23	481	431
TOTAL NON CURRENT LIABILITIES		**37,319**	**40,993**
CURRENT LIABILITIES			
Current portion of long term financial debts	20	9,296	10,040
of which towards related parties		*788*	*641*
Trade payables	24	48,710	57,945
of which towards related parties		*706*	*1,293*
Short term borrowings	25	7,178	1,964
Income tax payables	26	2,642	2,399
Other current liabilities	27	4,563	4,819
TOTAL CURRENT LIABILITIES		**72,389**	**77,167**
TOTAL LIABILITIES		**109,708**	**118,160**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**210,628**	**227,187**

Separate Income Statement

For the six- month period closed at September 30, 2010 and at September 30, 2009.

(in thousands of Euro)	Note	I Half 2010/2011	I Half 2009/2010
Revenues from sales and services		55,396	56,159
Other recurring revenues		112	174
TOTAL REVENUES	28	**55,508**	**56,333**
Cost of raw materials and consumables	29	(30,095)	(27,360)
Cost of services	30	(19,254)	(20,876)
of which towards related parties		*(1,204)*	*(560)*
of which cost of services not recurring		*(35)*	-
Personnel cost	31	(12,220)	(12,744)
Other net operating (charges) incomes	32	1,279	(2,210)
of which not recurring		*1,826*	-
Amortization and depreciation	33	(3,035)	(2,325)
of which not recurring		*(1,261)*	-
TOTAL OPERATING EXPENSES		**(63,325)**	**(65,515)**
OPERATING INCOME (LOSS)		**(7,817)**	**(9,182)**
Financial Expenses	34	(1,344)	(1,558)
of which towards related parties		*(566)*	*(680)*
Financial Incomes	34	489	522
INCOME (LOSS) BEFORE INCOME TAXES		**(8,672)**	**(10,218)**
Income Taxes	35	129	669
NET INCOME (LOSS) FOR THE PERIOD		**(8,543)**	**(9,549)**
Attributable to:			
Group		(8,517)	(9,552)
Minorities		(26)	3
Basic Earnings (Losses) per Share(*)		**(0.11)**	**(0.12)**
Diluted Earnings (Losses) per Share(*)		**(0.11)**	**(0.12)**

(*) The earnings (losses) per share are calculated by dividing the net result for the Half-Year belonging to the ordinary shareholders of the Group Parent by the weighted average of the number of shares in circulation during the period.

Comprehensive Income Statement

For the six-month period closed at September 30, 2010 and at September 30, 2009.

(in thousands of Euro)	**I Half 2010/2011**	**I Half 2009/2010**
Net income (Loss) for the period	**(8,543)**	**(9,549)**
Gain (Losses) on cash flow hedges	29	9
Fiscal Effect	(8)	(3)
Gain (Losses) on exchange differences on translating foreign operations	64	(692)
Fiscal Effect	332	40
Total Comprehensive Income (loss) for the period	**(8,126)**	**(10,195)**

Statement of changes in Equity

For the six-month period closed at September 30, 2010 and at September 30, 2009.

(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, 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 for the period			37					(4,746)	4,709			-
Other comprehensive income(loss)				7				(653)	(9,552)	(10,198)	3	(10,195)
Stock option						2				2		2
Purchase of own shares							(2,181)			(2,181)		(2,181)
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**

(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, 2010	**36,344**	**69,858**	**2,434**	**(56)**	**8,618**	**108**	**(8,227)**	**16,703**	**(18,242)**	**107,540**	**1,487**	**109,027**
Allocation of the result for the period								(18,242)	18,242			-
Other comprehensive income(loss)				21				396	(8,517)	(8,100)	(26)	(8,126)
Stock option						(8)				(8)		(8)
Other movements							2	87		89	(62)	27
Balances at September 30, 2010	**36,344**	**69,858**	**2,434**	**(35)**	**8,618**	**100**	**(8,225)**	**(1,056)**	**(8,517)**	**99,521**	**1,399**	**100,920**

Cash flow statement

For the six-month period closed at September 30, 2010 and at September 30, 2009.

(In thousands of Euro)	First Half 2010/2011	First Half 2009/2010
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Net income (loss) for the period	(8,543)	(9,549)
Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:		
Amortization, depreciation and write-downs	3,035	2,325
Costs / (Revenues) for stock option	(8)	-
(Gains)/Losses from sale of non current assets	(92)	77
Provisions to Bad Debts Reserve	132	1,473
Provisions to risks reserves	0	200
Changes in the Fair value of Financial Instruments	(21)	(87)
Provisions for termination Indemnity and actuarial valuation of ELI Fund	259	163
Termination indemnity payments	(175)	(522)
Changes in the deferred tax assets and liabilities	(2,582)	(946)
	(7,995)	(6,866)
Changes on operational assets and liabilities		
Trade receivables	20,555	17,048
Inventories	(4,745)	(1,123)
Trade payables	(9,235)	(20,001)
Tax receivables	1,606	1,838
Income Tax payables	243	(787)
Other current and non current assets and liabilities	(3,498)	(1,686)
NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)	**(3,069)**	**(11,577)**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash in from disposal of Intangible and tangible Fixed Assets	975	31
Leaseback write off	151	-
Tangible Fixed Assets purchased	(156)	(973)
Intangible Fixed Assets purchased	(85)	(114)
Net change in the other non current assets	355	(121)
NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)	**1,240**	**(1,177)**
CASH FLOW FROM FINANCING ACTIVITIES		
New Long term loans	-	25,000
Leaseback debt write off	(184)	-
Payment of long-term debt	(4,533)	(3,923)
Net change in short-term financial liabilities	5,214	(8,979)
Purchase of own shares	-	(2,181)
Other changes in Net Equity	202	(644)
NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)	**699**	**9,273**
TOTAL CASH FLOW (D= A+ B+ C)	**(1,130)**	**(3,481)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	**7,332**	**9,542**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F= D+ E)	**6,202**	**6,061**

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. Specifically, the Group distributes five prestigious jewellery brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni. Furthermore, the Damiani Group also distributes, through the directly managed multi-brand boutiques of the Rocca network, some prestigious third parties brands, particular regarding watches. More recently, Damiani has also signed licensing agreements, with some prestigious international brands, which foresee the production and sale in Italy and abroad of jewelry and giftware.

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

Financial Statements structure

These Condensed Consolidated Financial Statements of the Damiani Group at September 30, 2010 relative to the six months from April 1, 2010 to September 30, 2010, consisting of the Balance Sheet Statement, of the Separate Income Statement, of the Comprehensive Income Statement, of the Statement of changes in Equity,of the Cash Flow statement and of the Explanatory Notes. The Board of Directors of Damiani S.p.A. approved the Half-Yearly Consolidated Financial Statements at November 26, 2010.

The Balance Sheet Statement has been classified between “current assets” and “non-current assets”, while the Income Statement classification has been kept by nature, which is considered as being more representative of the business than the classification by usage, also called by “cost of sales” method.

Pursuant to the CONSOB (Italian SEC) Resolution number 15519 of July 27, 2006, the impacts of the relations with related parties on the Balance Sheet assets and liabilities and on the income Statement, for the six-month period closed at September 30, 2010, are shown in the Financial Statement layouts. The relations with related parties are identified according to the extended definition laid down by IAS 24, which means including the relations with the administrative and control bodies, as well as with those executives that have strategic responsibilities. For the quantitative details reference should be made to what is specified in note 36 - Transactions with related parties.

The Cash Flow statement was drawn up using the indirect method.

The Condensed Consolidated Financial Statements are stated in thousands of Euros. All the amounts included in the tables of the notes that are shown below, unless otherwise indicated, are shown in thousands of Euros.

2. Statement of compliance, criteria used and consolidation area

Statement of compliance and criteria used

These Condensed Half-Yearly Consolidated Financial Statements of the Damiani Group were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, pursuant to regulation n° 1606/2002. These Condensed Half-Yearly Consolidated Financial Statements were drawn up, in summary format, in compliance with IAS 34 – Interim Financial Statements. Therefore, these Condensed Financial Statements do not include all the information required by the annual Financial Statements and they must be read together with the annual Financial Statements that were drawn up for the period of twelve months that was closed at March 31, 2010. The accounting standards that were used for preapring these Condensed Half-Yearly Consolidated Financial Statements are the same that were used for drawing up the annual Consolidated Financial Statements for the fiscal year closed at March 31, 2010, to which reference should be made for greater detail, except for what is described in the following Note 3 - Accounting standards, amendments and interpretations applicable from January 1, 2010.

The Condensed Half-Yearly Financial Statements closed at September 30, 2010 were drawn up on the supposition that the company's business activities will be ongoing in the future, because the Group maintains that there do not exist any uncertainties regarding its capacity to continue its operations, both from the production/sales and financial viewpoints, for the foreseeable future.

Consolidation area

The Consolidated Financial Statements contain the Financial Statements of Damiani S.p.A. and those of the Italian and foreign companies over which the Parent company has the legal right to exercise control, either directly or indirectly, determining their financial and operational choices and obtaining the relative benefits regarding them.

The economic data, the changes in the Net Equity and the Statement of Cash Flows, for the Half-Year closed at September 30, 2010, are shown together with the comparative figures for the first six months of the previous year. The Balance Sheet data at September 30, 2010 are shown compared to those at March 31, 2010. The subsidiaries are consolidated on a line-by-line basis starting from the date when control is actually transferred to the Group and they cease to be consolidated from the date when control is transferred outside of the Group.

The subsidiary companies included in the consolidation area at September 30, 2010 are:

Company name	Registered office	Currency	Share Capital (local currency)	Held by	% Direct	% of the 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.	Valenza (AL), Italy	EURO	2,140,000	Damiani S.p.A.	9.35%	55.58%
Damiani International B.V.	Amsterdam, Netherland	EURO	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan K.K.	Tokyo, Japan	JPY	490,000,000	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%

The only change in the consolidation area compared to March 31, 2010 is relative to the change in the amount belonging to the Group of equity investment held in Laboratorio Damiani S.r.l., following the increase of its Share Capital from Euros 200,000 to Euros 2,140,000, which took place on September 30, 2010 and was fully subscribed by Damiani Manufacturing S.r.l. through the conferment in kind of the whole company[5]. Following this operation Damiani S.p.A. directly controls 9.35% of Laboratorio Damiani S.r.l. and indirectly, through the holding owned in Damiani Manufacturing S.r.l., a further 46.23%, for a total percentage control of 55.58%.

Associated companies

Associaed companies are those in which the Group holds at least 20% of the voting rights or it exercises a significant influence, but not effective control, over their financial and operational policies.

At September 30, 2010 the Group did not have any equity investments in associated companies.

Other equity investments

Below there is given information relative to the equity investments in other companies owned by the

[5] The value placed on the whole company Damiani Manufacturing S.r.l., with the valuation of an independent expert dated September 27, 2010 and carried out pursuant to article 2465 of the Italian Civil code for the purpose of conferring it at book value, was calculated based on the Balance Sheet situation of the company at July 31, 2010. The overall total value of the assets of the company Damiani Manufacturing S.r.l. was held to be Euros 3,100,000, which coincides with the value of the Share Capital increase of Euros 1,940,000 plus the Share premium of Euros 1,160,000) of the conferment receiver Laboratorio Damiani S.r.l..

Damiani Group at September 30, 2010, which have a total overall value of 167 thousand Euros. This value is unchanged compared to the figure at March 31, 2010.

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	126	Damiani S.p.A.	3.84%	
				Alfieri & St.John S.p.A.	0.52%	4.36%
Banca d'Alba	Euro	n/d	41	Damiani S.p.A.	0.50%	0.50%

3. Accounting standards, amendments and interpretations applicable from January 1, 2010

The following accounting standards, amendments, improvements and interpretations are applicable from January 1, 2010 and refer to situations that are not currently applied in the Half-Yearly Financial Statements at September 30, 2010 of the Damiani Group:

- Improvement to IFRS 5 – Non-current assets held for sale and discontinued.
- Amendment to IFRS 2 – Share-based payment: payments based on group shares settled for cash.
- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement of Eligible Hedged Items.
- IFRIC 17 – Distribution of Non-cash Assets to owners.
- IFRIC 18 – Transfers of Assets from Customers.
- IAS 24 – Related Parties Disclosures (revised)
- Improvements to the IFRS issued in April 2009 – The objective of the improvements issued by the IASB is to eliminate existing inconsistencies and clarify the relative terminology. The adoption of these improvements, relative to the following reporting and accounting standards has no impact on the Damiani Group.

  -IFRS 8 – Operating Segments.

  -IAS 7 – Statement of Cash Flows.

  -IAS 36 – Impairment of Assets.

In the Half-Yearly Financial Statements at September 30, 2010 the following was applied:

- IAS 27R – Consolidated and Separate Financial Statements (revised). The changes mainly concern the accounting treatment of transactions and events that change the amounts of the equity investments in subsidiary companies, without loss of control. These transactions do not generate any goodwill, profits or losses.

4. Use of estimates

In drawing up the Condensed Half-Yearly Consolidated Financial Statements, Group Management has carried out valuations and estimates and applied hypotheses that have impacted the revenues, the costs, the assets, the liabilities and the informational document regarding the potential assets and liabilities at their closing date. It has to be highlighted that, because these items are estimates they can be different from the actual results that will be achieved in the future.

Some forecasting and valuation processes, specifically the more complex ones like the impairment test on non-current and current assets, are only carried out in a complete manner when drawing up the Full-Year Consolidated Financial Statements, which means when all the necessary information is available, except in those cases where there exist impairment indicators that require an immediate calculation of a loss in value. During the first Half-Year there have not arisen any situations requiring the valuations of possible losses of value of non-current assets and Group Management has carried out estimates to discover whether the relative existing reserves are appropriate and if there was a need to post any additional provisions.

Specifically, the value of the inventories takes into account the write-downs posted at March 31, 2010 and the actions carried out in this first Half-Year, i.e. scrapping of jewels, and it is the subject of periodic monitoring by management.

5. Seasonality

The Group's business activities, just like those of other players in the same sector, are subject to a significant seasonality impact and, in fact, sales are highly concentrated in the October-December quarter. This seasonality is basically linked to the fact that jewelry sales, traditionally, take place during the ending period of the calendar year, with a consequent push by jewelry dealers and directly managed boutiques for product procurement during the October-December quarter. Because of this, which is historically proven, the Damiani Group achieves lower profitability, above all in the first half (April–September) of its fiscal year, which closes on March 31.

6. Segment information

The Damiani Group operates in a single business segment within which there do not exist any levels of differences between products that would require the setting up of any separate business units.

Therefore, the basis on which the Directors set the goals and attribute responsibilities and according to which company management operates is geographical segments, which are broken down as already shown in the Interim Report on Operations and regarding which there are given the operating results of the first Half-Year of fiscal year 2010/2011 and, for comparative purposes, of fiscal year 2009/2010.

Geographical area breakdown (first Half-Year of fiscal year 2010/2011)

I Half 2010/2011	Italy	Americas	Japan	Rest of the World	Eliminations	Consolidated
(In thousands of Euro)						
Net Sales to third party customers	39,987	2,525	4,419	8,465	-	55,396
Other revenues	90	-	9	13	-	112
Intercompany sales	13,587	-	2	6,875	(20,464)	-
Total net sales	**53,664**	**2,525**	**4,430**	**15,353**	**(20,464)**	**55,508**
Operating Costs	**(59,575)**	**(5,282)**	**(5,489)**	**(13,443)**	**20,464**	**(63,325)**
Operating profit (loss)	**(5,911)**	**(2,757)**	**(1,059)**	**1,910**	**-**	**(7,817)**

(in thousands of Euro) **Situation at September 30 2010**	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Total current assets	178,145	31,227	20,029	44,895	(118,609)	155,687
Total assets	275,120	32,522	24,822	130,942	(252,778)	210,628
Total liabilities	121,827	23,806	10,517	61,784	(108,226)	109,708
Capex	237	4	-	-	-	241

Geographical area breakdown (first Half-Year of fiscal year 2009/2010)

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	(255,192)	245,771
Total liabilities	150,227	13,789	13,449	69,192	(118,350)	128,307
Capex	414	7	460	369	-	1,250

7. Goodwill

(in thousands of Euro)	September 30 2010	March 31 2010
Goodwill, boutiques	726	726
Goodwill, Alfieri & St.John S.p.A.	4,258	4,258
Total goodwill	**4,984**	**4,984**

Below there is the breakdown of the item at September 30, 2010 and at March 31, 2010:

The item, unchanged compared to the figure at March 31, 2010, is relative for 4,258 thousand Euros to the goodwill posted regarding the acquisition in 1998, of 100% of the shares of the company Alfieri & St. John S.p.A. and for 726 thousand Euros to the goodwill, paid by the Parent company in previous years regarding the acquisition of four single-brand directly managed shops by the Damiani Group.

Impairment test on intangible assets with an indefinite useful life

The goodwill, as an intangible asset with an indefinite useful life reported among fixed assets, is not amortized in the Income Statement but is subject to an impairment test for the purpose of discovering any potential loss in its value. The impairment test is carried out yearly, or more frequently in the case there are indications that during the current year the asset may have suffered a loss in value. In the first Half-Year of the fiscal year 2010/2011 the evolution of the business was basically in line with the expected situation and this was used for impairment test purposes at March 31, 2010. Therefore, also considering the seasonality of the business, company management believes that it was unnecessary to carry out a new impairment test regarding the goodwill values.

8. Other Intangible fixed assets

Below there is given the breakdown of the item at September 30, 2010 and at March 31, 2010:

(in thousands of Euro)	**September 30 2010**	**March 31 2010**
Industrial rights and patents	778	567
Key Money	5,246	6,634
Fixed intangible assets under construction	3	303
Total other intangible fixed assets	**6,027**	**7,504**

The patent rights increased by 377 thousand Euros due to the investment made in Rocca S.p.A. for putting in the SAP IT system, which went into production from April 1, 2010. A significant part of these investments were classified, at March 31, 2010, among assets under construction. The drop in the value of the item Key Money mainly refers to the impact of the write-off, for 1,250 thousand Euros, of the remaining net book value of the key money relative to one boutique, the real estate rental contract of which was ceded in the month of June 2010, and to the ordinary amortization amounting to 158 thousand Euros.

9. Tangible fixed assets

Below there is given the breakdown of the item at September 30, 2010 and at March 31, 2010:

(in thousands of Euro)	September 30 2010	March 31 2010
Land and buildings	12,037	12,662
Plant and machinery	717	830
Industrial and commercial equipment	659	722
Other assets	4,853	6,183
Fixed tangible assets under construction	22	-
Total tangible fixed assets	**18,288**	**20,397**

The Tangible fixed assets went down, compared to the figure at March 31, 2010, by 2,109 thousand Euros due to the impacts, during the accounting period, of investments, disposals and depreciation.

The increases, amounting to a total of 156 thousand Euros, are mainly due to the building restructuring works carried out in the boutiques of Rocca S.p.A.

The disposals, amounting to a total of 885 thousand Euros and concentrated among the other assets item, are relative to the sales of two non-strategic points of sale of Damiani Japan K.K., amounting to 883 thousand Euros, which resulted in a capital gain amounting to about 92 thousand Euros.

The item "Land and buildings" also includes assets dealt with on a "sale and lease back" basis and that related parties have bought from Group companies and then, afterwards, leased back to them for commercial usage. For the details of these operations reference should be made to Note 36 - Transactions with related parties. The "sale and lease back" assets that are posted in the item Land and buildings amounted to 10,503 thousand Euros at September 30, 2010 and 11,113 thousand Euros at March 31, 2010. The reduction in the value of the item during the Half-Year refers, as well as to the amount of the depreciation calculated for the accounting period amounting to 459 thousand Euros, to the accounting treatment of the impacts coming from the extinguishing, before its natural expiry, of the real estate rental contract relative to the building for workshop usage, located in Bassignana (AL), which was used by Laboratorio Damiani S.r.l. On an accounting basis the extinguishing of this contract has meant the writing off of the remaining net book value of the assets, at the extinguishing date, amounting to 151 thousand Euros and, at the same time, the writing off of the related value of the financial debt amounting to 184 thousand Euros. The accounting impact, net of the fiscal component arising from the writing off of the assets and of the related financial debt was posted as a direct increase in the Net Equity amounting to 28 thousand Euros.

The item "Other assets" consists of furniture, fittings, office machines, motor vehicles and leasehold improvements to buildings owned by third parties, i.e. expenses incurred for adapting/restructuring the premises of boutiques.

10. Investments

At September 30, 2010 the item solely consists of minority interests in the companies Fin.Or.Val S.r.l and Banca d'Alba amounting to 167 thousand Euros.

11. Financial receivables and other non-current assets

Below there is given the breakdown of the item at September 30, 2010 and at March 31, 2010 :

(in thousands of Euro)	September 30 2010	March 31 2010
Guarantee deposits	3,876	4,366
Other receivables	248	113
Total financial receivables and non current assets	**4,124**	**4,479**

The reduction in the guarantee deposits compared to the figure at March 31, 2010 for 490 thousand Euros is mainly due to the sale, already referred to above, of the two shops belonging to Damiani Japan K.K.

12. Deferred tax assets and deferred tax liabilities

The balances of the items deferred tax assets and liabilities for the accounting period closed at September 30, 2010 and the fiscal year closed at March 31, 2010 are detailed in the following table. The descriptions give the nature of the temporary differences.

(in thousands of Euro)	**September 30 2010**	**March 31 2010**
Deferred tax assets:		
Net Impact of the returns reserve	3,026	3,026
Write off on intercompany inventory margins	6,545	4,932
Exchange loss differences	27	40
Bad Debts Reserve not deductible	1,116	1,330
Devalutaion of inventories	2,616	2,905
Costs of the IPO	647	883
Provisions on lawsuits	180	201
Financial interests	1,045	619
Fiscal losses	2,125	553
Write off of intercompany gains on brand transfer	3,390	3,221
Other timing differences of a taxation nature	634	819
Total deferred tax assets	**21,351**	**18,529**

Deferred tax liabilities:		
Exchange differences	142	102
Other timing differences of a taxation nature	735	426
Deferred taxation on capital gains	227	336
Total deferred tax liabilities	**1,104**	**864**

The increase in the value of the deferred tax assets was mainly linked to the reclassification of the fiscally deductible losses of Damiani S.p.A., amounting to 1,559 thousand Euros, which, at March 31, 2010, were classified among the tax receivables. The increase in the receivables linked to the writing off on intercompany inventory margins has mainly been caused by the change in the tax rate applicable to the Swiss subsidiary that went up from 7.30% to 17.90%.

13. Inventories

Below there is given the breakdown of the item at September 30, 2010 and at March 31, 2010:

(in thousands of Euro)	September 30 2010	March 31 2010
Raw materials, semi-finished goods and advance payments	12,489	10,772
Finished products and goods	98,364	95,336
Total inventories	**110,853**	**106,108**

The net book value of the inventories at September 30, 2010 showed an increase of 4,745 thousand Euros compared to the figure at March 2010, which is linked to the seasonality that is a characteristic of the movements of all the items that make up the working capital.

It is highlighted that the item finished products and goods includes 13,607 thousand Euros (13,397 thousand Euros at March 31, 2010) for finished products already delivered to customers but for which, at the closing date of the Financial Statements, there were no real assurance that the assumptions of revenues recognition were completely satisfied.

The value of the inventories at September 30, 2010 is shown net of the 10,641 thousand Euros of the inventory write-down reserve (11,632 thousand Euros at March 31, 2010). During the Half-Year there were carried out operations relative to the scrapping and melting down of jewelry products regarding on the shelf inventories for 3,883 thousand Euros. These operations brought about a loss that was absorbed by using the inventory write-down reserve for 949 thousand Euros.

14. Trade receivables

Below there is given the breakdown of the item at September 30, 2010 and at March 31, 2010 :

(in thousands of Euro)	September 30 2010	March 31 2010
Trade receivables, gross	**56,915**	**78,566**
Bad Debts Reserve	(6,378)	(7,800)
Fund for returns on sales from customers	(28,082)	(27,653)
Impact of Net Present Value calculation of receivables	(171)	(142)
Total trade receivables	**22,284**	**42,971**

The reduction in the net trade receivables for 20,687 thousand Euros is linked to both the drop in sales and to the seasonality that is a characteristic of the movements of all the items that make up the working capital.

The balance of the trade receivables is shown net of the bad debts reserves and the returns reserves, as well as of the impact stating at their discounted value of those receivables represented by bankers' orders that have been reissued and that have due dates that go beyond the end of the accounting period.

It is highlighted that the provisions posted to the bad debts reserve for the accounting period, amounting to 132 thousand Euros, are contained in the item "Other net operating (charges) incomes" of the Income Statement. The provisions posted and the usages during the accounting period of the returns reserve have been posted as a direct change in the value of the item "Revenues from sales and services" in the Income Statement.

There are no receivables with a contractual duration longer than 5 years.

15. Tax receivables

At September 30, 2010 the balance of this item was 3,333 thousand Euros compared to a figure of 4,939 thousand Euros at March 31, 2010. The change from March 31, 2010 is due to the reclassification among the deferred tax assets of the tax credit calculated on the fiscally deductible losses of Damiani S.p.A. that have come to maturity at March 31, 2010.

16. Other current assets

Below there is given the breakdown of the item at September 30 2010 and at March 31, 2010 :

(in thousands of Euro)	September 30 2010	March 31 2010
VAT receivables from the Tax Authorities	4,017	2,553
Prepayments on exchanges of goods	2,230	2,896
Deposits to suppliers	2,546	2,131
Prepayments	2,406	1,371
Receivables from other	604	826
Total other current assets	**11,803**	**9,777**

The advertisement prepayments on barter of goods reduced, due to the usages made during the Half-Year and the advances to suppliers increased, due to the advances that were paid to the suppliers of services and to agents.

The prepayments increased due to the impact of a large initial installment paid over to a related party at the time of the signing of a new real estate rental contract relative to a directly managed shop that is described in note 36 - Transactions with related parties. The amount of this large initial installment will be spread over the lifespan of the contract.

17. Current financial receivables

The current financial receivables, amounting to 1,212 thousand Euros as of September 30, 2010, consisted of the receivable from third parties arising from the sale of the two shops belonging to Damiani Japan K.K. that will be cashed in, in installments, over the next twelve months.

18. Cash and cash equivalents

Below there is given the breakdown of the item at September 30, 2010 and at March 31, 2010 :

(in thousands of Euro)	September 30 2010	March 31 2010
Bank and post accounts	5,755	7,086
Cash on hand	447	246
Total cash and cash equivalents	**6,202**	**7,332**

The balance represents the existing cash available in the bank and postal current accounts and the petty cash and cash on hand at the closing date of the accounting periods.

19. Shareholders' Equity

At September 30, 2010 the Net Equity amounted to 100,920 thousand Euros, down by 8,107 thousand Euros compared to the figure at March 31, 2010. The main Net Equity movements for the Half-Year closed at September 30, 2010, which are shown in detail in the Statement of changes in Equity, are the following:

- a net loss of the period for 8,543 thousand Euros;
- the positive change arising from the exchange differences, due to the conversion of the Financial Statements that originate in non-euro currencies, and on the inter-company balances for a total amount of 396 thousand Euros;
- the reversal of the stock grant for 8 thousand Euros.

With reference to the treasury shares held it is highlighted that, in Half-Year April-September 2010, no more treasury shares have been acquired but there have been distributed to customers, free of charge, 1,300 ordinary shares of Damiani S.p.A. for a value of about 2 thousand Euros. Therefore, at September 30, 2010 the treasury shares held were 5,618,309, equivalent to 6.80% of the whole Share Capital and to a total overall value amounting to 8,225 thousand Euros at an average purchase price of Euros 1.464 per share.

20. Long term financial debt : current and medium/long term portion

The current and medium/long term portion of financial debt were made up as follows at September 30, 2010 and at March 31, 2010:

(in thousands of Euro)	September 30 2009	March 31 2009	Note
Non current portion			
Loan C	12,000	13,500	c
Loan D	6,250	7,500	d
Loan E	-	89	e
Loan F	166	230	f
Loan G	500	833	g
Loan H	454	596	h
Financial Leasing	11,013	11,608	i
Total non current portion of medium/long financial debt	**30,383**	**34,356**	
Current portion			
Loan A	1,000	2,000	a
Loan B	670	1,992	b
Loan C	3,000	1,500	c
Loan D	2,500	2,500	d
Loan E	265	346	e
Loan F	125	121	f
Loan G	667	667	g
Loan H	281	273	h
Financial Leasing	788	641	i
Total current portion of medium/long financial debt	**9,296**	**10,040**	
Total medium/long financial debt	**39,679**	**44,396**	

Below there is given the detailed of the salient information relative to the loans granted to Group companies by banks as of September 30, 2010.

a) Loan A was originally issued in June 2005 to Damiani S.p.A. for the amount of Euros 10,000,000 and with a repayment plan based on constant half-yearly installments for the period running from December 28, 2005 to December 31, 2010. Interest is paid on this loan at the annual rate of 3.87%.

b) Loan B was originally issued in October 2005 to Damiani S.p.A. for the amount of Euros 10,000,000 and with a repayment plan based on constant installments for the period from November 28, 2005 until November 30, 2010. Interest is paid on this loan at the annual rate of 3.68%.

c) Loan C was originally issued in June 2009 to Damiani S.p.A. for the amount of Euros 15,000,000 and with a repayment plan based on constant half-yearly installments for the period from December 31, 2010 until June 30, 2015. Interest is paid on this loan at the annual rate of 4.40%.

d) Loan D was originally issued in June 2009 to Damiani S.p.A. for the amount of Euros 10.000.000 and with a repayment plan based on constant quarterly installments for the period from June 30, 2010 until March 31, 2014. Interest is paid on this loan at the annual rate of 4%.

e) Loan E was issued in 2006 to Rocca S.p.A. for the amount of Euros 1,000,000 and foresees its reimbursement by quarterly installments. The expiry date of the loan is April 30, 2011 and the interest rate payable is 5.10% per year.

f) Loan F was originally issued in December 2007 to Rocca S.p.A. for the amount of Euros 600,000 and with a repayment plan in quarterly installments that will finish on December 31, 2012. Interest is payable on this loan at a rate that is equal to the Euribor at three months, plus a spread of 1.10%.

g) Loan G was originally issued in December 2007 to Rocca S.p.A. for the amount of Euros 2.000.000 and with a repayment plan based on constant quarterly installments for the period that runs from September 30, 2009 until December 31, 2012. Interest is payable on this loan at a rate that is equal to the Euribor at three months, plus a spread of 0.90%. This loan has the following two covenant conditions: a) The accounting book value of Net Equity must not go below the figure of 8,300 thousand Euros and b) the company commits not to distribute any dividends until the loan expires. At September 30, both these conditions have been fully observed.

h) Loan H was originally issued in March 2008 to Rocca S.p.A. for the amount of Euros 1,000,000 and with a repayment plan based on constant quarterly installments for the period from December 31, 2009 at March 31, 2013. Interest is payable on this loan at a rate that is equal to the Euribor at three months, plus a spread of 1.20%.

i) The debts for leasing on buildings for 11,801 thousand Euros are relative to the contracts for the sales of real estate units to a related party, which qualify as sale and lease back contracts, pursuant to IAS 17. These real estate units are the premises of Damiani and Rocca shops.

In the following table there are shown the details of the net financial indebtedness at September 30, 2010 and at March 31, 2010 :

Net Financial Debt (*) (in thousands of Euro)	Situation at September 30 2010	Situation at March 31 2010
Medium-long term loans and financing - current portion	8,508	9,399
Usage of credit lines, short term financing and others	7,178	1,964
Medium-long term loans and financing with related parties - current portion	788	641
Current financial indebtness	**16,474**	**12,004**
Medium-long term loans and financing - non current portion	19,370	22,748
Medium-long term loans and financing with related parties - non current portion	11,013	11,608
Non current financial indebtness	**30,383**	**34,356**
Total gross financial indebtness	**46,857**	**46,360**
Financial current assets	(1,212)	0
Cash and cash equivalents	(6,202)	(7,332)
Net Financial Position (*)	**39,443**	**39,028**

(*) The net financial position has been calculated on the basis of the indications contained in the Consob (Italian SEC) communication n° DEM/6064923 of July 28, 2006.

The net financial position at September 30, 2010 showed a negative balance of 39,443 thousand Euros, with a slight worsening of 415 thousand Euros compared to the figure at March 31, 2010. The basic stability of the consolidated net financial position, in spite of the negative economic performance for the Half-Year, has been achieved thanks to the careful and attentive monitoring of the net working capital and to the cash taken in for key money relative to the locations that have been sold, because they were not strategically important for the Group.
Lastly, it is highlighted that at September 30, 2010 the net financial position was inclusive of 11,801 thousand Euros of a payable to a related party for 4 real estate operations treated in the accounting books as sale and lease-back operations, while at March 31, 2010 this payables component amounted to 12,249 thousand Euros.

21. Termination Indemnities

During the Half-Year closed at September 30, 2010 the provision for employee termination indemnities underwent the following movements:

(in thousands of Euro)	
Termination Indemnities at March 31 2010	4,693
Cost related to current work performed	62
Financial expenses	91
Paid benefits	(175)
Actuarial Loss (Profit)	106
Termination Indemnities at September 30 2010	**4,777**

The movements for the period reflect the accruals and the outgoings, including the advances that were given, which were posted during the Half-Year closed at September 30, 2010.

22. Risks reserves

The Risks reserve is provided to cover disputes that are ongoing with former employees and agents. The value of the fund went from 649 thousand Euros for the fiscal year closed at March 31, 2010 to 574 thousand Euros for the Half-Year closed at September 30, 2010, due to outgoings for 75 thousand Euros paid during the Half-Year that refer to the closing and settlement of some of the disputes. During the Half-Year no additional provisions were posted, because the current value of the fund is considered to be adequate to cover the relative liabilities involved.

23. Other non-current liabilities

The amount of the item went from 431 thousand Euros at March 31, 2010 to 481 thousand Euros at September 30, 2010. The main part of this amount consists of the severance payments to be made to Directors when their mandates expire.

24. Trade payables

The amount of the item went from 57,945 thousand Euros for the fiscal year closed at March 31, 2010 to 48,710 thousand Euros at September 30, 2010. The reduction was directly linked to the lower level of the purchases from suppliers caused by reduced volume of business activities and to the physiological trend of the payments during the Half-Year that is relative to the seasonal cycle of the working capital.

25. Short term borrowings

(in thousands of Euro)	September 30 2010	March 31 2010
Usages of short term credit lines and bank loans	7,129	1,886
Fair value of financial derivatives	49	78
Total short term borrowings	**7,178**	**1,964**

Below there is given the breakdown of the item at September 30, 2010 and at March 31, 2010:

The short-term credit lines are employed to finance the working capital. The higher value of the short-term exposure, compared to the figure at March 31, 2010, has not brought about any negative impacts in terms of the debt burden and the short-term credit lines are only partially utilized.

26. Income tax payables

Below there is given the breakdown of the item at September 30, 2010 and at March 31, 2010:

(in thousands of Euro)	September 30 2010	March 31 2010
VAT payables	695	478
Taxes withheld from employees (IRPEF)	327	381
Current income tax payables (IRES and IRAP)	1,521	1,404
Other tax payables	99	136
Total income tax payables	**2,642**	**2,399**

The increase is basically relative to the VAT payables.

27. Other current liabilities

Below there is given the breakdown of the item at September 30, 2010 and at March 31, 2010:

(in thousands of Euro)	September 30 2010	March 31 2010
Payables to social security institutions	994	1,132
Payables to employees	2,143	2,295
Other liabilities	1,178	860
Deferred income	248	532
Total other current liabilities	**4,563**	**4,819**

The payables to social security institutions include the payable for social security charges and pension and health insurance contributions.

The item payables to personnel contains the payables for holidays and paid leave of absence that have been accrued but not yet taken, as well the amounts accrued, but not yet paid out, for the 13th and 14th months' wages and salaries. The increase in the item other liabilities compared to the figure at March 31, 2010 was caused by the valuations of the futures contracts relative to the purchases of US dollars and gold.

28. Revenues

Below there is given the detailed breakdown of this item for the Half-Years closed at September 30, 2010 and at September 30, 2009:

(in thousands of Euro)	I Half 2010/2011	I Half 2009/2010
Revenues from sales and services	55,396	56,159
Other recurring revenues	112	174
Total revenues	**55,508**	**56,333**

The detail of the revenues by distribution channels was as follows:

Revenues by Sales Channel (In thousands of Euro)	**I Half 2010/2011**	**I Half 2009/2010**
Retail	**17,512**	**14,716**
Percentage on total revenues	*31.5%*	*26.1%*
Wholesale	**37,884**	**41,443**
Percentage on total revenues	*68.2%*	*73.6%*
Total revenues from sales and services	**55,396**	**56,159**
Percentage on total revenues	*99.8%*	*99.7%*
Other revenues	**112**	**174**
Percentage on total revenues	*0.2%*	*0.3%*
Total Revenues	**55,508**	**56,333**

The consolidated revenues for the Half-Year closed at September 30, 2010 amounted to 55,508 thousand Euros, compared to the figure of 56,333 thousand Euros for the Half-Year closed at September 30, 2009, showing a decrease of 825 thousand Euros, or about 1.5%.

Below there are given the details of the other revenues for the Half-Years closed at September 30, 2010 and at September 30, 2009.

(in thousands of Euro)	I Half 2010/2011	I Half 2009/2010
Leases and rentals	90	167
Franchising	9	5
Capital gain on disposals of fixed assets	-	1
Revenue from sale of advertising material	13	1
Total other revenues	**112**	**174**

29. Cost for raw materials and consumables

The costs for raw materials and consumables, also including the purchases of finished products, for the

(in thousand of Euro)	I Half 2010/2011	I Half 2009/2010
Purchases	34,485	28,844
Change in inventory of finished products	(2,668)	(743)
Change in inventory of raw materials and consumables	(1,722)	(741)
Total cost of raw materials and consumables	**30,095**	**27,360**

Half-Years closed at September 30, 2010 and at September 30, 2009 were as follows:

The costs for raw materials and consumable went from 27,360 thousand Euros for the Half-Year closed at September 30, 2009 to 30,095 thousand Euros for the Half-Year closed at September 30, 2010, with an increase of 2,735 thousand Euros, or about 10%. The increase in the costs, with revenues remaining stable was mainly due to the increase in the weight of the sales of third party brands through the Rocca network, the purchase costs of which are higher than the costs of Group products, to the different mix of the Group products that were sold and to the increase in the raw materials costs.

30. Cost of services

Below there is given the detailed breakdown of this item for the Half-Years closed at September 30, 2010 and at September 30, 2009:

(in thousands of Euro)	I Half 2010/2011	I Half 2009/2010
Functional expenses	3,616	3,504
Advertising expenses	3,135	3,516
Other commercial expenses	1,279	1,302
Production costs	1,444	1,576
Consultancy	1,819	2,184
Travel/transport expenses	1,734	1,869
Directors' Fees	1,223	1,307
Usage of third party properties	5,004	5,618
Total cost of services	**19,254**	**20,876**

The costs for services decreased by 1.622 thousand Euros (-7.8%) compared to those for the same period of the previous year due to a series of generalized savings actions that have significantly impacted some services costs items such as advertising and promotion, commissions, transport expenses, consultancy and real estate rents. The increase in the functional expenses was relative to the royalties that have accrued on the licensing contracts.

31. Personnel cost

Below there is given the detailed breakdown of this item for the Half-Years closed at September 30, 2010

(in thousand of Euro)	I Half 2010/2011	I Half 2009/2010
Wages and salaries	8,977	9,319
Social security costs	2,506	2,494
Termination indemnity	666	554
Other personnel costs	71	377
Total personnel cost	**12,220**	**12,744**

and at September 30, 2009:

The reduction, compared to the figure for the first Half-Year of 2009/2010, amounted to 524 thousand Euros (–4.1%) and was brought about by the actions taken to rationalize the organizational structure that were started up in the second Half-Year of the previous fiscal year, which resulted in a reduction in the number of employees and, therefore, of the relative personnel costs.

Labour category	I Half 2010/2011	I Half 2009/2010
Managers	54	55
Clerks	405	449
Workers	112	126
Total	**571**	**630**

The following table shows the average number of Group employees for the two Half-Years:

32. Other net operating (charges) incomes

Below there is given the detailed breakdown of this item for the Half-Years closed at September 30, 2010

(in thousand of Euro)	I Half 2010/2011	I Half 2009/2010
Other operating (charges) incomes	1,411	(737)
Bad debt reserve allowance	(132)	(1,473)
Total other net operating (charges) incomes	**1,279**	**(2,210)**

and at September 30, 2009:

The item includes among its positive components the operational incomes relative to the key monies cashed in following the ceding to third parties, before their natural expiry dates, of three real estate rental contracts for boutiques that were not strategic for the Group for the amount of 1,826 thousand Euros. The corresponding write-down of the non-current net assets relative to these boutiques is shown in the item Amortization, depreciation and write-downs (see Note 33).

33. Amortization, depreciation and write-downs

Below there is given the detailed breakdown of this item for the Half-Years closed at September 30, 2010 and at September 30, 2009:

(in thousand of Euro)	I Half 2010/2011	I Half 2009/2010
Amortization of intangible assets	340	488
Depreciation of tangible assets	1,434	1,827
Devaluation of intangible and tangibles assets	1,261	10
Total Amortization and depreciation	**3,035**	**2,325**

The increase in the write-down of the fixed assets amounting to 1,251 thousand Euros was caused by the complete write-off of the remaining net book value of the key monies that were initially paid over at the time of the stipulation of the rental contracts relative to a boutique, the rental contract of which was ceded to third parties during the Half-Year. This write-off was also linked to the value of the key money that was cashed in for ceding the contract in question and was posted into the "Other net operating (charges) incomes" and which is described in Note 32 above.

34. *Financial incomes and (expenses)*

Below there is given the detailed breakdown of the financial incomes and charges for the Half-Years closed

(in thousand of Euro)	I Half 2010/2011	I Half 2009/2010
Net gains on exchange	253	254
Other financial charges	(1,344)	(1,555)
Other financial revenues	236	265
Total financial (expenses) and incomes	**(855)**	**(1,036)**

at September 30, 2010 and at September 30, 2009:

The improvement compared to the figure of the first Half-Year for fiscal 2009/2010 was mainly due to the lower financial charges posted, because there has been a lower average financial exposure during the current accounting period.

35. Income taxes

In the first Half-Year of the fiscal year 2010/2011 the income taxes were positive (lower costs) for 129 thousand Euros versus a balance that was also positive but that amounted to 669 thousand Euros in the first Half-Year of the fiscal year 2009/2010. The change, compared to the figure for the first Half-Year of 2009/2010, was largely due to the choice that has been made not to go ahead and post the provision for prepaid taxes regarding the losses recorded by the companies.

36. Transactions with related parties

In this paragraph there are described the transactions that have taken place between the companies of the Damiani Group and related parties during the Half-Years closed at September 30, 2010 and at September 30, 2009, highlighting their impacts on the figures in the Consolidated Income Statement and Balance Sheet.
The transactions that have taken place with related parties are almost totally of a real estate/financial nature, i.e. real estate rentals, sale and lease back operations and the leasing of business unit.
During the first Half-Year of fiscal 2010/2011, the owner of the building in which there is located the Damiani boutique, situated in Turin and managed by Rocca S.p.A., under the terms of a real estate rental contract that expires on June 30, 2011, has decided to put the building up for sale. In the month of April 2010 the owner officially notified Rocca S.p.A. of the purchase offer that was made by a third party for the building. Following the purchase offer in question and considering the strategic value that the Group places on this point of sale which, among other things, had recently been restructured and also taking into account the volume of business involved and the costs that would have to be incurred for relocating the point of sale, there then arose the need to exercise the foreseen legal right of first refusal within the legally required timeframe.
Because of the combination of the need to optimize the Group's financial resources and that of having to exercise the legal right of first refusal in a very tight timeframe, it was decided that the legal right would be exercised by the related party Immobiliare Miralto S.r.l., which, therefore purchased the real estate unit at the same price that was contained in the purchase offer made by the third party and, at the same time, stipulated a new rental contract, with a duration six years and tacitly renewable for a further six years, with the tenant Rocca S.p.A. The new conditions that have been agreed fix a yearly rental charge of 250

thousand Euros, reduced to 180 thousand Euros and 200 thousand Euros for the first and second year of the contract's life, and an initial contribution of 1,000 thousand Euros paid by the tenant. The amounts of the rental charge and of the initial contribution, added together, are in line with what can normally be found in the real estate market in similar circumstances and in line with the market values for the area, as can be seen in the available valuations from real estate agents. The amount of the initial contribution shall be amortized over the whole duration of the contract. Following the Group procedures that regulate transactions between related parties the whole operation was approved by the Internal Control Committee, while informing the Board of Statutory Auditors of it, on April 15, 2010.

The following table shows the details relative to the transactions between Group companies and related

(in thousands of Euro)	I Half 2010/2011		Balance at September, 30 2010		
	Operating costs	Financial expenses	Other current assets	Long term loans (including leasing)	Trade payables
D.Holding S.A.	(85)			0	(170)
Imm.re Miralto S.r.l.	(1,071)	(566)	1,135	(11,801)	(302)
Roof Garden SA	(48)			0	(234)
Total with related parties	(1,204)	(566)	1,135	(11,801)	(706)
Total from Financial Statements	(63,325)	(1,344)	11,803	(39,679)	(48,710)
% age weight	2%	42%	10%	30%	1%

parties during the Half-Year closed at September 30, 2010.

The detailed explanations are as follows:

- The costs amounting to 85 thousand Euros from the company D. Holding S.A. were relative to the fees paid by the subsidiary Damiani International BV on the basis of the user license agreement for the utilization, for special events, of the items of jewelry that have won the *Diamonds International Awards,* which are owned by the related party.
- The costs from Immobiliare Miralto S.r.l. were relative to real estate rental charges paid for premises in Milan, Turin and Valenza (AL). As well as this there financial charges also arose during the period for 566 thousand Euros, which were for the interest for the reimbursement of the financial debt due to the related party for sale and lease back operations relative to two pieces of real estate in Milan where there are Damiani and Rocca boutiques, to the building for workshop use in Bassignana (AL), utilized by the subsidiary Laboratorio Damiani S.r.l. and to two multi-brand Rocca shops located in Padova and Taormina. The remaining financial debt amounted to

11,801 thousand Euros. At September 30, 2010 the lease back contract relative to the building for workshop use in Bassignana (AL) was extinguished, before its natural expiry, due to the relocation of the headquarters of Laboratorio Damiani S.r.l. to Valenza. The remaining financial payable, amounting to 184 thousand Euros was written off with the counterpart to Net Equity. The other current assets regarding Immobiliare Miralto S.r.l. mainly consist of the prepayment regarding the large initial rental installment of 1,000 thousand Euros, already described above, which was paid by Rocca S.p.A. to the related party at the time of stipulating the new real estate rental contract for the Turin boutique.

- The costs from Roof Garden S.A. were relative to real estate rents paid for the building located in New York.

The following table shows the details relative to the transactions between Group companies and related parties during the Half-Year closed at September 30, 2009.

(in thousands of Euro)	I Half 2009/2010		Balance at September, 30 2009	
	Operating costs	Financial expenses	Long term loans (including leasing)	Trade payables
D.Holding S.A.	(85)			(340)
Imm.re Miralto S.r.l.	(388)	(680)	(16,680)	(1,106)
Roof Garden SA	(44)			(127)
Immobiliare Pessina SA	(42)			
Total with related parties	(560)	(680)	(16,680)	(1,572)
Total from Financial Statements	(65,515)	(1,558)	(52,787)	(50,922)
% age weight	1%	44%	32%	3%

The detailed explanations are as follows:

- The costs amounting to 85 thousand Euros from the company D. Holding S.A. were relative to the fees paid by the subsidiary Damiani International BV based on the user license agreement for the utilization, for special events, of the jewelry that has won the *Diamonds International Awards,* which is owned by the related party.
- The costs from Immobiliare Miralto S.r.l. were relative to the real estate rental charges paid for the

renting of the premises in Milan and Valenza (AL) for a total of 388 thousand Euros. As well as this there financial charges also arose during the period for 680 thousand Euros, which were for the interest for the reimbursement of the financial debt due to the related party for sale and lease back operations relative to three pieces of real estate in Milan where there are boutiques, to the building for workshop use in Bassignana (AL), utilized by the subsidiary Laboratorio Damiani S.r.l. and to two multi-brand Rocca shops located in Padova and Taormina. The remaining financial debt amounted to 16,680 thousand Euros.

- The costs from Roof Garden S.A. were relative to real estate rents paid for the building located in New York.
- The costs from Immobiliare Pessina S.A. were relative to the real estate rental charges for the renting of premises in Lugano where there was a boutique managed by the subsidiary Rocca International S.A.. This contract ceased afterwards.

Furthermore in both periods there existed loan contracts between the Parent company and some of the subsidiary companies, which were negotiated at normal arm's length market conditions.

37. Commitments and and potential liabilities

There do not exist any commitments and liabilities, arising from ongoing obligations and for which it is probable that resources will have to be used to fulfill the obligation, which are not already reflected in the figures contained in the Financial Statements at September 30, 2010.
On December 29, 2009, Tax Office in Milan - Number 6 informedthe subsidiary company New Mood S.p.A., which had joined the consolidated system of taxation, together with the parent company Damiani S.p.A., of an assessment notice for the tax year 2004, with which there was contested the deductibility of the costs, for about 8,000 thousand Euros, relative to purchases of goods from supplier companies resident in Hong Kong, maintaining that there did not exist the necessary conditions laid down by article 110, paragraph 11, of the Consolidated Income Tax Act (TUIR). The amount asked for by the Tax Office, for both taxes and fines (excluding interests), amounts to 6,226 thousand Euros. The company presented an appeal against this assessment notice on May 28, 2010. In the Financial Statements closed at March 31, 2010, the liability was defined as being "possible" and, therefore no provision was posted for it. On November 5, 2010 the Milan Provincial Tax Commission, which is territorially competent, issued the first degree ruling which, accepting the reasoning of New Mood S.p.A., recognized the deductibility of the costs incurred in

2004 relative to transactions with foreign suppliers for about 8,000 thousand Euros.

38. Atypical and/or unusual and non-recurring transactions

There were no positions or transactions arising from atypical and/or unusual operations, as these items are defined by the Consob (Italian SEC) resolution n°15519 of July 27, 2006.
The non-recurring operations that took place during the first Half-Year of the fiscal year 2010/2011 can be summarized as follows:
- Indemnities paid by third parties to companies of the Damiani Group for exiting, before the rental contracts expired, from three locations where directly managed boutiques operated that were no longer strategic for the Group. The overall net income for the Group amounted to 530 thousand Euros.

39. Earnings (losses) per share

The basic earnings (losses) per share was calculated by dividing the net result for the period belonging to the ordinary shareholders of the Issuer Damiani S.p.A. by the weighted average number of the shares in circulation in the relative Half-Year. In the calculation of the earnings (losses) per share the weighted average number of the shares in circulation was arrived at by also considering the impacts of the treasury shares purchased starting from the month of March 2008, as a result of the Resolutions passed by the Shareholders' Meetings of February 22, 2008, of July 22, 2009 and of July 21, 2010.
Below there is shown the information regarding the shares, which was used for the purpose of calculating the basic and diluted earnings (losses) per share:

Basic Earnings (Losses) per Share

	I Half 2010/2011	I Half 2009/2010
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	78,311,419	79,110,174
Basic Earnings per Share (amount in Euro)	**(0.11)**	**(0.12)**

Diluted Earnings (Losses) per Share

	I Half 2010/2011	I Half 2009/2010
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of diluited earnings per share	79,110,174	79,110,174
Diluted effect from Stock option plan	-	-
Weighted average number of ordinary shares for computation of basic earnings per share	78,311,419	79,110,174
Diluted Earnings per Share (amount in Euro)	**(0.11)**	**(0.12)**

40. Financial risk management

At September 30, 2010 the Damiani Group had a negative net financial position of about 39 million Euros, basically unchanged compared to the figure at March 31, 2010, in spite of the fact that the six months were still characterized by uncertainties and ups and downs in the reference markets, both regarding product sales and raw material purchases. Consequently, the Group has continued to operate with a cautious financial risk management policy that is appropriate to the existing situation and to the specific projects that, from time to time, it has proceeded to develop.

Below there are given the summary descriptions of the main financial risks to which the Damiani Group is exposed, the policies put in place for monitoring them and alleviating their impacts.

Interest rate risk

Interest rate changes can jeopardize Group profitability bringing about higher interest costs on debt.

The structure of the Group's indebtedness at September 30, 2010 consists, for about 80% of medium/long term debt at fixed rates with banks and, therefore, net of the amount of the debt to related parties linked to sale and lease back operations, with interest rates that fall between 4% and 4.50% per annum for the different existing loans and financing and with expiry dates up to June 30, 2015. Thanks to the existence of this financing structure the Group has limited recourse to short term financing, i.e. credit lines and factoring, which is more exposed to interest rate fluctuations that can be quite considerable at times of market crises like the current one.

Exchange rate risk

The Damiani Group prepares its Consolidated Financial Statements in Euros and, therefore, exchange rate fluctuations, mainly for the US Dollar and the Yen, of the currencies in which there were originally drawn up the Financial Statements of the foreign subsidiaries located outside of the Euro area, impact the equity/financial situation of the Group at the time of conversion.

Furthermore, some purchases of raw materials and finished products are made in US dollars and Yen, with a consequent exchange risk exposure. Whenever the risk involved is evaluated as being significant, such as in those periods when there is particular pressure on exchange rates, specific forward foreign currency purchase contracts are signed, in order to hedge against the exchange rate fluctuation risk.

At September 30, 2010 there were in existence forward foreign currency purchase contracts stipulated by the Group for the amount, expressed in Euros at the period end date spot rate, of 3.181 thousand Euros. The exchange rate risk hedging policies have not undergone significant changes in the first Half-Year of 2010/2011, compared to those in prior periods.

Liquidity risk

The Group manages its liquidity risk through the tight control of all the elements that make up its working capital, which consists of inventories, of customer receivables and of payables to suppliers and through the centralized managing of its treasury processes and flows. The Damiani Group's exposure towards third parties mainly consists of trade payables that are connected with supply relationships and of financial dets. Due to the reduced volume of business activities and the seasonal trends, at September 30, 2010 the trade payables were very much down compared to the figure at March 31, 2010. Furthermore, the short-term financial exposure has also been limited, thanks to the heavier weight of medium/long term loans and financing.

In the context of finding the right balance between the generated and absorbed resources of operations there also come into play the evaluations made by management in order to pull back the inventories to sizes that are more in line with the volumes of current business activities. These evaluations have conduced the Parent company to carry out some scrapping operations during the Half-Year, with the recovery of precious raw materials. In the current market situation these operations were considered to be the most suitable ones in terms of brand equity, of controlling the liquidity risk and of optimizing the managing of the working capital.

Credit risk

The credit risk is defined as the possibility of incurring a financial loss due to the inability of a counterpart to contractual obligations.

With reference to trade relations management the Group deals with selected customers mainly consisting of jewellers and distributors and, therefore, collateral guarantees are not usually asked for. It is the Group's policy to subject new customers to preliminary investigation using a specific information gathering company and to monitor all the customers by giving them a specific credit limit. There is also an automatic check operating on all them, supported by an information gathering company, to flag possible negative situations, e.g. dishonored bills etc., which immediately trigger blocking procedures and the start up of the credit collection process. Up till now this constant monitoring has kept bad debts losses at an acceptable level. The deterioration in market conditions and the difficulty in accessing to credit could impact the solvency of a certain part of the clientele, regarding which Group maintains constant monitoring to safeguard its interests and regarding whom risk evaluations are carried out at the close of the accounting periods.

Price risk

The main types of raw materials used by the Damiani Group are precious stones, gold, pearls and other highly prized materials, whose prices and market availability can vary very significantly in relation to factors like government regulations, market trends, speculation regarding them by investors, relationships with suppliers, above all regarding diamond purchases, and, therefore, notably impacting all the consequent supply conditions.

During the first Half-Year of fiscal 2010/2011 the average price of gold was 30.41 Euros/gram, while during the same period of the previous year the average price was 21.67 Euros/gram, which is an increase of about 40% on a year to year basis.

The risks can also additionally increase due to the exchange rate trend, because some raw materials purchases are conventionally made in currencies, such as those in US Dollars for diamonds and in Yen for pearls, while the Group Financial Statements are drawn up in Euros.

The Damiani Group reduces this risk, due to the fact that the weight of the raw material purchase costs is limited compared to the figure of the overall cost of production. In fact, the purchases mainly consist of finished products from suppliers with whom there exist well established relationships and agreements covering a medium term timeframe that enables the lessening of the impacts linked to sudden and frequent price fluctuations like those that have taken place during this period.

For the purpose of further reducing the risk, arising from raw material price fluctuations, during the Half-Year the Group stipulated futures purchase contracts for gold. At September 30, there were in place gold purchase contracts for 89 kilograms for nominal overall price of 2,860 thousand Euros. The mark to market valuation at September 30, 2010 negatively impacted the Income Statement for 96 thousand Euros.

41. Exchange rates

Below there given the exchange rates at September 30, 2010 and at September 30, 2009 that were used for converting the Financial Statements drawn up in foreign currency.

Currency	Average I Half 2010/11	Spot September 30, 2010	Average I Half 2009/10	Spot September 30, 2009
U.S. Dollar	1.28	1.36	1.40	1.46
Japanese Yen	113.84	113.68	133.22	131.07
Swiss franc	1.37	1.33	1.52	1.51
G.B.Pound	0.84	0.86	0.88	0.91
Hong Kong Dollar	9.96	10.59	10.83	11.35

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

Attestation of the Condensed Half-Yearly Consolidated Financial Statements, pursuant to article 81, part three, of the Consob (Italian SEC) Regulation no. 11971 of May 14, 1999 and its subsequent changes and additions.

1. The undersigned Mr. Guido Grassi Damiani, Chairman and CEO and Mr. Gilberto Frola, Executive in charge of drawing up the accounting documents of Damiani S.p.A., attest, also taking into account what is laid down by article 154, part two, paragraphs 3 and 4, of the Legislative Decree of February 24,1998, n° 58, regarding the following:
   - The appropriateness of the procedures involved in relation to the characteristics of the company and
   - The actual and effective application of the administrative and accounting procedures used to build up the Condensed Half-Yearly Financial Statements during the six-month period closed at September 30, 2010.

2. The following is also attested:

2.1 That the Condensed Half-Yearly Financial Statements:

a) are drawn up in compliance with the applicable International Accounting Standards (IAS) recognized within the European Community, pursuant to the CE Regulation n° 1606/2002 of the European Parliament and Council of July 19, 2002, as well as with the measures issued to actuate article 9 of the Legislative Decree 38/2005.
b) reflect the contents of the company's accounting books and entries.
c) are suitable for giving a true and fair view of the Balance Sheet, Income Statement and financial situations of both the issuer and the ensemble of the enterprises included in the consolidation.

2.2 That the Interim Report on Operations contains a trustworthy analysis of the references to the important events that have taken place during the first six months of the fiscal year and of their impacts on the Condensed Half-Yearly Financial Statements, together with a description of the main risks and uncertainties for the second Half-Year, as well as the information regarding the relevant transactions with related parties.

Milan, November 26, 2010

Guido Grassi Damiani	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, comprising the balance sheet, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes, of Damiani S.p.A. and its subsidiaries (the "Damiani Group") as of September 30, 2010. 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 on the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these condensed consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on July 2, 2010 and on November 25, 2009, 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, 2010 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 29, 2010

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