

DAMIANI S.p.A.

**Consolidated Interim Financial Report
as of June 30, 2011**

(3 months period – April/June 2011)

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

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

August 8, 2011

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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 Graidì (Board Director)

Giancarlo Malerba (Board Director)

Francesco Minoli (Board Director)

Fabrizio Redaelli (Board Director)

Board of Statutory Auditors

Gianluca Bolelli (Chairman)

Simone Cavalli (Statutory Auditor)

Fabio Massimo Micaludi (Statutory Auditor)

Pietro Sportelli (Alternate Auditor)

Alessandro Madau (Alternate Auditor)

Independent Auditors

Reconta Ernst & Young S.p.A.

Internal Control and Corporate Governance Committee

Giancarlo Malerba (Chairman)

Roberta Benaglia

Fabrizio Redaelli

Remuneration Committee

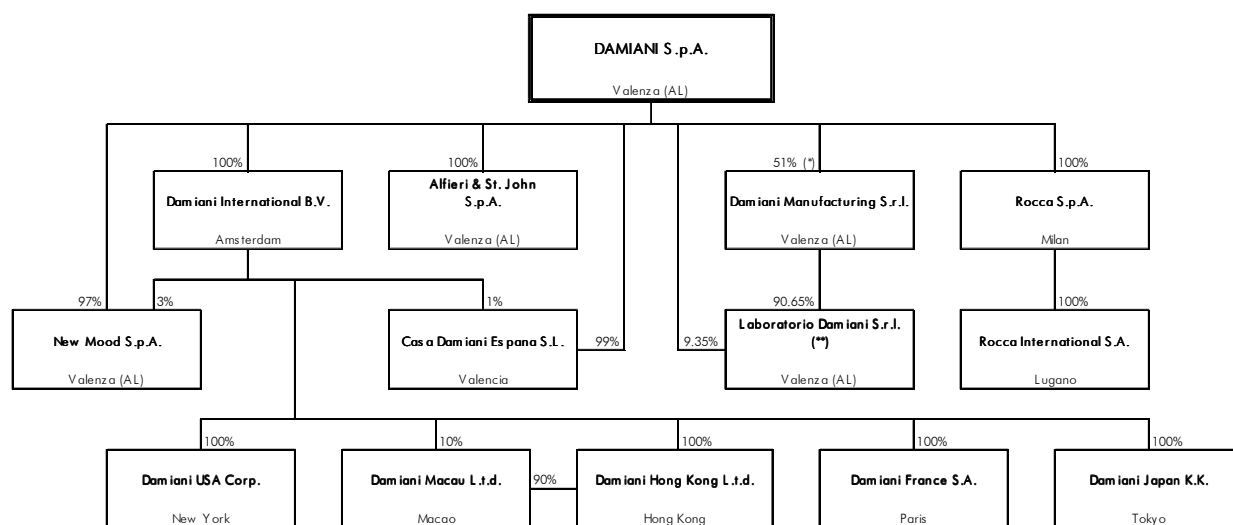
Giancarlo Malerba (Chairman)

Roberta Benaglia

Fabrizio Redaelli

REPORT ON OPERATIONS ⁽¹⁾.

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 and technical and financial assistance both in the production and in the commercial operations carried out by subsidiaries, directly and indirectly controlled. The activities made by the parent company Damiani S.p.A. for the subsidiaries are based on normal market conditions.

The interim report for the three months period ended on June 30, 2011 includes the financial statements of the parent company, Damiani S.p.A., and of those companies directly or indirectly controlled, as per article 2359 of the Civil Code.

If compared to the annual financial report ended March 31, 2011, the consolidation area as reported in the organization chart pointed up above is unchanged.

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 manufactures and markets products under license and supply agreements with fashion and automotive brands (mainly Ferrari, Ducati and John Galliano).

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

- the wholesale channel, consisting of independent multi-brand jewellers, department stores, franchisees and distributors;

⁽¹⁾ Damiani Group closes its financial year at March 31, and therefore the period from April 1, 2011 to June 30, 2011 represents the first three months of the financial year that will end on March 31, 2012 (hereafter the 2011/2012 Financial Year). For comparative purposes are shown economic data for the first quarter of the previous financial year (April 1, 2010-June 30, 2010).

- the retail channel, consisting of boutiques run directly by the Group. As of June 30, 2011 the POS directly managed were 32: of which 15 with Damiani brand, 3 with Bliss brand and 14 multi brand Rocca.

Criteria used and accounting standards

Damiani Group prepared the consolidated Interim financial report as of June 30, 2011, not audited by the independent auditors, in compliance with article 154 ter of Italian Law (TUF) introduced by the Legislative Decree no. 195/2007 that carried out European Community Directive no. 109/2004 (so called Transparency Directive).

The accounting standards used to prepare the Interim financial report as of June 30, 2011 were the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB), in force the moment of its editing. Those accounting standards were the same used to prepare the consolidated Annual report as of March 31, 2011, to which we refer for more details.

Stock Options

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. 58/1998, 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 and companies of the Damiani Group.

On April 21, 2011, the Board of Directors of Damiani S.p.A. resolved, with the aid of the Remuneration Committee, to proceed with a first implementation of the Stock Option plan, identifying the beneficiaries, the number of options to be assigned, and times, the exercise price of options and modes of enjoyment. In detail: i) 50 beneficiaries were identified (no members of the Damiani family are among them) between the executive directors of subsidiaries, the Group's strategic executive, managers, agents and consultants, ii) were granted to beneficiaries - according to a criterion of personal contribution to the development of Damiani Group - a total of no. 1,863,000 free options and personal, within a maximum of no. 3,500,000 options under the Plan approved by Shareholders' Meeting, iii) the strike price of the option was set to 1.47 euro per share of Damiani S.p.A., that is higher of about 50 % of the current price, iv) three different vesting period have been set until April 21, 2013 (for no. 546,000 options), April 21, 2014 (for no. 930,000 options), April 21, 2015 (for no. 387,000 options) with exercise of options granted in the following three years (except that at the time of vesting must be valid on the relevant relationship; the exercise of the option is possible even after the cessation of the relationship), v) has set the maximum number of shares sold by each beneficiary in each trading day in the no. 50,000.

It is stated that the shares subject to the Plan will be taken from the share depository of the own shares purchased and held by Damiani S.p.A. in conformance with the Shareholders' resolution on July 21, 2010 to authorize the purchase and later distribution of the own shares. Therefore, the assignment of shares will not have any diluting effect on the shareholders of Damiani S.p.A.

Detailed information are listed in the informational document required as per article 84 - bis of Consob Regulation no. 11971/99 which is available to the public at the headquarter, at the Borsa Italiana S.p.A. and on the website at

www.damiani.com.

Share buy back program

The Shareholders' Meeting as of July 27, 2011 resolved to authorize - subject to revocation, for the part not carried out of the resolution adopted by the Shareholders at the meeting on July 21, 2010 – 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. 58/1998.

The reasons for the authorization consist of the possibility of (a) using own shares in operations related to projects of interest to the Issuer Damiani S.p.A. as arises the opportunity for exchanges or transfers of share holdings, (b) performing operations to support the liquidity of these same shares in the interest of the Company and all members, in relation to contingent market situations, promoting the course of trading, according to law and regulations while ensuring the equal treatment of shareholders; (c) invest in Company shares if the stock trends or the liquidity available make the investment convenient; (d) give/sell out shares to the employees and implementing distribution programs of shares or options in full compliance with art. 114-bis of T.U.F.; (e) the purchase will be in relation to commercial operations that will be in the Company's interest.

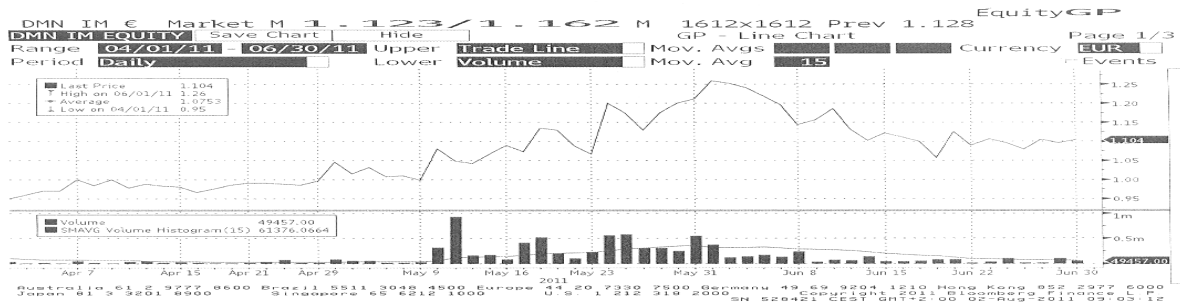
The authorization to purchase treasury shares is structured as follows:

- the Company may purchase a maximum number of ordinary shares whose nominal value does not exceed the limits of the law, for a maximum of 16,250,000 ordinary shares, at a nominal value of 0.44 euros each, also keeping in consideration the shares held by the Company and any which may be held by subsidiaries;
- the authorization was granted for a period of 18 months starting from Shareholders' Meeting date and lasting until the date of January 27, 2013;
- the purchase price of each of the own shares is set by the Board of Directors and must be, at an amount including additional expenses of purchase, as a minimum not less than 20% (twenty percent) and as a maximum not more than 20% (twenty percent) of the official price registered by the title in the trading session of the MTA on the day before each purchase;
- purchase transactions may be made under Article 132 T.U.F., and Article 144 bis of Consob Regulation no. 11971/1999, and in all cases to ensure equal treatment of shareholders and compliance with all applicable laws.

For further details please refer to the Directors' Report available on the internet website of the Company, section *Investor Relations/Shareholders/Shareholders' Meeting*.

Title's Performance on Market Stock Exchange

The following graph represents the price trend of the Damiani shares during the first three month period of 2011/2012 financial year:



The main share and market data for the three month period closed at June 30, 2011 are reported below:

Damiani on the Stock Market 1Q 2011/2012 (April 1, 2011-June 30, 2011)

Price on April 1st 2011 (euro)	0.9500
Price on June 30th 2011 (euro)	1.104
Maximum price 1Q (euro)	1.26 (June, 1th 2011)
Minimum price 1Q (euro)	0.95 (April, 1th 2011)
Average volumes	135,596
Maximum volumes	939,478 (May, 11th 2011)
Minimum volumes	5,472 (April, 19th 2011)
N. shares Company capital	82,600,000
Market capitalization on June 30, 2011 (euro mln)	91.19

Key Data

Share Capital	June 30, 2011	March 31, 2011
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%	56.76%
Sparkling Investment S.A. (1)	0.84%	0.57%
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) (2)	6.80%	6.80%
Market	18.79%	19.06%

Shares held by the subjects indicated by art.79 of the Legislative Decree no. 58/1998

First and last name	Office held	Number of shares
Guido Grassi Damiani (indirectly no. 57,350,064) (3)	Director	4,150,808
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,687,371
Executives with strategic responsibilities		16,000

(1) Sparkling Investment S.A. is traceable to Damiani family.

(2) The Shareholders' Meeting of July 27, 2011 approved the authorization, for the part not executed of the resolution of the Shareholders' meeting of July 21, 2010, for the purchase of own shares up to a maximum of 16,250,000 ordinary shares of Damiani S.p.A. within a period of 18 months from the date of the Shareholders' resolution. As of June 30, 2011 the own shares in portfolio were no. 5,618,309, equal to 6.80% of the share capital.

(3) 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

I Quarter

<i>(in thousands of Euro)</i>	Financial Year 2011/2012	Financial Year 2010/2011	Change	Change %
Revenues from sales and services	32,837	26,395	6,442	24.4%
Total Revenues	32,898	26,446	6,452	24.4%
Cost of production	(33,651)	(28,429)	(5,222)	18.4%
EBITDA (*)	(753)	(1,983)	1,230	62.0%
EBITDA %	-2.3%	-7.5%		
Operating income	(1,504)	(4,181)	2,677	64.0%
Result before taxes	(1,775)	(5,216)	3,441	n.m.
Net result of the Group	(2,252)	(4,532)	2,280	50.3%
Basic Earnings (Losses) per Share	(0.03)	(0.06)		
Personnel Cost	(6,497)	(6,353)	(144)	2.3%
Average numbers of employees (**)	572	581	(9)	-1.5%

(*) 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 two quarters

Balance sheet data

<i>(In thousands of Euro)</i>	June 30 2011	March 31 2011	change
Fixed Assets	51,224	51,684	(460)
Net working capital	75,833	79,653	(3,820)
Non current Liabilities	(7,344)	(7,380)	36
Net Capital Invested	119,713	123,957	(4,244)
Net Equity	92,864	95,106	(2,242)
Net Financial Position (*)	26,849	28,851	(2,002)
Sources of Financing	119,713	123,957	(4,244)

(*) The net financial debt was determined on the basis of the indications of Consob (Italian SEC) communication DEM/6064923 of July 28, 2006.

Comments on the main economic and financial results of the Group

The total revenues and the profitability of Damiani Group in the first three months of the financial year 2011/2012 showed a significant improvement if compared to the same period of the previous financial year, which data are presented in the following table to comparative purposes.

Profit & Loss

I Quarter

<i>(in thousands of Euro)</i>	Financial Year 2011/2012	Financial Year 2010/2011	Change	Change %
Revenues from sales and services	32,837	26,395	6,442	24.4%
Other revenues	61	51	10	19.6%
Total Revenues	32,898	26,446	6,452	24.4%
Cost of production	(33,651)	(28,429)	(5,222)	18.4%
EBITDA (*)	(753)	(1,983)	1,230	62.0%
EBITDA %	-2.3%	-7.5%		
Depreciation and amortization	(751)	(2,198)	1,447	-65.8%
Operating income	(1,504)	(4,181)	2,677	64.0%
Operating income %	-4.6%	-15.8%		
Net Financial incomes (expenses)	(271)	(1,035)	764	-73.8%
Result before taxes	(1,775)	(5,216)	3,441	66.0%
Result before taxes %	-5.4%	-19.7%		
Taxes	(515)	641	(1,156)	n.s.
Net result	(2,290)	(4,575)	2,285	49.9%
Net result %	-7.0%	-17.3%		
Minorities Interests	(38)	(43)	5	11.6%
Net result of the Group	(2,252)	(4,532)	2,280	50.3%
Net result of the Group %	-6.8%	-17.1%		

(*) 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 increased compared to the first three-month period of the previous financial year by Euro 6,442 thousands, equal to +24.4% at current exchange rates (+25.2% at constant exchange rates).

The following table shows the revenues breakdown by sales channel.

Revenues by Sales Channel

I Quarter

<i>(in thousands of Euro)</i>	Financial Year 2011/2012	Financial Year 2010/2011	Change	Change %
Retail	8,977	7,896	1,081	13.7%
<i>Percentage on total revenues</i>	27.3%	29.9%		
Wholesale	23,860	18,499	5,361	29.0%
<i>Percentage on total revenues</i>	72.5%	70.0%		
Total revenues from sales and services	32,837	26,395	6,442	24.4%
<i>Percentage on total revenues</i>	99.8%	99.8%		
Other revenues	61	51	10	19.6%
<i>Percentage on total revenues</i>	0.2%	0.2%		
Total Revenues	32,898	26,446	6,452	24.4%

- The retail channel revenues amounted to Euro 8,977 thousands, achieved 27.3% of the total Group revenues

with an increase of 13.7% compared to the first three months of the previous financial year (Euro 7,896 thousands), as a consequence of the positive trend both of sales in single Damiani brand stores (+39.4%), as an evidence of the appreciation of the end consumer of the products offered, and sales in Rocca multi brand boutiques (+3.8%).

- In the wholesale channel the revenues amounted to Euro 23,860 thousands, +29.0% at current exchange rates (+29.7% at constant exchange rates) compared to the first quarter of the previous financial year, with increases recorded mainly in the domestic market when the Group recorded encouraging signs of recovery after a period of stagnation. Abroad was a positive trend in the Americas and in Europe while in Japan has been recorded the effects of the recent catastrophic events that affected the country.

Overall, in the first quarter of the financial year 2011/2012 the weight of the foreign revenues amounted to 24.3% of the total (26.1% in the first quarter of the previous financial year) (more details by geographical area are reported in the paragraph "Key data by geographical area").

Cost of production

Overall the production costs in the first three months of the financial year 2011/2012 amounted to Euro 33,651 thousands, increasing by Euro 5,222 thousands (+18.4%) compared to the same period of the previous financial year (Euro 28,429 thousands).

In details the trend of costs was the following:

- Costs of raw materials and other materials (including purchase of finished goods): amounted to Euro 17,348 thousands, with an increase by 27.8% compared to the same period of the previous financial year (Euro 13,579 thousands); the variation was directly linked to the growth of the revenues from sales and services, while their impact on revenues remained substantially unchanged, even if prices of raw materials continue to be high, as a consequence of a sales mix that didn't penalize the consolidated gross margin.
- Costs for services: in the first three months of the financial year 2011/2012 amounted to Euro 9,796 thousands, increasing by 1.1% compared to the same period of the previous financial year (Euro 9,690 thousands). The variation was due to the growth of the variable components most closely related to the trend of sales (Advertising, commissions, transports), while were in contraction the components that were subject to effective saving actions, implemented already in the previous financial year.
- Cost of personnel: in the first three months of the financial year 2011/2012 amounted to Euro 6,497 thousands, increasing by 2.3% compared to the same period of the previous financial year (Euro 6,353 thousands); the variation was due to the full effects of the inclusion of key people to support core business expansion both in Italy and abroad, process already started in the previous financial year, which fully offset the reduction related to the decrease of the average employee in the Group in the two period examined (-1.5%).
- Other net operating (charges)/incomes: the negative balance in the first quarter of the financial year 2011/2012 equal to Euro 10 thousand was not affected by relevant items or not recurring operations that on the contrary had an important impact on the first quarter of the previous financial year, in which recorded a gain of Euro 1,340 thousand due to a key money collected for the early release of a non strategic store for the Group. Against this gain the write off of the value initially paid to buy the same location had been recorded (the

amount had been recorded in the profit and loss between the depreciation and amortization). The net effect on the operating result of the period was marginal.

EBITDA

The trend of revenues and costs of production described above determined a negative EBITDA for the three months period closed on June 30, 2011 equal to Euro 753 thousands, an improvement of Euro 1,230 thousands compared to the same period of the previous financial year. The variation was attributable to the growth of revenues, to the maintain of gross margin and to the careful monitoring of the other operating costs, only partially penalized by the absence in the first quarter of the financial year 2011/2012 of non recurring incomes that, on the contrary positively affected the first quarter of the previous financial year.

Amortization and Depreciation

The value of the amortization in the first quarter of the financial year 2011/2012 amounted to Euro 751 thousands, with a decrease by Euro 1,447 thousands compared with the same period of the previous financial year; this variation was attributable to the presence in the first quarter of the previous financial year of the total devaluation (equal to Euro 1,261 thousands) of the key money initially paid when a rental contract was signed for a boutique whose lease agreement was transferred to third parties as above described.

Net Financial Incomes/(losses)

The net financial loss for the first three months of the financial year 2011/2012 was equal to Euro 271 thousands, an improvement of Euro 764 thousands compared to the negative balance of Euro 1,035 thousands of the corresponding quarter of the financial year 2010/2011. The variation was due to the different contribution of the foreign exchange: positive for Euro 137 thousands in the first quarter of the current financial year; negative for Euro 532 thousands in the first quarter of the previous financial year.

Net Result

The Group closed the first three months of the financial year 2011/2012 with a negative consolidated result for the period equal to Euro 2,252 thousands, an improvement of Euro 2,280 thousands compared to the same period of the previous year, as a consequence of the trends above described.

Capital and Financial situation

In the following table is shown the reclassified consolidated balance sheet of Damiani Group at June 30, 2011 compared to the one at March 31, 2011.

Balance sheet data <i>(In thousands of Euro)</i>	June 30 2011	March 31 2011	change
Fixed Assets	51,224	51,684	(460)
Net working capital	75,833	79,653	(3,820)
Non current Liabilities	(7,344)	(7,380)	36
Net Capital Invested	119,713	123,957	(4,244)
Net Equity	92,864	95,106	(2,242)
Net Financial Position (*)	26,849	28,851	(2,002)
Sources of Financing	119,713	123,957	(4,244)

(*) The net financial debt was determined on the basis of the indications of Consob (Italian SEC) communication DEM/6064923 of July 28, 2006.

In the first three months of the financial year 2011/2012 the consolidated **Net Capital Invested** decreased by Euro 4,244 thousands towards to March 31, 2011. The trend was mainly due to the decrease of the net working capital as consequence of the positive impact of the actions implemented to reduce the exposure to customers.

The contraction in **Net Equity** between March 31, 2011 and June 30, 2011, equal to Euro 2,242 thousands, was due to the negative net result of the period.

The composition of the **Net financial debt** as of June 30, 2011 and its evolution compared to that at March 31, 2011 is given in the following table.

Net Financial Position (*) <i>(in thousands of Euro)</i>	June 30 2011	March 31 2011	change
Medium-Long term loans and financing- Current portion	6,822	7,147	(325)
Usage of credit lines, short term financing and others	6,185	5,965	220
Medium-Long term loans and financing with related parties - Current portion	917	714	203
Current financial indebtedness	13,924	13,826	98
Medium-Long term loans and financing- Non current portion	13,443	15,602	(2,159)
Medium-Long term loans and financing with related parties - Non current portion	10,318	10,714	(396)
Non-current financial indebtedness	23,761	26,316	(2,555)
Total financial indebtedness	37,685	40,142	(2,457)
Financial current assets	(790)	(1,074)	284
Cash and cash equivalents	(10,046)	(10,217)	171
Net Financial Position (*)	26,849	28,851	(2,002)

(*) The net financial debt was determined on the basis of the indications of Consob (Italian SEC) communication DEM/6064923 of July 28, 2006.

The positive trend, already started in the second half of the previous financial year and aims to reduce financial exposure of the Group, has continued in the first quarter of the current financial year and at June 30, 2011 the net financial debt of the Group fell to Euro 26,849 thousands, in contraction of Euro 2,002 thousands compared to the situation as of March 31, 2011.

Compare to June 30, 2010 the net financial debt shows a strong improvement by Euro 12,676 thousands (it amounted to Euro 39,525 thousands).

Key data by geographical areas

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 review 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 international accounting standard IFRS 8.

The areas are identified as such:

- a) Italy area includes the revenues and the operating costs of the parent company Damiani S.p.A. and its subsidiaries that operate in Italy;
- b) The Americas area includes the revenues and the operating costs of the subsidiary Damiani USA that has its headquarter in the United States of America and markets the Group's products throughout the continent;
- c) the Japanese area includes the revenues and the operating costs of the subsidiary Damiani Japan K.K. that operates in Japan;
- d) 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 three months of the financial years 2011/2012 and 2010/2011.

Revenues by Geographical Area <i>(in thousands of Euro)</i>	I Quarter Financial Year 2011/2012	I Quarter % Financial Year of total 2010/2011	I Quarter % Financial Year of total 2010/2011	% of total	Change %
Italy	24,876	75.6%	19,544	73.9%	27.3%
- Revenues from sales and services	24,821		19,502		
- Other revenues	55		42		
Americas	1,326	4.1%	915	3.5%	44.9%
- Revenues from sales and services	1,326		915		
Japan	2,250	6.8%	2,407	9.1%	-6.5%
- Revenues from sales and services	2,250		2,404		
- Other revenues	-		3		
Rest of the World	4,446	13.5%	3,580	13.5%	24.2%
- Revenues from sales and services	4,440		3,574		
- Other revenues	6		6		
Total Revenues	32,898	100.1%	26,446	100.0%	24.4%

In detail:

- in **Italy** (+27.3% compared to the first three months of the financial year 2010/2011) the increase became both from the recovery of the wholesale channel (+36.6%) and from continuing the positive trend of the retail channel both in the single brand Damiani stores (+39.5%) and multi brand Rocca (+3.0%);
- in the **Americas** the revenues increased by 44.9% for the positive trend both in wholesale and retail channels (+ 64.1% at constant exchange rates);
- **Japan** showed a decrease that was strongly depended on the dramatic situation of the Country, devastated by natural disasters that hit it recently (at constant exchange rates the variation remained substantially the same, and equal to -6.2%, because the average euro/yen remained stable in the two periods examined);
- in the **Rest of the World** the revenues increased by 24.2% compared to the same period of the previous financial year, with positive signals mainly in Europe both western and eastern (at constant exchange rates the growth was slightly higher and equal to +24.7%).

In the following table are given for each geographical area the values of EBITDA in the first three months of the

financial years 2011/2012 and 2010/2011:

EBITDA by Geographical Area (*)	I Quarter		
	Financial Year 2011/2012	Financial Year 2010/2011	change %
<i>(in thousands of Euro)</i>			
Italy	469	(671)	n.m.
Americas	(1,034)	(1,509)	31.5%
Japan	(351)	(528)	33.5%
Rest of the World	163	725	-77.5%
Consolidated EBITDA	(753)	(1,983)	62.0%
% of revenues	-2.3%	-7.5%	

(*) 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 improvement mainly due to the increase in revenues, only partially offset by the growth of variable costs.

The **Americas** area showed a recovery of EBITDA (that remained still negative) due to both the increase in revenues and the effects of actions aim to reduce operating costs.

The **Japan** sector showed a recovery of EBITDA (that remained still negative) despite of the negative trend of revenues, for the effects of saving actions.

The decrease in EBITDA in **Rest of the World** area, nevertheless increasing revenues, was due to incremental costs to support foreign growth.

Transactions with related parties

Damiani Group has mainly real estate relationship with related parties (i.e. the renting of buildings for offices and shops).

Data concerning dealings of the Group with related parties in the period from April to June of the financial years 2011/2012 and of 2010/2011 are displayed here under.

	I Quarter Financial Year 2011/2012		Balance at June 30, 2011		
	Operating costs	Financial expenses	Other Current assets	Financial debt (including leasing)	Trade payables
<i>(in thousands of Euro)</i>					
Total with related parties	(827)	(260)	912	(11,235)	(992)
Total from Financial Statements	(34,402)	(629)	10,344	(31,500)	(52,542)
% age weight	2%	41%	9%	36%	2%

<i>(in thousands of Euro)</i>	I Quarter Financial Year 2010/2011		Balance at June 30, 2010	
	Operating costs	Financial expenses	Financial debt (including leasing)	Trade payables
Total with related parties	(562)	(285)	(12,174)	(650)
Total from Financial Statements	(30,627)	(1,216)	(41,702)	(54,675)
% age weight	2%	23%	29%	1%

Non-recurring, atypical and/or unusual operations

In the first three months of the financial year 2011/2012 there weren't any positions or transactions of significant amount deriving from atypical, unusual and non-recurring operations as defined by the Consob (Italian SEC) Resolution no. 15519 of July 27, 2006.

Significant events of the quarter

On April 21, 2011 the Board of Directors of Damiani SpA has implemented a stock option plan approved by the Shareholders' Meeting of July 21, 2010, after positive evaluation of the manner and terms of implementation of the plan by the Remuneration Committee. Those rules and terms are described in the preceding paragraph of the report on operation.

The Board of Directors of Damiani S.p.A. of April 21, 2011 has also ratified the renunciation of all the fees for the financial year 2011/2012 for the Directors Guido Grassi Damiani (Chairman and Chief Executive Officer), Giorgio Grassi Damiani (Vice President) and Silvia Grassi Damiani (Vice President) for a total amount of about Euro 1.3 million.

At the Cannes Film Festival in May 2011 Damiani and IDG China Media organized an event to promote the Sino-American movie "Snow Flower and the Secret Fan" film directed by Wayne Wang set in China in the nineteenth century. During the event the principal actresses and the producers wore some masterpieces created by Damiani. An affinity of interests with the Chinese world, celebrated on the Croisette in Cannes, but that is part of a series of activities and projects dedicated to the Chinese market which is one of the most important target for the brand.

In this context also places the opening in May 2011 of a new Bliss boutique in Shanghai in the International Finance Centre (IFC), the most prestigious mall in Pudong, the business district of Shanghai, the heart of the shopping that includes all major international luxury brands.

On May 26, 2011 was inaugurated the new Rocca boutique in Lugano.

Damiani participated as partner to the 41st conference of the Young Entrepreneurs of Confindustria, which took place on 10 and 11 June in Santa Margherita Ligure. At the traditional annual event organized by Confindustria, Damiani has exposed some of the masterpieces of the goldsmith to the opening night of the event and the young entrepreneurs have been able to wear these unique and precious jewels. The appointment confirmed the proximity of Damiani Group to the business world, and its feeling with the role that the young entrepreneurs can have in the country's economic growth, in the name of preservation of the tradition of Made in Italy of which Damiani echoes in

Italy and abroad.

Significant events after the end of the quarter

On July 1, 2011 Damiani promoted an important charity activity to support the Japanese population, hit by earthquake and tsunami in March 11, in order to raise funds to help women victims of the disaster.

The activity is taking place from July 1, to August 31, 2011 and involves the Damiani boutiques in Italy and abroad that offer a Damiani special selection, named "DAMIANI FOR JAPAN", which will also include some "must" pieces at an exceptional price, only for this period. The total amount of profits of the sale will be donated to the Japanese association JOICFP (Japanese Organization for International Cooperation in Family Planning). In order to generate an important donation, the Damiani boutiques will offer jewels for a total value of more than three million Euros.

On July 18, 2011 New Mood S.p.A. and the parent company Damiani S.p.A. (which took part in the fiscal consolidation system), represented by their legal and tax advisors, presented rebuttals to the Regional Tax Commission in Milan to obtain the reform of the decision at first instance of the Provincial Tax Commission of Milan dated November 5, 2010 with which was partially annulled the notice of assessment served on the two companies on December 29, 2009. That notice of assessment mainly contested the fiscal deductibility for the tax year 2004 of costs incurred by New Mood S.p.A. relative to the purchases of goods from supplier companies resident in Hong Kong. Against the first instance favorable to the plaintiff New Mood S.p.A., the Tax Agency – Provincial Office II of Milan presented an appeal, notified New Mood S.p.A. on May 19, 2011. The Group companies are now waiting to be fixed for next hearing according to the process that govern the tax litigation. In the light of what has been explained above, the liability involved continues to be defined only as a "possible" one, in line with the treatment that already took place in the closing of the financial statements at March 31, 2010 and March 31, 2011.

On July 2011 a new monobrand Damiani store in franchising was inaugurated in Chengdu, one of the most populated and important centre in China.

Business outlook

The results achieved by Damiani Group in the quarter closed as of June 30, 2011 (period of low seasonality) confirm the validity of actions taken during the previous months in order to recover market share at home and continue expansion abroad. In this environment, whose signs of cautious optimism however must be constantly monitored and reported to a national and international macroeconomic scenario still characterized by many negative indicators, the Group continues the implementation of its strategic guide lines and it is aware of their validity and at the same time of the complexity of the moment.

For the rest of the financial year are therefore confirmed the recovery targets in terms of operating profitability and the improvement of the consolidated net financial position.

Valenza, August 8, 2011

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

CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2011

INTERIM CONSOLIDATED BALANCE SHEET

At June 30, 2011 and at March 31, 2011

<i>(in thousands of Euro)</i>	June 30 2011	March 31 2011
NON-CURRENT ASSETS		
Goodwill	4,984	4,984
Other Intangible Fixed Assets	5,527	5,596
Tangible Fixed Assets	17,423	17,590
Investments	167	167
Financial receivables and other non current assets	3,511	3,493
Deferred tax assets	19,612	19,854
TOTAL NON-CURRENT ASSETS	51,224	51,684
CURRENT ASSETS		
Inventories	99,763	96,192
Trade receivables	24,144	31,232
Tax receivables	2,778	2,788
Other current assets	10,344	11,401
<i>of which towards related parties</i>	912	935
Current financial receivables	790	1,074
Cash and cash equivalents	10,046	10,217
TOTAL CURRENT ASSETS	147,865	152,904
TOTAL ASSETS	199,089	204,588
GROUP SHAREHOLDERS' EQUITY		
Share Capital	36,344	36,344
Reserves	57,413	71,890
Group net income (loss) for the period	(2,252)	(14,525)
TOTAL GROUP SHAREHOLDERS' EQUITY	91,505	93,709
MINORITY SHAREHOLDERS' EQUITY		
Minority share capital and reserves	1,397	1,422
Minority net income (loss) for the period	(38)	(25)
TOTAL MINORITY SHAREHOLDERS' EQUITY	1,359	1,397
TOTAL SHAREHOLDERS' EQUITY	92,864	95,106
NON CURRENT LIABILITIES		
Long term financial debt	23,761	26,316
<i>of which towards related parties</i>	10,318	10,714
Termination Indemnities	4,299	4,325
Deferred Tax liabilities	1,130	1,131
Risk reserves	1,413	1,431
Other non current liabilities	502	493
TOTAL NON CURRENT LIABILITIES	31,105	33,696
CURRENT LIABILITIES		
Current portion of long term financial debt	7,739	7,861
<i>of which towards related parties</i>	917	714
Trade payables	52,542	54,673
<i>of which towards related parties</i>	992	1,928
Short term borrowings	6,185	5,965
Income tax payables	3,704	2,425
Other current liabilities	4,950	4,862
TOTAL CURRENT LIABILITIES	75,120	75,786
TOTAL LIABILITIES	106,225	109,482
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	199,089	204,588

INTERIM CONSOLIDATED INCOME STATEMENT

For the period of three months closed at June 30, 2011 and June 30, 2010.

<i>(in thousands of Euro)</i>	I Quarter	
	Financial Year 2011/2012	Financial Year 2010/2011
Revenues from sales and services	32,837	26,395
Other recurring revenues	61	51
TOTAL REVENUES	32,898	26,446
Costs of raw materials and consumables	(17,348)	(13,579)
Costs of services	(9,796)	(9,690)
<i>of which towards related parties</i>	(627)	(380)
Personnel cost	(6,497)	(6,353)
Other net operating (charges) incomes	(10)	1,193
<i>of which towards related parties</i>	(200)	(182)
Amortization and depreciation	(751)	(2,198)
TOTAL OPERATING EXPENSES	(34,402)	(30,627)
OPERATING INCOME (LOSS)	(1,504)	(4,181)
Financial Expenses	(629)	(1,216)
<i>of which towards related parties</i>	(260)	(285)
Financial Incomes	358	181
INCOME (LOSS) BEFORE INCOME TAXES	(1,775)	(5,216)
Income Taxes	(515)	641
NET INCOME (LOSS) FOR THE PERIOD	(2,290)	(4,575)
Attributable to:		
Group	(2,252)	(4,532)
Minorities	(38)	(43)
Basic Earnings (Losses) per Share (*)	(0.03)	(0.06)
Diluted Earnings (Losses) per Share (*)	(0.03)	(0.06)

(*) Basic and diluted net result per share

The basic net result per share has been calculated by dividing the net result for the three months that was attributable to the ordinary shareholders of the Issuer Damiani S.p.A. for the weighted average number of the shares that were in circulation within the relative accounting period.

The weighted number of ordinary shares in circulation take into account the effects of the purchase of own shares started from March 2008.

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

Basic Earnings (Losses) per Share

	I Quarter	
	Financial	Financial
	Year	Year
	2011/2012	2010/2011
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	77,995,753	79,783,933
Basic Earnings (Losses) per Share (amount in Euro)	(0.03)	(0.06)

Diluted Earnings (Losses) per Share

	I Quarter	
	Financial Year	Financial Year
	2011/2012	2010/2011
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of diluted earnings per share	77,995,753	79,783,933
Weighted average number of ordinary shares for computation of basic earnings per share	77,995,753	79,783,933
Diluted Earnings (Losses) per Share (amount in Euro)	(0.03)	(0.06)

INTERIM COMPREHENSIVE INCOME STATEMENT

For the period of three months closed at June 30, 2011 and June 30, 2010

<i>(in thousands of Euro)</i>	I Quarter	
	Financial Year 2011/2012	Financial Year 2010/2011
Net Income (Loss) for the period	(2,290)	(4,575)
Gain (Losses) on cash flow hedging	7	14
Fiscal effect	(2)	(4)
Gain (Losses) on exchange differences on translating foreign operations	58	1,414
Fiscal effect	(18)	(296)
Total comprehensive Income (Loss) for the period	(2,245)	(3,447)

STATEMENT OF CHANGES IN EQUITY

For the period of three months closed at June 30, 2011 and June 30, 2010

<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
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)				10				1,396	(2,252)	(846)	(38)	(884)
Stock option						10				10		10
Other movements								(1)		(1)	1	-
Balances at June 30, 2010	36,344	69,858	2,434	(46)	8,618	118	(8,227)	(144)	(2,252)	106,703	1,450	108,153
<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
Balances at March 31, 2011	36,344	69,858	2,434	(16)	8,618	92	(8,225)	(871)	(14,525)	93,709	1,397	95,106
Allocation of the result for the period								(14,525)	14,525	-		-
Other comprehensive income(loss)				5				40	(2,252)	(2,207)	(38)	(2,245)
Stock option						3				3		3
Balances at June 30, 2011	36,344	69,858	2,434	(11)	8,618	95	(8,225)	(15,356)	(2,252)	91,505	1,359	92,864

CASH FLOW STATEMENT

For the period of none months closed at June 30, 2011 and June 30, 2010

	I Quarter	
	Financial Year 2011/2012	Financial Year 2010/2011
<i>(In thousands of Euro)</i>		
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Net income (loss) for the period	(2,290)	(4,575)
<i>Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:</i>		
Amortization, depreciation and write-downs	751	2,198
Costs / (Revenues) for stock option	(3)	10
Provisions to Bad Debts Reserve	63	-
Provisions to risks reserves	-	(75)
Changes in the Fair value of Financial Instruments	15	10
Changes in Termination Indemnity	(26)	23
Changes in the deferred tax assets and liabilities	243	(444)
	<u>(1,247)</u>	<u>(2,853)</u>
<i>Changes on operational assets and liabilities</i>		
Trade receivables	7,025	8,692
Inventories	(3,571)	(2,696)
Trade payables	(2,131)	(3,270)
Tax receivables	10	(502)
Income Tax payables	1,279	266
Other current and non current assets and liabilities	1,405	(278)
	<u>2,770</u>	<u>(641)</u>
NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)	2,770	(641)
CASH FLOW FROM INVESTING ACTIVITIES		
Cash in form disposals of intangible and tangible assets	23	-
Tangible Fixed Assets purchased	(498)	(59)
Intangible Fixed Assets purchased	(67)	(89)
Net change in the other non current assets	(18)	(625)
	<u>(560)</u>	<u>(773)</u>
NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)	(560)	(773)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of long-term debt	(2,677)	(2,694)
Net change in short-term financial liabilities	220	2,653
Other changes in Net Equity	76	917
	<u>(2,381)</u>	<u>876</u>
NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)	(2,381)	876
TOTAL CASH FLOW (D=A+B+C)	(171)	(538)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	10,217	7,332
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E)	10,046	6,794

DECLARATION

The Executive in charge of preparing the Company's financial reports 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 June 30, 2011 corresponds to the documental results, books and accounting records.

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