

**DAMIANI S.p.A.**

**Consolidated Interim Financial Report  
as of December 31, 2010**

**(9 months period – April/December 2010)**

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

**Damiani SpA**  
**1, Piazza Damiano Grassi Damiani, Valenza (AL)**  
**Share Capital €36,344,000**  
**Tax and VAT registration no. 01457570065**

February 11, 2011

## INDEX

<b>Corporate Bodies</b>	3
<b>Report on Operations</b>	4
Structure and business activities of Damiani Group	4
Criteria used and accounting standards	5
Share buy back program	6
Title's Performance on Market Stock Exchange	6
Key Data	8
Comments on the main economic and financial results of the Group	9
Key data by geographical areas	14
Transactions with related parties	16
Significant events of the third quarter	17
Significant events after the end of the third quarter	18
Non-recurring, atypical and/or unusual operations	18
Business outlook	18
<b>Consolidated Financial Statements as of December 31, 2010</b>	19
<b>Declaration of the executive in charge of preparing the Company's financial reports</b>	25

**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 Graidì** (Board Director)

**Giancarlo Malerba** (Board Director)

**Francesco Minoli** (Board Director)<sup>(1)</sup>

**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)<sup>(2)</sup>

**Alessandro Madau** (Alternate Auditor)<sup>(3)</sup>

**Independent Auditors**

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

**Internal Control and Corporate Governance Committee**

**Giancarlo Malerba** (Chairman)

**Roberta Benaglia**

**Fabrizio Redaelli**

**Remuneration Committee**

**Giancarlo Malerba** (Chairman)

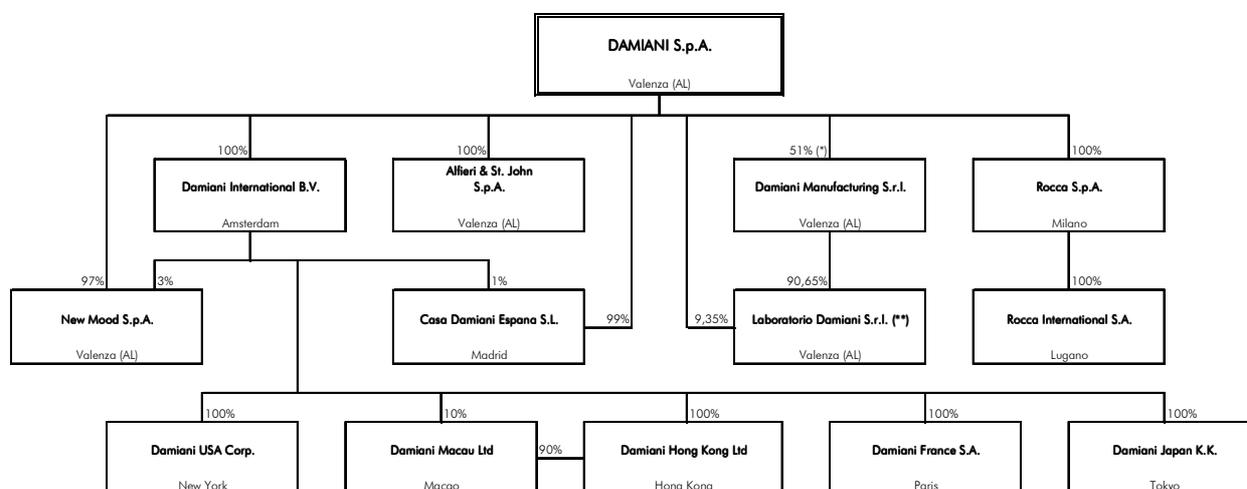
**Roberta Benaglia**

**Fabrizio Redaelli**

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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.

## REPORT ON OPERATIONS <sup>(4)</sup>.

### Structure and Business Activities of 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. Overall Damiani S.p.A. holds 55.58% of the capital stock of Laboratorio Damiani S.r.l.

Damiani S.p.A. is a holding company that, besides carrying out productive and commercial activities directly, also acts for strategic direction and coordination of the Group both in the production and in the commercial operations carried out by subsidiaries, directly and indirectly controlled.

The assistance of a commercial and financial nature, made by the parent company Damiani S.p.A. is based on normal market conditions.

The interim report for the nine months period ended on December 31, 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 Civil Code.

In the consolidated financial statements intercompany transactions have been eliminated.

If compared to the annual financial report ended March 31, 2010, the consolidation area reported in the above organization chart has changed:

- 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 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

<sup>(4)</sup> Damiani Group closes its financial year at March 31, and therefore the period from April 1, 2010 to December 31, 2010 represents the first nine months of the financial year that will end on March 31, 2011.

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.

- During the month of November 2010 has started the direct management of a monobrand Damiani boutique in Macao through the company Damiani Macao Ltd. completely owned by the Group (90% by Damiani Hong Kong Ltd. and 10% by Damiani International B.V.)
- During the month of December 2010 the controlled company Damiani Service Unipessoal L.d.a. was liquidated.

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

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

Furthermore, 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, Gianfranco Ferrè, Martin Margiela, John Galliano) and automotive (Ferrari, Maserati, Ducati) brands.

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

- the wholesale channel, consisting mainly of independent multi-brand jewellers, department stores, franchisees and distributors;
- the retail channel, consisting of boutiques run directly by the Group. As of December 31, 2010, the POS directly managed were 31: of which 14 with Damiani brand, 2 with Bliss brand and 15 with multi brand boutiques of Rocca.

### **Criteria used and accounting standards**

Damiani Group prepared the Consolidated Interim Financial Report as of December 31, 2010 in compliance with article 154 ter of Italian law (TUF) introduced by the Legislative Decree no. 195/07 that carried out European community Directive no. 109 of the 2004 (so called Transparency Directive).

The Interim Financial Report, not audited by Independent auditors, was prepared in compliance with International Financial Reporting Standards (IFRS) and related interpretations issued by the International Accounting Standard Board (IASB) and by International Financial Reporting Interpretations Committee (IFRIC), in force the moment of its editing.

The accounting principles used are the same adopted to prepare the consolidated annual report of the Group for the financial year that ended on March 31, 2010, to which we refer for more details.

### **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:

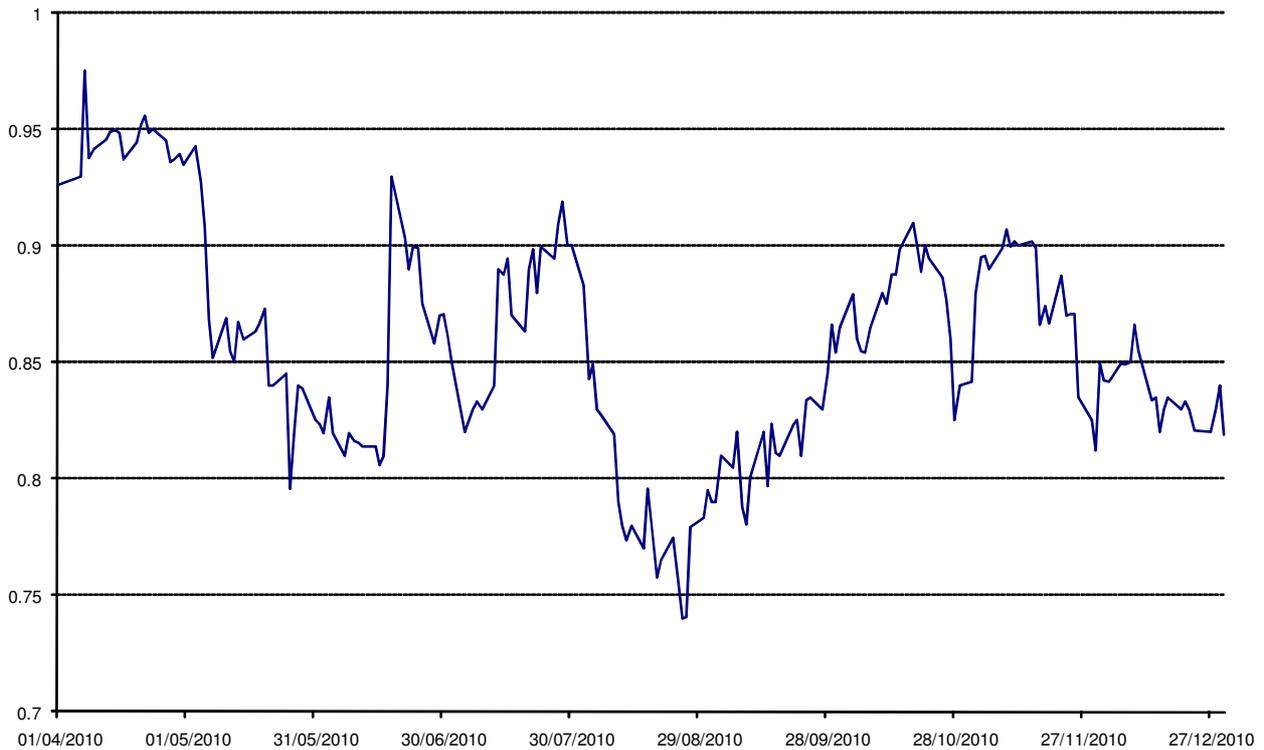
- Damiani S.p.A. can buy back up to a maximum of no. 8,260,000 ordinary shares with nominal value of Euro 0.44 each, and at any rate not more than 10% of the share capital;
- duration of the authorization equals to 18 months from July 21, 2010 and therefore until January 21, 2012;
- the purchase price 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.

As of December 31, 2010 the own shares in portfolio were 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 Euro 8,227 thousands at an average price for the purchase of Euro 1.464 per share. It shows that between April and December 2010 did not purchase its own shares.

### **Title's Performance on Market Stock Exchange**

The following graph represents the price trend of the Damiani shares during the first nine month period of 2010/2011 financial year.



The main share and market data for the nine month period closed at December 31, 2010 are reported below:

**Damiani on the Stock Market 9M 2010/2011 (April 1, 2010- December 30, 2010)**

Price on April 1st 2010 (euro)	0.9265
Price on December 30th 2010 (euro)	0.819
Maximum price (euro)	0.975 (April 7th 2010)
Minimum price (euro)	0.74 (August 25th 2010)
Average volumes	25,588
Maximum volumes	327,226 (June 18th 2010)
Minimum volumes	10 (August 2nd 2010)
Number of outstanding shares (millions)	82.6
Market capitalization on December 30, 2010 (euro mln)	67.65

## Key Data

Share Capital	December 31, 2010	March 31, 2010
Number of shares issued	82,600,000	82,600,000
Par value of individual 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.	0.28%	-
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	19.35%	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. 47,112,598) (2)	Director	4,150,808
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,687,371
Executives 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 no. 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 December 31, 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. (no. 5,618,309) are traceable to Mr. Guido Grassi Damiani.

Main economic data (in thousands of Euro)	Nine months			
	Financial Year 2010/2011	Financial Year 2009/2010	Change	Change %
<b>Revenues from sales and services</b>	<b>111,336</b>	<b>118,224</b>	<b>(6,888)</b>	<b>-5.8%</b>
Total revenues	111,502	118,447	(6,945)	-5.9%
Cost of production	(111,031)	(119,052)	8,021	-6.7%
<b>EBITDA (*)</b>	<b>471</b>	<b>(605)</b>	<b>1,076</b>	<b>n.m.</b>
<b>EBITDA %</b>	<b>0.4%</b>	<b>-0.5%</b>		
Amortization and depreciation	(3,860)	(3,615)	(245)	6.8%
<b>Operating income</b>	<b>(3,389)</b>	<b>(4,220)</b>	<b>831</b>	<b>19.7%</b>
<b>Operating income %</b>	<b>-3.0%</b>	<b>-3.6%</b>		
Net financial income (expenses)	(2,089)	(1,931)	(158)	-8.2%
Result before taxes	(5,478)	(6,151)	673	10.9%
Net result of the Group	(6,823)	(7,407)	584	7.9%
Basic Earnings (Losses) per Share	(0.09)	(0.09)		
Personnel cost	(19,171)	(20,103)	932	-4.6%
Average number of employees (**)	573	625	(52)	-8.3%

(\*) 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 in the first nine months of the financial year 2010/2011 and 2009/2010.

Balance sheet Data (In thousands of Euro)	Situation at December 31 2010	Situation at March 31 2010	change
Fixed Assets	53,930	56,060	(2,130)
Net working capital	94,473	98,632	(4,159)
Non current Liabilities	(6,932)	(6,637)	(295)
<b>Net Capital Invested</b>	<b>141,471</b>	<b>148,055</b>	<b>(6,584)</b>
Net Equity	103,759	109,027	(5,268)
Net Financial Position (*)	37,712	39,028	(1,316)
<b>Sources of Financing</b>	<b>141,471</b>	<b>148,055</b>	<b>(6,584)</b>

(\*) The net financial position was determined on the basis of the indications of Consob (Italian SEC) communication DEM/6064293 of July 28, 2006.

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

The total revenues of the Damiani Group in the first nine months of the financial year 2010/2011 showed a decrease if compared to the same period of the previous financial year, whose data are shown for comparative purposes. On the contrary, the actions of savings implemented on operating costs allowed the Group to achieve an improvement in terms of profitability even if the operating result and the net result are still negative.

Profit & Loss	Nine Months			
	Financial Year 2010/2011	Financial Year 2009/2010	Change	Change %
(in thousands of Euro)				
Revenues from sales and services	111,336	118,224	(6,888)	-5.8%
Other recurring revenues	166	223	(57)	-25.6%
<b>Total revenues</b>	<b>111,502</b>	<b>118,447</b>	<b>(6,945)</b>	<b>-5.9%</b>
Cost of production	(111,031)	(119,052)	8,021	-6.7%
<b>EBITDA (*)</b>	<b>471</b>	<b>(605)</b>	<b>1,076</b>	<b>n.m.</b>
<b>EBITDA %</b>	<b>0.4%</b>	<b>-0.5%</b>		
Depreciation and amortization	(3,860)	(3,615)	(245)	6.8%
<b>Operating income</b>	<b>(3,389)</b>	<b>(4,220)</b>	<b>831</b>	<b>19.7%</b>
<b>Operating income %</b>	<b>-3.0%</b>	<b>-3.6%</b>		
Net financial incomes (expenses)	(2,089)	(1,931)	(158)	-8.2%
<b>Result before taxes</b>	<b>(5,478)</b>	<b>(6,151)</b>	<b>673</b>	<b>10.9%</b>
<b>Result before taxes %</b>	<b>-4.9%</b>	<b>-5.2%</b>		
Taxes	(1,372)	(1,255)	(117)	-9.3%
<b>Net result</b>	<b>(6,850)</b>	<b>(7,406)</b>	<b>556</b>	<b>7.5%</b>
<b>Net result %</b>	<b>-6.1%</b>	<b>-6.3%</b>		
Minorities Interests	(27)	1	(28)	n.m.
Net result of the Group	(6,823)	(7,407)	584	7.9%
<i>Net result of the Group %</i>	<i>-6.1%</i>	<i>-6.3%</i>		

(\*) 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 declined compared to the first nine-month period of the previous financial year by Euro 6,888 thousands, a reduction of -5.8% at current exchange rates (-7.2% at constant exchange rates).

The following table shows the revenues breakdown by sales channel.

Revenues by Sales Channel	Nine Months		
	Financial Year 2010/2011	Financial Year 2009/2010	Change %
(in thousands of Euro)			
<b>Retail</b>	<b>30,609</b>	<b>27,976</b>	<b>9.4%</b>
<i>Percentage on total revenues</i>	<i>27.5%</i>	<i>23.6%</i>	
<b>Wholesale</b>	<b>80,727</b>	<b>90,248</b>	<b>-10.5%</b>
<i>Percentage on total revenues</i>	<i>72.4%</i>	<i>76.2%</i>	
<b>Total revenues from sales and services</b>	<b>111,336</b>	<b>118,224</b>	<b>-5.8%</b>
<i>Percentage on total revenues</i>	<i>99.9%</i>	<i>99.8%</i>	
Other revenues	166	223	-25.6%
<i>Percentage on total revenues</i>	<i>0.1%</i>	<i>0.2%</i>	
<b>Total Revenues</b>	<b>111,502</b>	<b>118,447</b>	<b>-5.9%</b>

- In the retail channel the revenues amounted to Euro 30,609 thousands, an increase of 9.4% compared to the first nine months of the previous financial year (+8.4% at constant exchange rates),

mainly thanks to the contribution of the mono brand boutiques Damiani (+27.7%) that gave us an evidence of the interest of the end consumers for the products offered. Revenues in the multibrand boutiques Rocca showed also an increase (+7.9%) towards to the same period of the previous year.

- In the wholesale channel revenues amounted to Euro 80,727 thousands, -10.5% at current exchange rates (-12.0% at constant exchange rates) compared to the first nine months of the previous financial year, with the largest reductions recorded in the domestic market while a good trend was recorded in some foreign countries as Japan, China and Kazakhstan. It must be noted that this channel includes revenues for licensed products that, in this start-up phase, are a marginal business for the Group.

It must be noted that in the first nine months of 2010/2011 financial year the weight of the foreign revenues was equal to 24.5% of the total, with an increase of about 3 percentage points towards to the same period of the previous financial year and thanks to the contribution of new markets (more details by geographical area are reported in the paragraph "Key data by geographical area").

#### Cost of production

Overall the cost of production in the first nine months of 2010/2011 financial year amounted to Euro 111,031 thousands, decreasing by Euro 8,021 thousands (-6.7%) compared to the same period of the previous financial year (Euro 119,052 thousands).

In details the trend of costs was the following:

- **Costs of raw materials and other materials** (including purchase of finished goods): in the first nine months of the financial year 2010/2011 amounted to Euro 58,681 thousands, with a decrease by -1.0% compared to the same period of the previous financial year (Euro 59,250 thousands); the decrease was directly linked to the reduction of the revenues but it was proportionally lower due to the strong increase in raw materials prices.
- **Costs for services:** in the first nine months of the financial year 2010/2011 amounted to Euro 34,566 thousands, decreasing by -7.4% compared to the first nine months of the previous financial year (Euro 37,334 thousands). The decrease was due to the savings actions taken by the Group on the different cost components.
- **Cost of personnel:** in the first nine months of 2010/2011 the financial year amounted to Euro 19,171 thousands decreasing by -4.6% compared to the same period of the previous financial year (Euro 20,103 thousands) for the combined effects of the actions both of rationalization of the organizational structure and of the efforts needed to support development in areas of business (foreign countries and licenses in the first place). In the first nine months of the financial year 2010/2011 the average number of Group employees was 573 compared to 625 units in the nine months period closed in December 2009 (-8.3%).

- **Other net operating (charges)/incomes:** in the first nine months of the 2010/2011 financial year showed a positive balance of Euro 1,387 thousands against a negative balance of Euro 2.365 thousands in the first nine months of the previous financial year. This positive balance was inclusive of key money (equal to Euro 1,826 thousand) received for the early release of some locations no longer strategic for the Group. In the face of such incomes the write off of net book value relative to the amount initially paid to acquire the same location and any other fixed assets not yet fully depreciated has been accounted (these amounts are accounted between the depreciation and amortization). The net effects of such operations on the income statement was positive and equal to Euro 530 thousands.

#### EBITDA

The trend of revenues and costs of production described above determined a positive EBITDA for the first nine months of the 2010/2011 financial year equal to Euro 471 thousands, higher by Euro 1.076 thousands compared to the negative EBITDA equal to Euro 605 thousands recorded in the same period of the previous financial year. The positive variation was achieved thanks to the reduction of the costs of production as consequence of the important actions of savings taken that have more than offset the negative effects of lower revenues and gross margins damaged by the increase of the raw materials prices.

#### Amortization and Depreciation

The depreciation amounted to Euro 3,860 thousands in the first nine months of 2010/2011 financial year increasing by Euro 245 thousands compared with the same period of the previous financial year; this increase was fully due to the devaluation of the residual net book value related to the unprofitable shops closed during the first nine months of the 2010/2011 financial year in the manner described above and by the sale the Group received the amounts recorded in "Other net operating (charges) incomes". Net of that amount the value of the depreciation would decrease by Euro 1,016 thousands towards to the same period of the previous financial year.

#### Net Financial Incomes/(expenses)

The balance of the net financial incomes/expenses for the first nine months of 2010/2011 financial year was negative and equal to Euro 2,089 thousands, a slight worsening by Euro 158 thousands compared with the negative balance of Euro 1,931 thousands of the corresponding period of 2009/2010 financial year. The variation was due to the different contribution of the exchange differences that were negative in the first nine months of the 2010/2011 (Euro 359 thousands) while they were positive (equals to Euro 192 thousands) in the same period of the previous financial year. It must be noted the decrease of the

interests paid compared to the same period of the previous financial year as consequence of a lower average level of financial indebtedness during the nine months period.

### Net Result

The Group closed the first nine months of 2010/2011 financial year with a consolidated result for the period negative and equal to Euro 6,823 thousands, in improving by Euro 584 thousands compared to the same period of the previous year as consequence of the trends described above.

### Capital and Financial situation

The following table shows the reclassified consolidated capital and financial situation of Damiani Group at December 31, 2010 compared with the one at March 31, 2010.

<b>Balance sheet Data</b> (In thousands of Euro)	Situation at December 31 2010	Situation at March 31 2010	change
Fixed Assets	53,930	56,060	(2,130)
Net working capital	94,473	98,632	(4,159)
Non current Liabilities	(6,932)	(6,637)	(295)
<b>Net Capital Invested</b>	<b>141,471</b>	<b>148,055</b>	<b>(6,584)</b>
Net Equity	103,759	109,027	(5,268)
Net Financial Position (*)	37,712	39,028	(1,316)
<b>Sources of Financing</b>	<b>141,471</b>	<b>148,055</b>	<b>(6,584)</b>

(\*) The net financial position was determined on the basis of the indications of Consob (Italian SEC) communication DEM/6064293 of July 28, 2006.

As of December 31, 2010 **Fixed assets** amounted to Euro 53,930 thousands, a decrease by Euro 2,130 thousands towards to March 31, 2010 (Euro 56,060 thousands). The change was mainly due to the decrease in intangible and tangible assets for the natural process of depreciation (against an amount of capex equals to just Euro 791 thousands) and for the above described write off of net assets related to shops closed during the financial year because no longer considered strategic for the Group.

In the first nine months of 2010/2011 financial year the **Net working Capital** decreased by Euro 4,158 thousands towards to March 31, 2010. The trend was mainly due to the decrease in trade receivables.

The change in **Net Equity** between March 31, 2010 and December 31, 2010, equal to a worsening by Euro 5,268 thousands, was mainly due to the combined effects of i) negative net result of the period (Euro 6,850 thousands) and ii) gains not realized from foreign exchange regarding the items between Group companies booked directly in net equity in the consolidated balance sheet (Euro 1,530 thousands).

The composition of the **Net financial debt** on December 31, 2010 and its evolution compared with that at March 31, 2010 is given in the following table.

<b>Net Financial Position (*)</b> (in thousands of Euro)	December 31 2010	March 31 2010	Change
Medium-long term loans and financing - Current portion	6,756	9,399	(2,643)
Usage of credit lines, short term financing and others	9,249	1,964	7,285
Medium-long term loans and financing with related parties - Current portion	963	641	322
<b>Current financial indebtedness</b>	<b>16,968</b>	<b>12,004</b>	<b>4,964</b>
Medium-long term loans and financing - Non current portion	16,981	22,748	(5,767)
Medium-long term loans and financing with related parties - Non current portion	10,654	11,608	(954)
<b>Non current financial indebtedness</b>	<b>27,635</b>	<b>34,356</b>	<b>(6,721)</b>
<b>Total financial indebtedness</b>	<b>44,603</b>	<b>46,360</b>	<b>(1,757)</b>
Financial current assets	(1,269)	-	(1,269)
Cash and cash equivalents	(5,622)	(7,332)	1,710
<b>Net Financial Position (*)</b>	<b>37,712</b>	<b>39,028</b>	<b>(1,316)</b>

(\*) The net financial position was determined on the basis of the indications of Consob (Italian SEC) communication DEM/6064293 of July 28, 2006.

On December 31, 2010 the negative net financial position of the Group amounted to Euro 37,712 thousands, an improvement of Euro 1,316 thousands compared to the situation as of March 31, 2010. The careful monitoring of the working capital and the cash in deriving from the key money related to non-strategic locations have led to the improvement of the consolidated net financial position even if the net result was negative.

### Key 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, the segment information was provided in the annual and interim financial statements. These information are also in line with the requirements of the accounting principle IFRS 8.

The areas are identified as such:

- i) Italy area includes the revenues and the operating costs of the parent company Damiani S.p.A. and its subsidiaries that operate in Italy;
- ii) The Americas area includes the revenues and the operating costs of the subsidiary Damiani USA Corp. that has its registered office in the United States of America and markets the Group's products throughout the continent;
- iii) the Japanese area includes the revenues and the operating costs of the subsidiary Damiani

- Japan K.K. that operates in Japan;
- iv) the Rest of the World (ROW) area includes the revenues and the operating costs of the other subsidiaries that operate and sell in all the other countries not included in the above defined areas.

In the following table are shown the revenues for each geographical area in the first nine months of the 2010/2011 and 2009/2010 financial years.

Revenues by Geographical Area (In thousands of Euro)	Nine Months			
	Financial Year 2010/2011	Financial Year 2009/2010	change	change %
<b>Italy:</b>	<b>84,068</b>	<b>92,591</b>	(8,523)	-9.2%
- revenues from sales of goods and services	83,922	92,507		
- other revenues	146	84		
<b>Americas:</b>	<b>5,617</b>	<b>6,743</b>	(1,126)	-16.7%
- revenues from sales of goods and services	5,617	6,743		
- other revenues	-	-		
<b>Japan</b>	<b>7,482</b>	<b>5,963</b>	1,519	25.5%
- revenues from sales of goods and services	7,472	5,961		
- other revenues	10	2		
<b>Rest of the World</b>	<b>14,335</b>	<b>13,150</b>	1,185	9.0%
- revenues from sales of goods and services	14,325	13,014		
- other revenues	10	136		
<b>Total revenues</b>	<b>111,502</b>	<b>118,447</b>	(6,945)	-5.9%

The revenues by geographical area showed the following trend:

- In **Italy** (-9.2% compared to the first nine months of 2009/2010 financial year) the decrease was due to the drop in the wholesale channel only partially offset by the good trend of the retail channel;
- In the **Americas** the revenues decreased compared to the corresponding period of the previous year as consequence of the drop of revenues in the wholesale channel only partially offset by the improvement in the retail channel (-23.6% at constant exchange rates);
- In **Japan** (+25.5%) the revenues increased in each channel (+6.7% at constant exchange rates);
- In the **Rest of the World** the revenues increased by 9% compared to the first nine months of 2009/2010 financial year as a consequence of an increase in revenues in Far East.

In the following table are given for each geographical area the values of EBITDA in the first nine months of 2010/2011 and 2009/2010 financial years.

EBITDA by Geographical Area (*) (in thousands of Euro)	Nine Months		change %
	Financial Year 2010/2011	Financial Year 2009/2010	
<b>Italy</b>	<b>1,895</b>	<b>4,056</b>	-53.3%
<b>Americas</b>	<b>(3,694)</b>	<b>(3,912)</b>	5.6%
<b>Japan</b>	<b>(1,181)</b>	<b>(2,268)</b>	47.9%
<b>Rest of the World</b>	<b>3,451</b>	<b>1,519</b>	127.2%
<b>Consolidated EBITDA</b>	<b>471</b>	<b>(605)</b>	n.m.
<i>% on Revenues</i>	<i>0.4%</i>	<i>-0.5%</i>	

(\*) 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** area showed a decline attributed to a reduction in revenues and to a greater weight of the sales of the third parties brands marketed in the multi-brand Rocca boutiques that have a lower gross margins, only partially offset by the actions of savings of the operating costs.

In the **Americas** area the EBITDA showed a slight increase basically due to the reduction of costs.

The improvement of the **EBITDA** in **Japan and Rest of the World** was due to the increase in revenues and to the reduction of the 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 April-December of the 2010/2011 financial year and of the previous year are displayed here under.

(in thousands of Euro )	First nine months 2010/2011		Balance at December 31, 2010		
	Operating costs	Financial expenses	Other current assets	Long term debts (including leasing)	Trade payables
<b>Total with related parties</b>	(1,962)	(834)	909	(11,617)	(1,086)
<b>Total from Financial Statements</b>	(114,891)	(2,378)	11,833	(35,354)	(57,985)
<b>% age weight</b>	2%	35%	8%	33%	2%

(in thousands of Euro )	First nine months 2010/2011		Balance at December 31, 2010	
	Operating costs	Financial expenses	Long term debts (including leasing)	Trade payables
<b>Total with related parties</b>	(778)	(1,015)	(16,477)	(1,585)
<b>Total from Financial Statements</b>	(122,667)	(2,418)	(49,620)	(64,597)
<b>% age weight</b>	1%	42%	33%	2%

### Significant events of the third quarter

On October 28, 2010, "Moon Drops" and other collections that born from the creative union between Damiani and the designer Ludovica Andreoni Montezemolo, have been presented an exclusive preview at the Damiani Boutique in Rome, Via Condotti.

In October 2010 Damiani was awarded the annual Middle East Premier Awards 2010 in Bahrain thanks to "Isotta" bracelet.

Damiani, has been chosen by Victoria's Secret for the second consecutive year to create the brand's annual diamond Fantasy Bra. "Bombshell Fantasy Bra" valued at \$2 million was featured in the Victoria's Secret Christmas Dreams and Fantasies Catalogue.

Damiani Group has been chosen as Official partner of the Monte-Carlo Film Festival de la Comédie, happened on November 28, 2010, in the Monte-Carlo Grimaldi Forum Princes Ballroom creating the prizes and the plates for the award-winners.

On November 30, 2010 Damiani opened its second monobrand boutique in Macao in the prestigious One Central Mall, continuing the expansion of Asia markets.

On November 30, 2010 Sharon Stone and Damiani were the protagonists at the Beverly Wilshire Hotel in Los Angeles of the event that celebrated the first important results of the Clean Water Project in favour of African population and presented the new collection Maji Collection for women codesigned by Damiani and Sharon Ston. During the event "Drop in the Bucket", the non-profit association responsible for building wells for the extraction of clean water, received a check in the amount of \$ 200,000 to build new water wells in Africa, providing clean water to more than 10,000 people.

Finally 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 Euro 8,000 thousands.

### **Significant events after the end of the quarter**

There are not any significant events after the end of the quarter.

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

In the first nine months of 2010/2011 financial year there weren't any positions or transactions deriving from atypical and, unusual operations as defined by the Consob (Italian SEC) Resolution no. 15519 of July 27, 2006.

The non-recurring operations that took place during the first nine months of the 2010/2011 financial year 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 overall net income for the Group amounted to Euro 530 thousands.

### **Business outlook**

The performance of the third quarter of the financial year, that is the high seasonality period of the revenues, confirmed the trend previously emerged, with positive results in the retail channel while the wholesale channel, mainly in Italy, still appears uncertain.

In this context the Group continues in its actions characterized by tight control of operating costs and the selective implementation of investments to mitigate the negative impacts on profitability and maintaining, through the actions that have proved satisfactory in the period, the financial equilibrium.

In this way it is believed that in the remainder of the year (fourth quarter, traditionally of low seasonality), economic and financial performance of the Group will be in line with recent trends, allowing the achievement of objectives which, although not yet satisfactory, will be an improvement over the previous year and on which are based the future strategic guidelines, that if implemented as expected, could lead in the short term the Group to acceptable levels of profitability, even in full awareness of the changing conditions of the market, both in Italy and abroad.

Valenza, February 11, 2011

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

## CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010

### BALANCE SHEET STATEMENT

At December 31, 2010 and at March 31, 2010

(in thousands of Euro)	December 31, 2010	March 31, 2010
<b>NON-CURRENT ASSETS</b>		
Goodwill	4,984	4,984
Other Intangible Fixed Assets	5,881	7,504
Tangible Fixed Assets	18,154	20,397
Investments	167	167
Financial receivables and other non current assets	3,986	4,479
Deferred tax assets	20,758	18,529
<b>TOTAL NON CURRENT ASSETS</b>	<b>53,930</b>	<b>56,060</b>
<b>CURRENT ASSETS</b>		
Inventories	105,793	106,108
Trade receivables	39,489	42,971
Tax receivables	3,343	4,939
Other current assets	11,833	9,777
	<i>of which towards related parties</i>	909
Current financial receivables	1,269	-
Cash and cash equivalents	5,622	7,332
<b>TOTAL CURRENT ASSETS</b>	<b>167,349</b>	<b>171,127</b>
<b>TOTAL ASSETS</b>	<b>221,279</b>	<b>227,187</b>
<b>GROUP SHAREHOLDERS' EQUITY</b>		
Share Capital	36,344	36,344
Reserves	72,839	89,438
Group net income (loss) for the period	(6,823)	(18,242)
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>	<b>102,360</b>	<b>107,540</b>
<b>MINORITY SHAREHOLDERS' EQUITY</b>		
Minority share capital and reserves	1,426	1,513
Minority net income (loss) for the period	(27)	(26)
<b>TOTAL MINORITY SHAREHOLDERS' EQUITY</b>	<b>1,399</b>	<b>1,487</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>103,759</b>	<b>109,027</b>
<b>NON CURRENT LIABILITIES</b>		
Long term financial debts	27,635	34,356
	<i>of which towards related parties</i>	10,654
Termination Indemnities	4,800	4,693
Deferred Tax liabilities	1,128	864
Risks reserves	506	649
Other non current liabilities	498	431
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>34,567</b>	<b>40,993</b>
<b>CURRENT LIABILITIES</b>		
Current portion of long term financial debts	7,719	10,040
	<i>of which towards related parties</i>	963
Trade payables	57,985	57,945
	<i>of which towards related parties</i>	1,086
Short term borrowings	9,249	1,964
Income tax payables	4,299	2,399
Other current liabilities	3,701	4,819
<b>TOTAL CURRENT LIABILITIES</b>	<b>82,953</b>	<b>77,167</b>
<b>TOTAL LIABILITIES</b>	<b>117,520</b>	<b>118,160</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>221,279</b>	<b>227,187</b>

## SEPARATE INCOME STATEMENT

For the nine months period closed at December 31, 2010 and December 31, 2009.

<i>(In thousands of Euro)</i>	<b>Nine Months</b>	
	<b>Financial Year 2010/2011</b>	<b>Financial Year 2009/2010</b>
Revenues from sales and services	111,336	118,224
Other recurring revenues	166	223
<b>TOTAL REVENUES</b>	<b>111,502</b>	<b>118,447</b>
Cost of raw materials and consumables	(58,681)	(59,250)
Cost of services	(34,566)	(37,334)
<i>of which towards related parties</i>	(1,962)	(778)
<i>of which cost of services not recurring</i>	(35)	-
Personnel cost	(19,171)	(20,103)
Other net operating (charges) incomes	1,387	(2,365)
<i>of which not recurring</i>	1,826	-
Amortization and depreciation	(3,860)	(3,615)
<i>of which not recurring</i>	(1,261)	-
<b>TOTAL OPERATING EXPENSES</b>	<b>(114,891)</b>	<b>(122,667)</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(3,389)</b>	<b>(4,220)</b>
Financial Expenses	(2,378)	(2,418)
<i>of which towards related parties</i>	(834)	(1,015)
Financial Incomes	289	487
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(5,478)</b>	<b>(6,151)</b>
Income Taxes	(1,372)	(1,255)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>(6,850)</b>	<b>(7,406)</b>
Attributable to:		
Group	(6,823)	(7,407)
Minorities	(27)	1
Basic Earning (Losses) per Share(*)	<b>(0.09)</b>	<b>(0.09)</b>
Diluted Earning (Losses) per Share(*)	<b>(0.09)</b>	<b>(0.09)</b>

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

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

<b><i>Basic Earnings (Losses) per Share</i></b>	<b>Nine Months</b>	
	<b>Financial Year 2010/2011</b>	<b>Financial Year 2009/2010</b>
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 net result per share	78,185,170	79,110,174
<b>Basic Net result per Share (amount in Euro)</b>	<b>(0.09)</b>	<b>(0.09)</b>

<b><i>Diluted Earnings (Losses) per Share</i></b>	<b>Nine Months</b>	
	<b>Financial Year 2010/2011</b>	<b>Financial Year 2009/2010</b>
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of diluted net result per share	78,185,170	79,110,174
Diluted effect from Stock option plan	-	-
Weighted average number of ordinary shares for computation of basic net result per share	78,185,170	79,110,174
<b>Diluted Net result per Share (amount in Euro)</b>	<b>(0.09)</b>	<b>(0.09)</b>

## COMPREHENSIVE INCOME STATEMENT

For the period of nine months closed at December 31, 2010 and December 31, 2009.

<i>(in thousands of Euro)</i>	First Nine Months 2010/2011	First Nine Months 2009/2010
<b>Net income (Loss) for the period</b>	<b>(6,850)</b>	<b>(7,406)</b>
Gain (Losses) on cash flow hedges	41	44
Fiscal Effect	(11)	(12)
Gain (Losses) on exchange differences on translating foreign operc	1,004	(573)
Fiscal Effect	526	(128)
<b>Total Comprehensive Income (loss) for the period</b>	<b>(5,290)</b>	<b>(8,075)</b>

## STATEMENT OF CHANGES IN EQUITY

For the period of nine months closed at December 31, 2010 and December 31, 2009.

<i>(In thousands of Euro)</i>	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
<b>Balances at March 31, 2009</b>	<b>36,344</b>	<b>69,858</b>	<b>2,397</b>	<b>(91)</b>	<b>8,618</b>	<b>-</b>	<b>(6,046)</b>	<b>21,955</b>	<b>(4,709)</b>	<b>128,326</b>	<b>1,512</b>	<b>129,838</b>
Allocation of the result for the period			37					(4,746)	4,709			-
Other comprehensive income(loss)				32				(701)	(7,407)	(8,076)	1	(8,075)
Stock option						102				102		102
Purchase of own shares							(2,181)			(2,181)		(2,181)
<b>Balances at December 31, 2009</b>	<b>36,344</b>	<b>69,858</b>	<b>2,434</b>	<b>(59)</b>	<b>8,618</b>	<b>102</b>	<b>(8,227)</b>	<b>16,508</b>	<b>(7,407)</b>	<b>118,171</b>	<b>1,513</b>	<b>119,684</b>
<i>(In thousands of Euro)</i>	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
<b>Balances at March 31, 2010</b>	<b>36,344</b>	<b>69,858</b>	<b>2,434</b>	<b>(56)</b>	<b>8,618</b>	<b>108</b>	<b>(8,227)</b>	<b>16,703</b>	<b>(18,242)</b>	<b>107,540</b>	<b>1,487</b>	<b>109,027</b>
Allocation of the result for the period								(18,242)	18,242			-
Other comprehensive income(loss)				30				1,530	(6,823)	(5,263)	(27)	(5,290)
Stock option						(5)				(5)		(5)
Other movements							2	86		88	(61)	27
<b>Balances at September 30, 2010</b>	<b>36,344</b>	<b>69,858</b>	<b>2,434</b>	<b>(26)</b>	<b>8,618</b>	<b>103</b>	<b>(8,225)</b>	<b>77</b>	<b>(6,823)</b>	<b>102,360</b>	<b>1,399</b>	<b>103,759</b>

## CASH FLOW STATEMENT

For the period of none months closed at December 31, 2010 and December 31, 2009.

<i>(In thousands of Euro)</i>	Nine months	
	FY 2010/2011	FY 2009/2010
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
Net income (loss) for the period	(6,850)	(7,407)
<i>Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:</i>		
Amortization, depreciation and write-downs	3,860	3,615
Costs / (Revenues) for stock option	(5)	-
(Gains)/Losses from sale of non current assets	(471)	77
Provisions to Bad Debts Reserve	317	1,674
Provisions to risks reserves	-	253
Changes in the Fair value of Financial Instruments	(30)	(62)
Provisions for termination Indemnity and actuarial valuation of ELI Fund	302	284
Termination indemnity payments	(195)	(695)
Changes in the deferred tax assets and liabilities	(1,965)	237
	(5,037)	(2,024)
<i>Changes on operational assets and liabilities</i>		
Trade receivables	3,165	(6,728)
Inventories	315	3,267
Trade payables	40	(6,326)
Tax receivables	1,596	1,514
Income Tax payables	1,900	1,645
Other current and non current assets and liabilities	(4,489)	(3,243)
<b>NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)</b>	<b>(2,510)</b>	<b>(11,895)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash in from disposal of Intangible and tangible Fixed Assets	1,463	31
Leaseback write off	151	-
Tangible Fixed Assets purchased	(705)	(1,174)
Intangible Fixed Assets purchased	(86)	(340)
Net change in the other non current assets	493	(94)
<b>NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)</b>	<b>1,316</b>	<b>(1,577)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
New Long term loans	-	25,000
Leaseback debt write off	(184)	-
Payment of long-term debt	(8,858)	(7,090)
Net change in short-term financial liabilities	7,285	(3,839)
Purchase of own shares	-	(2,181)
Other changes in Net Equity	1,241	(566)
<b>NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)</b>	<b>(516)</b>	<b>11,324</b>
<b>TOTAL CASH FLOW (D=A+B+C)</b>	<b>(1,710)</b>	<b>(2,148)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)</b>	<b>7,332</b>	<b>9,542</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E)</b>	<b>5,622</b>	<b>7,394</b>

## DECLARATION

The Executive in charge of preparing the Company's financial reports, Gilberto Frola, declares, in compliance with paragraph two of Article 154bis of the Italian law "*Testo Unico della Finanza*", that, on the basis of his knowledge, the accounting information contained in the Interim Consolidated report as of December 31, 2010 corresponds to the documental results, books and accounting records.

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