DAMIANI S.p.A.

Consolidated Interim Financial Report as of September 30, 2011

Damiani S.p.A.
Valenza (AL), Piazza Damiano Grassi Damiani n. 1
Share Capital Euro 36,344,000
Vat number and Tax code 01457570065

November 25, 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 Graidi (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)

External Auditors

Reconta Ernst & Young S.p.A.

Internal Control and Corporate Governance Committee

Giancarlo Malerba (Chairman)

Roberta Benaglia

Fabrizio Redaelli

Remuneration Committee

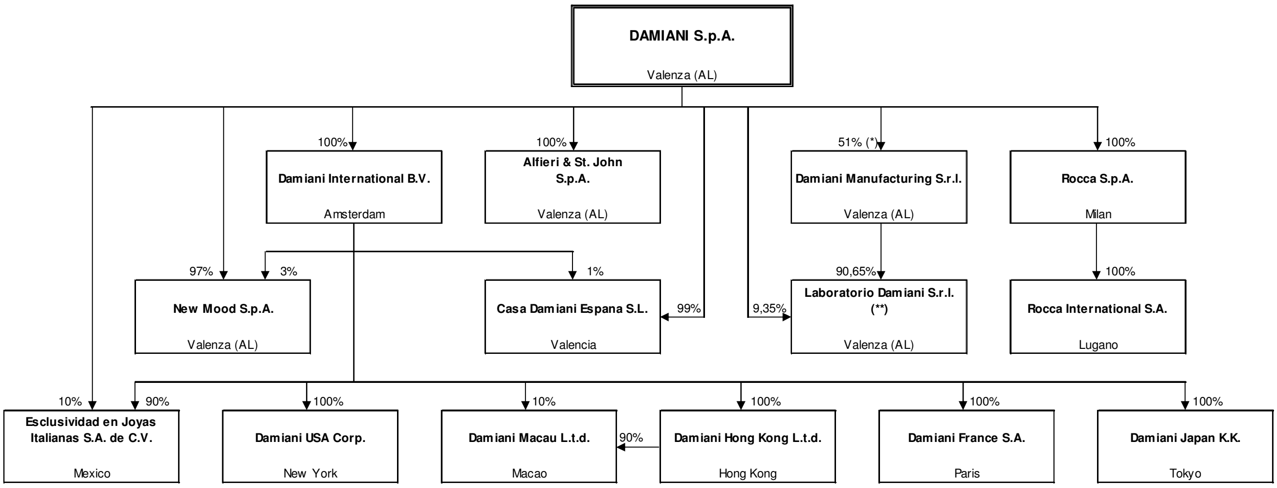
Giancarlo Malerba (Chairman)

Roberta Benaglia

Fabrizio Redaelli

REPORT ON OPERATIONS [1]

Structure and business activities of the Damiani Group



(*) 49% is held by Christian and Simone Rizzetto, both currently Damiani Manufacturing S.r.l. directors.
(**) 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. helds 55.58% of the capital stock of Laboratorio Damiani S.r.l.

Damiani S.p.A. is a *holding* company that, apart from directly performing production and commercial activities, is responsible for carrying out strategic and coordination activities for the Group and technical and financial assistance both for production and commercial operations carried out by subsidiaries, directly and indirectly controlled. All those activities made by the parent company Damiani S.p.A. are based on normal market conditions.

Starting from November 2007 Damiani S.p.A. has listed on the electronic stock market of the Italian Stock Exchange, STAR segment.

The first half condensed consolidated financial statements as of September 30, 2011 include the financial statements of the parent company Damiani S.p.A. and of those companies directly or indirectly controlled, as per article 2359 of the Italian Civil Code.

In the consolidated financial statements intercompany transactions have been eliminated.

During the first six months of the 2011/2012 financial year in the consolidation area there was the

[1] The Damiani Group closes its financial year on March 31, therefore the six-months period April-September 2011 is the First semester of the financial year that will close on March 31, 2012 (henceforth 2011/2012 financial year). For comparative purpose the present consolidated financial statements also include the figures for the period closed as of September 30, 2010, first half of 2010/2011 financial year.

following change:

- on September 15, 2011 has been incorporated the Mexican company Esclusividad en Joyas Italianas S.A. de C.V. located in Mexico, Distrito Federal with a share capital of 50,000 Pesos, fully owned by Damiani Group (90% from Damiani International B.V.; 10% from Damiani S.p.A.). That company has to manage the import and distribution in Mexico of jewels of Damiani Group brands.

The Group, which is concentrated on producing and distributing top quality jewelry 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 jewelry. 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, the Group distributes prestigious third party brands, particularly in the timepiece sectors, in directly managed multi-brand boutiques. Finally, the Group manufactures and distributes products according to license agreements and supply contracts with fashion and automotive brands (inter alia Ferrari, Ducati and John Galliano).

The distribution of the Group products takes place through two different channels in Italy and abroad:

- the wholesale channel, consisting of independent multi-brand jewelers, department stores, franchisees and distributors;
- the retail channel consisting of the individual single-brand boutiques managed directly by the Group. As of September 30, 2011 the single-brand POS were 32, of which 16 with the Damiani brand, 3 with the Bliss brand and 13 multibrand Rocca boutiques.

Share buy-back program

The Shareholders' Meeting of July 27, 2011 resolved to authorize – subject to revocation, for the part not executed, of the resolution adopted by the Shareholders' Meeting of July 21, 2010 – the purchase and disposal of own shares under co-joined Articles 2357 and 2357 ter of the Italian Civil Code and Article 132 of the Legislative Decree no. 58/1998.

The reasons for the authorization consist of the possibility of i) using own shares in operations related to projects of interest for the issuer Damiani S.p.A. as arises the opportunity for exchanges or transfers of stakes; ii) 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; iii) invest in Company shares if the stock trends or the liquidity available make the investment convenient; iv) give/sell out shares to the employees and implementing distribution programs of shares or options in full compliance with Article 114 bis of T.U.F.; v) 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 limit of the law, for a maximum of no. 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% and a maximum not more than 20% 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 of 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.

Stock option

On July 21, 2010 the Shareholders' Meeting approved the adoption of a plan based on financial instruments under Article 114 bis of Legislative Decree no. 58/1998, 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 prices of options and modes of enjoyment.
In detail: i) no. 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 the Shareholders' Meeting; iii) the strike price of the option was set to 1.47 euros 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 options 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. ; Therefore, the assignment of shares will not have any diluting effect on the shareholders of Damiani S.p.A.
Detailed information is included in the informational document required as per Article 84 bis of Consob Regulation no. 11971/1999 which is available to the public at the headquarter, at the Italian Stock Exchange (Borsa Italiana S.p.A.) and on the website at www.damiani.com.

Main risks and uncertainties for the Damiani Group

The general economic and market scenario in the six months period remained still marked by high volatility and uncertainty and therefore the main risks to which the Damiani Group is exposed to are substantially the same as those of the financial year closed at March 31, 2011, with estimates and forecasts of future developments of macro-economic indicators, raw materials prices, interest and exchange rates that are characterized by strong uncertainty. For further details, see what reported on the Consolidated Financial Statement as of March 31, 2011 and the summary reported on note 40. Financial risk management.

Research and Development

The products offered, together with the reputation and image of the brands sold, has always represented the key to the Group's success, which over the years has been able to provide innovations in style and design that have characterized the collections offered to customers. Our internal staff specifically dedicated to product development, operates in this light, with the goal of interpreting the changing tastes of our customers and to offer products that can satisfy our customers' expectation. During the first six-months period of the 2011/2012 financial year, the total cost for product development was equal to 418 thousand euros, charged to the income statement.

Remuneration for company bodies

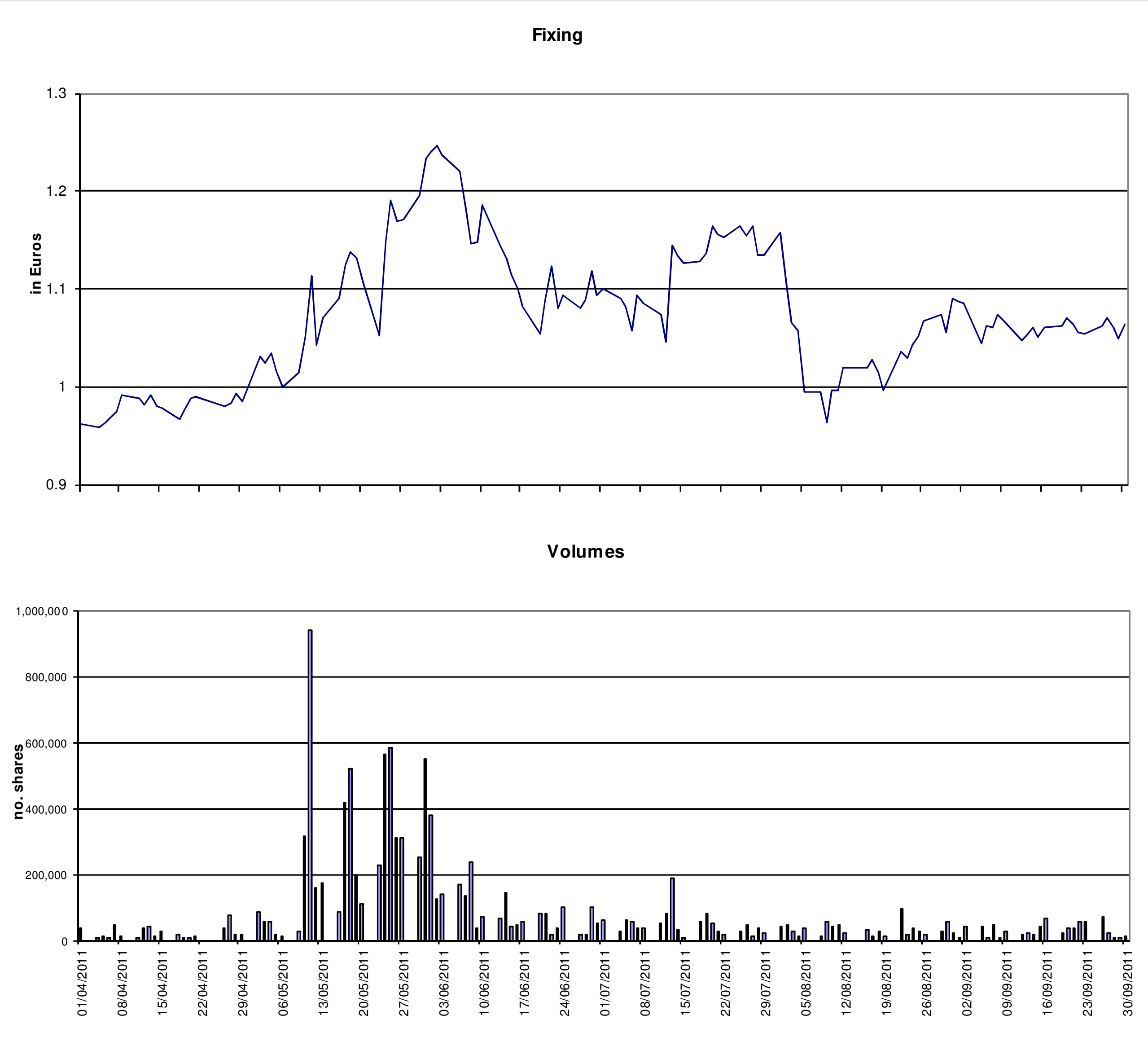
The following table shows the remuneration accrued during the period to members of the administrative and control bodies and senior executive who have strategic responsibilities, as required by Annex 3C to Layout 1 prescribed in the Regulation for Listed Companies.
The Board of Directors of Damiani S.p.A. of April 21, 2011 has ratified the renunciation of all the fees for 2011/2012 financial year 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 1.3 million euros.

Individual	Office	Duration of the office	Remuneration from Damiani S.p.A.	Not monetary benefits	Bonus and other incentives	Other remunerations (*)	Total
Guido Roberto Grassi Damiani	Chairman and CEO Damiani S.p.A., Chairman and CEO Alfieri & St. John S.p.A., Chairman and CEO New Mood S.p.A., Chairman Rocca S.p.A., Director Damiani Manufacturing S.r.l., Chairman and CEO Damiani Japan K.K., Director Damiani Hong Kong L.t.d., Director Damiani International B.V., Chairman and CEO Damiani Usa Corp., Director Damiani Macao Ltd, Chairman Exclusividad en Joyas Italianas SA de CV	up to 2012, 3 31	7,500	1,713		15,000	24,213
Giorgio Andrea Grassi Damiani	Vice Chairman Damiani S.p.A., Director Alfieri & St. John S.p.A., Director New Mood S.p.A., Chairman Damiani Manufacturing S.r.l., Chairman Laboratorio Damiani S.r.l., Vice Chairman Rocca S.p.A., Director Damiani Japan K.K., Director Damiani International B.V., Director Damiani USA Corp., Chairman Damiani France S.A.	up to 2012, 3 31	7,500			27,500	35,000
Silvia Maria Grassi Damiani	Vice Chairman Damiani S.p.A., Vice Chairman Damiani USA Corp.	up to 2012, 3 31	7,500			52,609	60,109
Stefano Graidi	Direcotr Damiani S.p.A., Executive Director charged with the internal control Damiani S.p.A., Director Damiani International B.V., Director Damiani Japan K.K., Director Damiani Hong Kong L.t.d. and Director Damiani Macao L.t.d.	up to 2012, 3 31	12,500			5,000	17,500
Giancarlo Malerba	Director Damiani S.p.A. and member the Internal Control and Corporate Governance Committee and Remuneration Committee of Damiani S.p.A.	up to 2012, 3 31	7,500			3,000	10,500
Fabrizio Redaelli	Director Damiani S.p.A. and member the Internal Control and Corporate Governance Committee and Remuneration Committee of Damiani S.p.A.	up to 2012, 3 31	7,500			2,500	10,000
Roberta Benaglia	Director Damiani S.p.A. and member the Internal Control and Corporate Governance Committee and Remuneration Committee of Damiani S.p.A.	up to 2012, 3 31	7,500			3,000	10,500
Francesco Minoli	Director Damiani S.p.A.	up to 2012, 3 31	7,500				7,500
Gianluca Bolelli	Chairman of the Board of Statutory Auditors Damiani S.p.A.	up to 2013, 3 31	22,500				22,500
Simone Cavalli	Acting Statutory Auditor Damiani S.p.A.	up to 2013, 3 31	15,000			3,000	18,000
Fabio Massimo Micaludi	Acting Statutory Auditor Damiani S.p.A.	up to 2013, 3 31	15,000				15,000
Strategic managers				20,315	46,040	429,512	495,867

(*) Includes fees being component of the Company bodies or control in other controlled company, salaries (where applicable) and from any salaries regarding the work provide.

Quotation in the Stock Market and performance of the share

The following graph represents the price trend of Damiani share during the first six-months period of the 2011/2012 financial year.



The main share and market data for the six-months period close at September 30, 2011 are reported below

Damiani on Stock Market

Price on April 1, 2011 (euro)	0.95	
Price on September 30, 2011 (euro)	1.068	
Maximum price (euro)	1.26	(June 1, 2011)
Minimum price (euro)	0.95	(April 1, 2011)
Average Volumes	85,434	
Maximum Volumes	939,478	(May 11, 2011)
Minimum Volumes	4,910	(September 28, 2011)
No. Outstanding shares	82,600,000	
Market Capitalization on Sept. 30, 2011 (euro mln)	88.22	

Key data

Share Capital	September 30, 2011	March 31, 2011
Number of shares issued	82,600,000	82,600,000
Par value per share	0.44	0.44
Share Capital	36,344,000	36,344,000
Ownership	% on shares issued	% on shares issued
Leading Jewels S.A.	56.76%	56.76%
Sparkling Investment S.A. (1)	1.09%	0.57%
Guido Grassi Damiani	5.78%	5.02%
Giorgio Grassi Damiani	6.11%	6.11%
Silvia Grassi Damiani	5.68%	5.68%
Damiani S.p.A. (own shares) (2)	6.75%	6.80%
Market	17.83%	19.06%

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

Individual	Office held	Number of shares
Guido Grassi Damiani (total no. 58.128.835) (3)	Director	4,774,376
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,687,371
Strategic executives		58,000

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

(2) The Shareholders' Meeting of July 27, 2011 has 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 no. 16,250,000 ordinary shares of Damiani S.p.A., within a period of 18 months from the date of the resolution. As of September 30, 2011 own shares in portfolio were no. 5,573,309, equal to 6.75% of the share capital.

(3) As controlling shareholder are traceable to Guido Grassi Damiani the shares owned by Leading Jewels S.A., Sparkling Investment S.A. and the own shares held by Damiani S.p.A.

Main economic data (in thousands of Euro)	**I Half 2011/2012**	**I Half 2010/2011**	**Change**	**Change %**
Revenues from sales and services	**61,214**	**55,396**	**5,818**	**10.5%**
Total revenues	61,306	55,508	5,798	10.4%
Cost of production	(64,588)	(60,290)	(4,298)	7.1%
EBITDA (*)	**(3,282)**	**(4,782)**	**1,500**	**31.4%**
EBITDA %	***-5.4%***	***-8.6%***	***0.0%***	
Depreciation and amortization	(1,496)	(3,035)	1,539	-50.7%
Operating income	**(4,778)**	**(7,817)**	**3,039**	**38.9%**
Operating income %	***-7.8%***	***-14.1%***	***0.0%***	
Net financial incomes (expenses)	(971)	(855)	(116)	13.6%
Result before taxes	(5,749)	(8,672)	2,923	33.7%
Net result of the Group	(7,190)	(8,517)	1,327	15.6%
Basic Earnings (Losses) per Share	(0.10)	(0.11)		
Personnel cost	(12,253)	(12,220)	(33)	0.3%
Average number of employees (**)	570	571	-1	-0.2%

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

(**) Average number of employees for six months period closed as of September 30, 2011 and as of September 30, 2010.

Balance sheet Data (In thousands of Euro)	**Situation at September 30 2011**	**Situation at March 31 2011**	**change**
Fixed Assets	51,294	51,684	(390)
Net working capital	72,924	79,653	(6,729)
Non current Liabilities	(6,869)	(7,380)	511
Net Capital Invested	**117,349**	**123,957**	**(6,608)**
Net Equity	89,232	95,106	(5,874)
Net Financial position (*)	28,117	28,851	(734)
Sources of Financing	**117,349**	**123,957**	**(6,608)**

(*) The Net financial position is determined according to the indications of Consob communication no. DEM/6064923 of July 28, 2006.

Comments on the main economic and financial results of the Group

The Group's activity, similarly with that of the other players in the sector, is marked by a significant seasonality. Sales of jewelry are mostly concentrated in the quarter October-December (and for the retail channel mainly in December), in relation to the Christmas campaign. Consequently the Damiani Group realizes a minor profitability in the first half (April-September) of the financial year than in the second half (October-March).

Total revenues of the Damiani Group in the first half period closed at September 30, 2011 increased by 10.4% if compared to the corresponding period of the previous financial year; even the operating result, that remained negative in a period of low seasonality, showed an improvement towards to the corresponding period of the previous year.

The good trend of revenues from sales recorded in the period, together with the conservation of margins, the strict control of service costs and the stability of the personnel cost (number of employees of the Group remained stable) have improved the operating result.

The net loss of the Group was equal to 7,190 thousand euros, an improvement of 1,327 thousand euros compared to the first half of 2010/2011 financial year, even in the presence of a negative impact of currencies and taxes.

In the following table is shown the income statement for the first half of 2011/2012 financial year, compared to the income statement of the corresponding period of the previous year.

Profit & Loss				
(in thousands of Euro)	**I Half 2011/2012**	**I Half 2010/2011**	**Change**	**Change %**
Revenues from sales and services	61,214	55,396	5,818	10.5%
Other recurring revenues	92	112	(20)	-17.9%
Total revenues	**61,306**	**55,508**	**5,798**	10.4%
Cost of production	(64,588)	(60,290)	(4,298)	7.1%
EBITDA *	**(3,282)**	**(4,782)**	**1,500**	31.4%
EBITDA %	***-5.4%***	***-8.6%***		
Depreciation and amortization	(1,496)	(3,035)	1,539	-50.7%
Operating income	**(4,778)**	**(7,817)**	**3,039**	38.9%
Operating income %	***-7.8%***	***-14.1%***		
Net financial incomes (losses)	(971)	(855)	(116)	13.6%
Result before taxes	**(5,749)**	**(8,672)**	**2,923**	33.7%
Result before taxes %	***-9.4%***	***-15.6%***		
Taxes	(1,455)	129	(1,584)	-1227.9%
Net result	**(7,204)**	**(8,543)**	**1,339**	15.7%
Net result %	***-11.8%***	***-15.4%***		
Minorities Interests	(14)	(26)	12	n.s.
Net result of the Group	(7,190)	(8,517)	1,327	15.6%
Net result of the Group %	*-11.7%*	*-15.3%*		

(*) 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 adopted, the criteria used 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, that were not influenced by non-recurring transactions and were expressed at current exchange rates, in the first half of 2011/2012 financial year were equal to 61,214 thousand euros, an improvement of 10.5% compared to the first half of the previous year. At constant exchange rates revenues would have showed an increase of 11.1% compared to the same period of the previous financial year.

The following table shows the revenues by sales channel.

Revenues by Sales Channel (In thousands of Euro)	**I Half 2011/2012**	**I Half 2010/2011**	**Change**	**Change %**
Retail	**19,707**	**17,512**	**2,195**	**12.5%**
Percentage on total revenues	*32.1%*	*31.5%*		
Wholesale	**41,507**	**37,884**	**3,623**	**9.6%**
Percentage on total revenues	*67.7%*	*68.2%*		
Total revenues from sales and services	**61,214**	**55,396**	**5,818**	**10.5%**
Percentage on total revenues	*99.8%*	*99.8%*		
Other revenues	**92**	**112**	**(20)**	**-17.9%**
Percentage on total revenues	*0.2%*	*0.2%*		
Total Revenues	**61,306**	**55,508**	**5,798**	**10.4%**

- Revenues of the retail channel were 19,707 thousand euros, an increase of 12.5% compared to the first half of the previous financial year (+13.3% at constant exchange rates), confirming a positive trend that has continued for two years, thanks to increasing both the single brand Damiani boutiques in Italy and abroad (+27.3%) and the multi-brand stores. It should be noted that the weight of retail revenues reached 32.2% on total consolidated revenues from sales, in a further slight increase over the first half of the previous financial year in which the incidence of total revenues from sales was 31.6%.
- In the wholesale channel revenues were 41,507 thousand euros, +9.6% at current exchange rates (+10.1% at constant exchange rates), with increments made primarily on the domestic market that in the recent past recorded a negative trend influenced by the high uncertainty that characterizes the industry.

Cost of production

Overall the total net costs of production for the first half of 2011/2012 financial year were equal to 64,588 thousand euros, an increase of 4,298 thousand euros (+7.1%) compared to the same period of the previous financial year (60,290 thousand euros).

In detail, the trend of costs in the period ended on September 30, 2011 was the following:

- **Cost of raw materials and other materials, including purchase of finished products**, was 34,375 thousand euros an increase of 14.2% compared to the first half of 2010/2011 financial year (30,095 thousand euros). The increase was mainly due to: i) pressure from raw material costs whose prices have resulted in strong growth over the same period of the previous financial year (the average price of gold in the six-months period April-September 2011 was higher than 19% compared to the corresponding period of 2010; spot price at September 30, 2011 is greater than 25% of the price of September 30, 2010); ii) write-down of inventories of finished products for 1,534 thousand euros booked in the first half of 2011/2012 financial year.
- **Cost for services** was equal to 19,723 thousand euros, an increase of 2.4% compared to the first half of the previous financial year (19,254 thousand euros); the growth was caused by the increase in costs components whose performance is directly related to the trend in revenues (advertising & promotion, commission fees, bank charges on electronic payments from the customers), partially offset by the reduction of other costs, including the reduction of fees to Directors as a consequence of the waiver by members of the Grassi Damiani family to the fees for 2011/2012 financial year (reduction between the two six-months period is equal to 653 thousand euros).
- **Personnel cost** amounted to 12,253 thousand euros with a slight increase of 0.3% compared to the same period of the previous financial year (12,220 thousand euros). The substantially stability of the cost was related to the stability of staff employed by the Group in the two periods compared: in the six months ended September 30, 2011 the average number of employees was 570 units against 571 units employed in the six months ended September 30, 2010.
- **Other net operating (charges)/incomes** showed a positive balance in the first half of 2011/2012 financial year equal to 1,763 thousand euros against a positive balance equal to 1,279 thousand euros in the first six months of 2010/2011 financial year. The balance in the six months period of 2011/2012 financial year included also the positive effects of 2,135 thousand euros related to a partial release of the fund for returns on sales set aside in previous years. That fund was in surplus in September 2011 at Group level given the contraction in the volume of returns from customers. The positive balance in the first half of the previous year included instead the key money (equal to 1,826 thousand euros) cashed in ceding to third parties some

locations not strategic for the Group before their natural expiry dates. Against this income has been recorded the write off of net book value relative to the amount initially paid to acquire the same locations and any other fixed assets not yet fully depreciated (these amounts were accounted between the depreciation and amortization). The net effects of such operations on the income statements of the first half of 2010/2011 financial year was equal to 530 thousand euros.

EBITDA

The combined effect of revenues and costs of production described above determined an EBITDA negative for 3,282 thousand euros in the first half ended September 30, 2011, but improved by 31.4% compared to the negative gross operating profit of the same period of the previous financial year (it was negative for 4,782 thousand euros).

Amortization and depreciation

In the first half period ended September 30, 2011 depreciation and amortization amounted to 1,496 thousand euros, in contraction of 1,539 thousand euros if compared to the same period of the previous financial year (equal to 3,035 thousand euros). This difference was mainly due to the devaluation for 1,261 thousand euros to the net assets related to not profitable boutiques closed in the first half 2010/2011 financial year, from the disposals of which the Group received the amounts booked in "Other net operating (charges) incomes".

Operating result

Overall the Group's operating result in the first half period ended September 30, 2011 remained still negative but an improvement of 3,039 thousand euros compared to the operating loss of the same period of the previous financial year. The increase in revenues from sales absorbed the growth of the cost of products, significantly affected by higher prices of raw materials, in a context of substantial stability of cost for services and personnel cost.

Net financial incomes (expenses)

The balance of net financial incomes/(expenses) in the first half of 2011/2012 financial year was negative 971 thousand euros, a deterioration of 116 thousand euros compared to the negative balance of 855 thousand euros in the first half of 2010/2011 financial year. Even in the presence of a lower average level of financial indebtedness in the first half of 2011/2012 financial year, which subsequently generated a lower level of net interest expenses, the balance is worsening the negative impact of the net foreign exchange losses that was equal to 385 thousand euros against a net incomes for 253 thousand euros booked in the same period of the previous financial year.

Result before taxes

In the six months period ended September 30, 2011 the result before taxes was negative of 5,749 thousand euros, an improvement of 2,923 thousand euros compared to the loss of the same period of the previous financial year (a loss of 8,672 thousand euros).

Current, prepaid and deferred taxes

In the six months period ended September 30, 2011 taxes had a negative impact equal to 1,455 thousand euros against a positive balance of 129 thousand euros in the first half of 2010/2011 financial year, which included the positive effects arising from the restatement of deferred tax assets generated in prior periods for the change in tax rate. In both six months periods we didn’t post the prepaid taxes that refer to the losses recorded by the Group companies.

Net result

The net consolidated result of the Group in the first half of 2011/2012 financial year was negative of 7,190 thousand euros against a negative net result equal to 8,517 thousand euros in the first half of 2010/2011 financial year, with a consequent improvement of 1,327 thousand euros.

Capital and financial situation

The following table shows the reclassified consolidated balance sheet of Damiani Group at September 30, 2011, compared to that of March 31, 2011, and then discussed the main changes.

Balance sheet Data (In thousands of Euro)	**Situation at September 30 2011**	**Situation at March 31 2011**	**change**
Fixed Assets	51,294	51,684	(390)
Net working capital	72,924	79,653	(6,729)
Non current Liabilities	(6,869)	(7,380)	511
Net Capital Invested	**117,349**	**123,957**	**(6,608)**
Net Equity	89,232	95,106	(5,874)
Net Financial position (*)	28,117	28,851	(734)
Sources of Financing	**117,349**	**123,957**	**(6,608)**

(*) The Net financial position is determined according to the indications of Consob communication no. DEM/6064923 of July 28, 2006.

Fixed Assets

As of September 30, 2011 the fixed assets of the Group were equal to 51,294 thousand euros, decrease of 390 thousand euros compared to the value of March 31, 2011 (51,684 thousand euros). The growth in the six months period for capital expenditure (equal to 904 thousand euros) and for financial receivables in guarantee deposits paid to locations for new boutiques (equal to 534 thousand euros) has been fully offset by the amortization of the period.

Net working capital

As of September 30, 2011 the net working capital amounted to 72,924 thousand euros, decrease of 6,729 thousand euros compared to the value of March 31, 2011: the performance of its components was related to the normal seasonal trend of the production and distribution process under which the increase in inventories and, to a lesser extent, trade payables is opposed the tightening of trade receivables that were generated in the previous high seasonal period and collected during the six months period April-September.

Non-current liabilities

As of September 30, 2011 the non-current liabilities amounted to 6,869 thousand euros, decrease compared to the end of the previous financial year (the amount was equal to 7,380 thousand euros), mainly due to the partial use of the provisions for risks at March 31, 2011.

Shareholders' Equity

As of September 30, 2011 Net equity amounted to 89,232 thousand euros, a decrease of 5,874 thousand euros if compared to March 31, 2011, mainly for the negative net result of the six months period (net loss of 7,204 thousand euros), partially offset from effect of currency translation recorded under other equity reserves. In the six months period were not made purchases of own shares.

Net financial position

The composition of the net financial position as of September 30, 2011 and its evolution with respect to March 31, 2011 is given in the following table.

Net Financial Position (*) (in thousands of Euro)	**Situation at September 30 2011**	**Situation at March 31 2011**	**change**
Medium-long term loans and financing - current portion	6,585	7,147	(562)
Usage of credit lines, short term financing and others	6,502	5,965	537
Medium-long term loans and financing with related parties - current portion	936	714	222
Current financial indebtness	**14,023**	**13,826**	**197**
Medium-long term loans and financing - non current portion	12,785	15,602	(2,817)
Medium-long term loans and financing with related parties - non current portion	10,077	10,714	(637)
Non current financial indebtness	**22,862**	**26,316**	**(3,454)**
Total gross financial indebtness	**36,885**	**40,142**	**(3,257)**
Financial current assets	(553)	(1,074)	521
Cash and cash equivalents	(8,215)	(10,217)	2,002
Net Financial Position (*)	**28,117**	**28,851**	**(734)**

(*) The Net financial position is determined according to the indications of Consob communication no. DEM/6064923 of July 28, 2006.

As of September 30, 2011 the Group showed a net financial position negative for 28,117 thousand euros, an improvement of 734 thousand euros if compared to March 31, 2011. Despite the negative economic performance in the six months period, the careful monitoring of the net working capital has led to an improved consolidated net financial position. Compared to March 31, 2011 the increase of the weight of current financial exposure to banks on total gross indebtedness did not lead to a deterioration in terms of burden, as the rate on short term is currently lower than the interest paid on medium/long term financing; the short term credit lines of the Group continued to be underutilized.

Compared to September 30, 2011 net financial debts of the Group were in contraction for 11,326 thousand euros thanks to the measures taken in the twelve months to reach a more efficient net working capital.

It should be noted that on September 30, 2011 the net financial position included 11,013 thousand euros payable to related party for no. 4 real estate operations booked as sale and lease-back transactions (on March 31, 2011 this debt amounted to 11,428 thousand euros); net of this component, the net financial position as of September 30, 2011 would have been equal to 17,104 thousand euros.

Main economic data by geographical area

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

The areas are identified as such:

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

ii) The Americas area includes the revenues and the operating costs of Damiani USA Corp. that is located in New York and distributes the Group's products across the continent and the costs of the Mexican subsidiary Esclusividad en Joyas Italianas S.A., which is in a start-up period;

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

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

The revenues for the first half period ended September 30, 2011 and for the same period of the previous financial year are shown in the following table.

Revenues by Geographical Area (In thousands of Euro)	**I Half 2011/2012**	**I Half 2010/2011**	**change**	**change %**
Italy:	**45,426**	**40,077**	5,349	13.3%
- revenues from sales and services	45,346	39,987		
- other revenues	80	90		
Americas:	**2,873**	**2,525**	348	13.8%
- revenues from sales and services	2,873	2,525		
- other revenues	-	-		
Japan	**4,674**	**4,428**	246	5.6%
- revenues from sales and services	4,672	4,419		
- other revenues	2	9		
Rest of the World	**8,332**	**8,478**	(146)	-1.7%
- revenues from sales and services	8,322	8,465		
- other revenues	10	13		
Total revenues	**61,306**	**55,508**	5,798	10.4%

The revenues by geographical area have developed as follows:

- The increase of revenues in **Italy** (+13.3% compared to the first half of 2010/2011 financial year) was due to the growth in both wholesale and retail.
- In the **Americas** the revenues increased by 13.8% at current exchange rates (+26.6% at constant exchange rates) compared to the same period of 2010/2011 financial year thanks to the good trend mainly in retail channel.
- In **Japan** sales increased by 5.7% (+5.4% at constant exchange rates) due to the growth of the retail channel.
- In the **Rest of the World** was recorded a decrease of –1.7% compared to the same period of the previous year (-1.1% at constant exchange rates) due to the reduction of sales on the wholesale channel, only partially offset by the increase of sales through the boutiques directly managed.

Overall, the weight of foreign revenues in the first half of 2011/2012 financial year was equal to about 26% of total.

EBITDA values for each geographical area in the first half of 2011/2012 financial year and in the corresponding period of the previous financial year are given in the following table.

EBITDA by Geographical Area (in thousands of Euro)	**I Half 2011/2012**	**I Half 2010/2011**	change %
Italy	**(749)**	**(3,377)**	77.8%
Americas	**(1,196)**	**(2,507)**	52.3%
Japan	**(737)**	**(873)**	15.6%
Rest of the World	**(600)**	**1,975**	n.m.
Consolidated EBITDA	**(3,282)**	**(4,782)**	31.4%
% on Revenues	*-5.4%*	*-8.6%*	

(*) 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 adopted, the criteria used by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

In terms of EBITDA, the **Italy** segment showed an increase in the gross operating result if compared to the first half of the previous year due to the growth of revenues only partially offset by the expansion of the operating costs to support the rise of the turnover of the area.

Improvement of EBITDA in the **Americas** was mainly due to saving measures made on the operating costs.

Improvement of EBITDA in **Japan**, even in the absence of non-recurring income that had had a positive impact of 489 thousand euros in the corresponding period of the previous financial year, was related to the increase in revenues and to the careful monitoring of operating costs.

In the **Rest of the World** the worsening in EBITDA was mainly related to higher operating costs incurred in the first half of 2011/2012 financial year to support the retail channel development.

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 six-months period ended September 30, 2011 and in the same period of the previous financial year are displayed hereunder (for further details see note 36 – Transactions with related parties).

(in thousands of Euro)	I Half 2011/2012		Balance at September 30, 2011			
	Operating costs	Financial expenses	Other current assets	Long term debts (including leasing)	Other current liabilities	Trade payables
Total with related parties	(1,565)	(515)	891	(11,013)	(25)	(876)
Total from Financial Statements	(66,084)	(1,580)	13,216	(30,383)	(4,443)	(57,143)
%age weight	2%	33%	7%	36%	1%	2%

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

Non-recurring, atypical and/or unusual operations

In the first half of 2011/2012 financial year there were no positions or transactions deriving from non-recurring, atypical and unusual operations as defined in the Consob ruling no.15519 as of July 27, 2006.

Significant events of the first half period

On April 21, 2011 the Board of Directors of Damiani S.p.A. has implemented the S*tock 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.

At the Cannes Film Festival in May 2011 Damiani organized an event to promote the Sino-American movie "Snow Flower and the Secret Fan" directed by Wayne Wang and set in China in the nineteenth century. 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 shopping that includes all major international luxury brands. In July 2011 was instead opened a new mono-brand Damiani store in Chengdu, one of the most populated and important economic centers of China.

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, Damiani 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 the 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.

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. to purchase 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. New Mood S.p.A. is now waiting to be fixed for the next hearing according to the process that governs the tax litigation. Given the current situation, 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.

In September started the new advertising campaign of Salvini brand with the launch of the new collections worn by the famous and fascinating American actress Eva Longoria, new prestigious international testimonial that helps to strengthen the image and the awareness of the brand.

Significant events after the end of the first half period

There are no significant events after the end of the six-months period.

Business outlook

The first half of the current financial year was marked by the good progress of wholesale sales in Italy, thus reversing a negative trend that persisted since the economic crisis hit the Country, and by continued growth of revenues of the retail channel both in Italy and abroad to confirm the appreciation of our offer by the consumers. These performances have been achieved without compromising gross margin, despite the pressure exerted by the increase in raw materials prices.
Starting from August national and international macroeconomic scenario has been gradually deteriorating, with a new financial crisis that immediately resulted in a slowdown of the system of production and consumption. The strong uncertainty about possible government intervention, not only domestic, to overcome the crisis makes difficult any forecast in the short term also in our industry, that in the quarter October-December goes through the peak season.
However in the second half of the financial year the Group will continue in its constant monitoring of the various cost components in order to preserve the economic balance and to consolidate the measures already effectively implemented to improve the cash flow management, maintaining to an acceptable level the debts of the Group.

Valenza, November 25, 2011

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

DAMIANI S.p.A.

Condensed Consolidated Financial Statements as of September 30, 2011

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BALANCE SHEET STATEMENT

At September 30, 2011 and at March 31, 2011.

(in thousands of Euro)	Note	September 30, 2011	March 31, 2011
NON-CURRENT ASSETS			
Goodwill	7	4,984	4,984
Other Intangible Fixed Assets	8	5,470	5,596
Tangible Fixed Assets	9	17,268	17,590
Investments	10	167	167
Financial receivables and other non current assets	11	4,027	3,493
Deferred tax assets	12	19,378	19,854
TOTAL NON CURRENT ASSETS		**51,294**	**51,684**
CURRENT ASSETS			
Inventories	13	102,574	96,192
Trade receivables	14	19,246	31,232
Tax receivables	15	2,557	2,788
Other current assets	16	13,216	11,401
of which towards related parties		*891*	935
Current financial receivables	17	553	1,074
Cash and cash equivalents	18	8,215	10,217
TOTAL CURRENT ASSETS		**146,361**	**152,904**
TOTAL ASSETS		**197,655**	**204,588**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		58,695	71,890
Group net income (loss) for the period		(7,190)	(14,525)
TOTAL GROUP SHAREHOLDERS' EQUITY		**87,849**	**93,709**
MINORITY SHAREHOLDERS' EQUITY			
Minority share capital and reserves		1,397	1,422
Minority net income (loss) for the period		(14)	(25)
TOTAL MINORITY SHAREHOLDERS' EQUITY		**1,383**	**1,397**
TOTAL SHAREHOLDERS' EQUITY	19	**89,232**	**95,106**
NON CURRENT LIABILITIES			
Long term financial debts	20	22,862	26,316
of which towards related parties		*10,077*	*10,714*
Termination Indemnities	21	4,081	4,325
Deferred Tax liabilities	12	1,113	1,131
Risk reserves	22	1,153	1,431
Other non current liabilities	23	522	493
TOTAL NON CURRENT LIABILITIES		**29,731**	**33,696**
CURRENT LIABILITIES			
Current portion of long term financial debts	20	7,521	7,861
of which towards related parties		*936*	*714*
Trade payables	24	57,143	54,673
of which towards related parties		*876*	*1,928*
Short term borrowings	25	6,502	5,965
Income tax payables	26	3,083	2,425
Other current liabilities	27	4,443	4,862
of which towards related parties		*25*	-
TOTAL CURRENT LIABILITIES		**78,692**	**75,786**
TOTAL LIABILITIES		**108,423**	**109,482**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**197,655**	**204,588**

SEPARATE INCOME STATEMENT

For the six-months periods ended September 30, 2011 and September 30, 2010.

(in thousands of Euro)	Note	I Half 2011/2012	I Half 2010/2011
Revenues from sales and services		61,214	55,396
Other revenues		92	112
TOTAL REVENUES	28	**61,306**	**55,508**
Cost for raw materials and consumables	29	(34,375)	(30,095)
Cost of services	30	(19,723)	(19,254)
of which towards related parties		*(1,329)*	*(1,204)*
of which not recurring		-	*(35)*
Personnel cost	31	(12,253)	(12,220)
Other net operating (charges) incomes	32	1,763	1,279
of which towards related parties		*(236)*	-
of which not recurring		-	*1,826*
Amortization, depreciation and devaluation	33	(1,496)	(3,035)
of which not recurring		-	*(1,261)*
TOTAL OPERATING EXPENSES		**(66,084)**	**(63,325)**
OPERATING INCOME (LOSS)		**(4,778)**	**(7,817)**
Financial Expenses	34	(1,580)	(1,344)
of which towards related parties		*(515)*	*(566)*
Financial Incomes	34	609	489
INCOME (LOSS) BEFORE INCOME TAXES		**(5,749)**	**(8,672)**
Income Taxes	35	(1,455)	129
NET INCOME (LOSS) FOR THE PERIOD		**(7,204)**	**(8,543)**
Attributable to:			
Group		(7,190)	(8,517)
Minorities		(14)	(26)
Basic Earnings (Losses) per Share(*)		**(0.10)**	**(0.11)**
Diluted Earnings (Losses) per Share(*)		**(0.10)**	**(0.11)**

(*) The earnings (losses) per share are calculated by dividing the net result for the half-year belonging to the ordinary shareholders of the parent Company by the weighted average of the number of shares in circulation during the period.

COMPREHENSIVE INCOME STATEMENT

For the six-months periods ended September 30, 2011 and September 30, 2010.

(in thousands of Euro)	**I Half 2011/2012**	**I Half 2010/2011**
Net income (Loss) for the period	**(7,204)**	**(8,543)**
Gain (Losses) on cash flow hedges	12	29
Fiscal Effect	(3)	(8)
Gain (Losses) on exchange differences on translating foreign operations	643	64
Fiscal Effect	506	332
Total Comprehensive Income (loss) for the period	**(6,046)**	**(8,126)**

STATEMENT OF CHANGES IN EQUITY

For the six-months periods ended September 30, 2011 and September 30, 2010.

(In thousands of Euro)	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging reserve	Shareholders payment reserve	Stock option reserve	Own Shares	Other reserves	Net income (Loss) for the period	Group shareholder's equity	Minorities shareholder's equity	Total shareholder's equity
Balances at March 31, 2010	**36,344**	**69,858**	**2,434**	**(56)**	**8,618**	**108**	**(8,227)**	**16,703**	**(18,242)**	**107,540**	**1,487**	**109,027**
Allocation of the result for the period								(18,242)	18,242			
Other comprehensive income(loss)				21				396	(8,517)	(8,100)	(26)	(8,126)
Stock option						(8)				(8)		(8)
Other movements							2	87		89	(62)	27
Balances at September 30, 2010	**36,344**	**69,858**	**2,434**	**(35)**	**8,618**	**100**	**(8,225)**	**(1,056)**	**(8,517)**	**99,521**	**1,399**	**100,920**

(In thousands of Euro)	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging reserve	Shareholders payment reserve	Stock option reserve	Own Shares	Other reserves	Net income (Loss) for the period	Group shareholder's equity	Minorities shareholder's equity	Total shareholder's equity
Balances at March 31, 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)				9				1,149	(7,190)	(6,032)	(14)	(6,046)
Stock option						106				106		106
Other movements							66			66		66
Balances at September 30, 2011	**36,344**	**69,858**	**2,434**	**(7)**	**8,618**	**198**	**(8,159)**	**(14,247)**	**(7,190)**	**87,849**	**1,383**	**89,232**

CASH FLOW STATEMENT

For the six-months periods ended September 30, 2011 and September 30, 2010.

(In thousand of Euro)	First Half 2011/2012	First Half 2010/2011
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Net income (loss) for the period	(7,204)	(8,543)
Adjustments to reconcile the income (loss) for the period to the cash flow generated (absorbed) by operations:		
Amortization, depreciation and devaluation	1,496	3,035
Costs/(revenues) for stock option	172	(8)
(Gains)/Losses from sale of non current assets	(1)	(92)
Provisions to Bad Debts Reserve	393	132
Provisions to risk reserves	(278)	-
Changes in the fair value of financial instruments	(444)	(21)
Provisions for termination indemnity and actuarial valuation of ELI Fund	31	259
Termination indemnity payments	(275)	(175)
Changes in the deferred tax assets and liabilities	458	(2,582)
	(5,652)	(7,995)
Changes on operational assets and liabilities		
Trade receivables	11,593	20,555
Inventories	(6,382)	(4,745)
Trade payables	2,470	(9,235)
Tax receivables	231	1,606
Income tax payables	658	243
Other current assets and current and non current liabilities	(1,240)	(3,498)
NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)	**1,678**	**(3,069)**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash in from disposal of intangible and tangible fixed assets	27	975
Leaseback write off	-	151
Tangible fixed assets purchased	(816)	(156)
Intangible fixed assets purchased	(88)	(85)
Net change in the other non current assets	(534)	355
NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)	**(1,411)**	**1,240**
CASH FLOW FROM FINANCING ACTIVITIES		
Leaseback debt write off	-	(184)
Payment of long term debt	(3,794)	(4,533)
Net change in short-term financial liabilities	537	5,214
Purchase of own shares	-	-
Other changes in net equity	988	202
NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES ©	**(2,269)**	**699**
TOTAL CASH FLOW (D=A+B+C)	**(2,002)**	**(1,130)**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR (E)	**10,217**	**7,332**
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (F=D+E)	**8,215**	**6,202**

EXPLANATORY NOTES

1. COMPANY INFORMATION AND STRUCTURE OF THE FINANCIAL STATEMENTS

Company information

The Damiani Group works with many years of experience in the production and distribution of jewelry products through both the wholesale and the retail channels. Specifically, the Group distributes five prestigious jewelry brands: Damiani, Salvini, Alfieri & St. John, Bliss e Calderoni. Furthermore, the Damiani Group also distributes through the directly managed multi-brand boutiques of the Rocca network some prestigious third parties brands, particular regarding watches. More recently, the Damiani Group also signed licensing agreements with prestigious international brands for the production and sale in Italy and abroad of jewelry and giftware.

The registered office of the parent company Damiani S.p.A. is in Valenza (AL), Piazza Damiano Grassi Damiani no.1.

Financial Statements structure

The condensed consolidated financial statements of the Damiani Group at September 30, 2011 relating to the six-months period from April 1, 2011 to September 30, 2011, consist of the Balance Sheet Statement, of the Separate Income Statement, of the Comprehensive Income Statement, of the Statement of changes in Equity, of the Cash Flow Statement and of the Explanatory Notes. The Board of Directors of Damiani S.p.A. approved the Consolidated Interim Financial Report at November 25, 2011.

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

Pursuant to the Consob Resolution no. 15519 of July 27, 2006, the impacts of the transactions with related parties on the balance sheet assets and liabilities and on the income statement for the six-months period ended September 30, 2011, are shown in the financial statement layouts. The relations with related parties are identified according to the extended definition laid down by IAS 24, which means including the transactions with the administrative and control bodies as well as with those executives that have strategic responsibilities. For details please refer to Note 36 – Transactions with related parties.

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

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

2. STATEMENT OF COMPLIANCE, CRITERIA USED AND CONSOLIDATION AREA

Statement of compliance and criteria used

The Condensed consolidated interim financial report was prepared in compliance with IAS 34 – Interim Financial Statements. Therefore, the condensed financial statements do not include all the information required by the annual financial statements and they must be read together with the annual financial statements for the twelve-months period ended March 31, 2011. The accounting standards adopted for preparing these Condensed interim financial statements are the same used for preparing the annual consolidated financial statements for the financial year ended March 31, 2011, to which we refer for a fuller discussion, also considering what described in Note 3 - Accounting standards, amendments and interpretations applicable from January 1, 2011.

The condensed interim financial report closed at September 30, 2011 has been prepared on a going concern basis, because the Group believes there is no uncertainty about the ability to continue its operations for the foreseeable future, both in terms of production-distribution and financially.

Consolidation area

The consolidated financial statements contain the financial statements of Damiani S.p.A. and those of the Italian and foreign companies on which the parent company has the legal right to exercise control, either directly or indirectly, determining their financial and operational choices and obtaining the relative benefits.

The economic data, the changes in net equity and the cash flows in the six-months period ended September 30, 2011 are shown together with the comparative figures for the same period of the previous financial year. The balance sheet data at September 30, 2011 are shown compared to those at March 31, 2011.

The subsidiaries are consolidated on a line-by-line basis starting from the date when the control is actually transferred to the Group and they cease to be consolidated from the date when control is transferred outside of the Group.

The subsidiaries companies included in the consolidation area at September 30, 2011 were:

Company name	Registered office	Currency	Share Capital (local currency)	Held by	% Direct (*)	% of the Group
Alfieri & St. John S.p.A.	Valenza (AL), Italy	EUR	1,462,000	Damiani S.p.A.	100.00%	100.00%
New Mood S.p.A.	Valenza (AL), Italy	EUR	1,040,000	Damiani S.p.A.	97.00%	100.00%
Damiani Manufacturing S.r.l	Valenza (AL), Italy	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Laboratorio Damiani S.r.l.	Valenza (AL), Italy	EUR	2,140,000	Damiani Manufacturing S.r.l.	9.35%	55.58%
Damiani International B.V.	Amsterdam, Netherland	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan K.K.	Tokyo, Japan	JPY	490,000,000	Damiani International B.V.	0.00%	100.00%
Damiani USA, Corp.	New York, USA	USD	900,000	Damiani International B.V.	0.00%	100.00%
Casa Damiani Espana S.L.	Valencia, Spain	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Hong Kong L.t.d.	Hong Kong	HKD	2,500,000	Damiani International B.V.	0.00%	100.00%
Damiani France S.A.	Paris, France	EUR	38,500	Damiani International B.V.	0.00%	100.00%
Damiani Macau L.t.d.	Macau	MOP	2,200,000	Damiani Hong Kong L.t.d.	0.00%	100.00%
Rocca S.p.A.	Milan, Italy	EUR	4,680,000	Damiani S.p.A.	100.00%	100.00%
Rocca International S.A.	Lugano, Switzerland	CHF	600,000	Rocca S.p.A.	0.00%	100.00%
Esclusividad en Joyas Italianas S.A. de CV	Mexico Distrito Federal	PES	50,000	Damiani International B.V.	10.00%	100.00%

(*) It's the share directely held by Damiani S.p.A.

During the first half of 2011/2012 financial year the composition of the Group has undergone the following change:

- on September 15, 2011 has been incorporated the Mexican company Esclusividad en Joyas Italianas S.A. de C.V. located in Mexico, Distrito Federal with a share capital of 50,000 Pesos, fully owned by Damiani Group (90% from Damiani International B.V.; 10% from Damiani S.p.A.). That company has to manage the import and distribution in Mexico of jewels of Damiani Group brands.

Associated companies

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

At September 30, 2011 the Group did not have any equity investments in associated companies.

Other equity investments

Below there is given information relative to the equity investments in other companies owned by the Damiani Group at September 30, 2011 which had an overall value of 167 thousand euros. This value is not changed compared to March 31, 2011.

Company name	Currency	Share capital (1) (in thousands of Euro)	Book value (in thousands of Euro)	Held by	% owned directly	% owned by whole Group
Fin-or-val S.r.l.	Euro	2,966	126	Damiani S.p.A.	3.84%	
				Alfieri & St.John S.p.A.	0.52%	4.36%
Banca d'Alba	Euro	44,983	41	Damiani S.p.A.	0.50%	0.50%

(1) At December 31, 2010

3. ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS APPLICABLE FROM APRIL 1, 2011

The following accounting standards, amendments, improvements and interpretations are applicable from the financial year beginning April 1, 2011 and refer to case that are not currently applied in the consolidated interim financial report at September 30, 2011:

- Amendment to IAS 32 – Financial Instruments: Presentation – Classification of rights issues
- Amendment to IFRIC 14 – Prepayments against minimum funding clauses
- IFRIC 19 – Extinguishing financial liabilities with equity instruments
- Improvements to IAS/IFRS (2010)
- Amendment to IAS 24 – Related party disclosures
- Changes to IFRS1 and to IFRS7 – Limited exemption to comparative disclosures as IFRS 7 for first-time adopters.

4. USE OF ESTIMATES

For the preparation of the condensed consolidated interim financial report, the Group Management has carried out valuations, estimates and assumptions that have effects on revenues, costs, assets and liabilities and on the disclosures about potential assets and liabilities at its closing date. It has to be highlighted that, because these items are estimates, they can be different from the actual results that will be achieved in the future.

Some valuation processes, specifically the more complex ones like the impairment test on non-current and current assets, are carried out in a complete manner only once a year for the annual financial statements when all necessary information in available, except in cases where there are indications of impairment that require an immediate test. During the first half-year there have not arisen any situations requiring the valuations of possible losses of value of non-current assets and the Group Management has carried out estimates to detect the adequacy of existing funds and the need for any adjustments.

Specifically, the value of the inventories takes into account both the write-down made up to March 31, 2011 and the actions performed in the first half (i.e. scrapping of jewels and provisions, review the fund's returns) and it's subject of periodic monitoring by the management.

5. SEASONALITY

The Group business activities, just like those of other players in the same sector, are subject to a significant seasonality impact. As a matter of facts the sales of jewelry products are concentrated in the quarter October-December, with a consequent push by jewelry dealers to procure in the same period. Because of this, based on historical experience, the Damiani Group achieves a lower profitability especially in the first-half (April-September) of the financial year, which ends on March 31.

6. SEGMENT INFORMATION

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

Therefore, the basis on which the Directors set the goals and attribute responsibilities and the management operates is the geographical dimension, with the structure already reported in the Report on Operations. In the following tables are showed the operating results for the first half of 2011/2012 financial year and, for comparative purposes, for the first half of 2010/2011 financial year.

Geographical area breakdown (first half of 2011/2012 financial year)

I Half 2011/2012 *(in thousands of Euro)*	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Net Sales to third party customers	45,346	2,873	4,672	8,322		61,214
Other revenues	80	0	2	10		92
Intercompany sales	13,934	4	0	5,926	(19,864)	0
Total net sales	**59,360**	**2,877**	**4,674**	**14,258**	**(19,864)**	**61,306**
Operating Costs	(61,188)	(4,252)	(5,505)	(15,002)	19,864	(66,083)
Operating profit (loss)	**(1,828)**	**(1,375)**	**(831)**	**(744)**	**0**	**(4,778)**

Situation at September 30 2011 *(in thousands of Euro)*	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Total current assets	158,156	19,616	18,164	42,225	(91,800)	146,361
Total assets	251,890	20,362	21,877	119,832	(216,306)	197,655
Total liabilities	128,005	17,226	11,152	53,576	(101,536)	108,423
Capex	105	73	31	695	-	904

Geographical area breakdown (first half of 2010/2011 financial year)

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

Situation at September 30 2010 *(in thousands of Euro)*	**Italy**	**Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Total current assets	178,145	31,227	20,029	44,895	(118,609)	155,687
Total assets	275,120	32,522	24,822	130,942	(252,778)	210,628
Total liabilities	121,827	23,806	10,517	61,784	(108,226)	109,708
Capex	237	4	0	0	0	241

7. GOODWILL

Below there is given the breakdown of the item at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	**September 30 2011**	**March 31 2011**
Goodwill, boutiques	726	726
Goodwill, Alfieri & St.John S.p.A.	4,258	4,258
Total goodwill	**4,984**	**4,984**

The item, unchanged compared to March 31, 2011, is relative for 4,258 thousand euros to the goodwill posted regarding the acquisition in 1998 of 100% of shares of the company Alfieri & St. John S.p.A. and for 726 thousand euros to the goodwill paid by the parent company in the previous financial years regarding the acquisition of single-brand directly managed shops.

Impairment test of intangible assets with an indefinite useful life

The goodwill as an intangible asset with an indefinite useful life reported among fixed assets, is not amortized in the income statement but is subject to an impairment test for the purpose of discovering any potential loss in its value. The impairment test is carried out yearly, or more frequently in the case there were indications that during the current year the asset may have suffered a loss in its value. In the first half of 2011/2012 financial year the evolution on business was basically in line with the expected scenario used for the impairment test at March 31, 2011. Therefore, also considering the seasonality of the business, the management believes that it was unnecessary to carry out a new impairment test regarding the goodwill values.

8. OTHER INTANGIBLE FIXED ASSETS

Below there is given the breakdown of the item at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	September 30 2011	March 31 2011
Industrial rights and patents	527	610
Key Money	4,878	4,984
Fixed intangible assets under construction	65	2
Total other intangible fixed assets	**5,470**	**5,596**

The assets under construction increased by 63 thousand euros mainly due to the capital expenditure of the American subsidiary.

9. TANGIBLE FIXED ASSETS

Below there is given the breakdown of the item at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	September 30 2011	March 31 2011
Land and buildings	11,083	11,551
Plant and machinery	664	693
Industrial and commercial equipment	514	582
Other assets	4,888	4,695
Fixed tangible assets under construction	119	69.00
Total tangible fixed assets	**17,268**	**17,590**

The tangible fixed assets went down by 322 thousand euros compared to March 31, 2011 due to changes of the period (investments, disposals and depreciation).

The increase, overall amounting to 816 thousand euros, was mainly due to building restructuring works carried out in the Rocca boutique in Lugano.

The item “Land and buildings” also includes assets dealt with on “sale and lease back” basis and that related parties have bought from Group companies and then leased back to them for commercial usage (for the details refer to note 36 – Transactions with related parties). The sale and lease back assets booked between land and buildings item amounted to 9,603 thousand euros at September 30, 2011 and 10,053 thousand euros at March 31, 2011. The reduction in the value of the item during the six months period referred to the depreciation of the period, equals to 450 thousand euros.

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

10. INVESTMENTS

At September 30, 2011 the item solely consisted of minority interests in the companies Fin.Or.Val S.r.l and Banca d’Alba amounting to 167 thousand euros.

11. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT ASSETS

Below there is given the breakdown of the item at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	**September 30 2011**	**March 31 2011**
Guarantee deposits	3,831	3,307
Other receivables	196	186
Total financial receivables and non current assets	**4,027**	**3,493**

The increase in the guarantee deposits compared to March 31, 2011 for 534 thousand euros was mainly due to the subscription of new lease contracts related to point of sales directly managed abroad that will be open soon.

12. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The balances of the items deferred tax assets and liabilities for the period ended September 30, 2011 and March 31, 2011 are detailed in the following table. Descriptions indicate the nature of temporary differences:

(in thousands of Euro)	September 30 2011	March 31 2011
Deferred tax assets:		
Net Impact of the returns reserve	2,571	2,898
Write off on intercompany inventory margins	5,860	5,660
Exchange loss differences	18	8
Bad Debts Reserve not deductible	1,108	1,148
Devalutaion of inventories	1,977	2,157
Costs of the IPO	216	432
Provisions on lawsuits	113	113
Financial interests	1,454	1,411
Fiscal losses	1,742	1,742
Write off of intercompany gains on brand transfer	3,557	3,557
Other timing differences of a taxation nature	762	728
Total deferred tax assets	**19,378**	**19,854**

Deferred tax liabilities:		
Exchange differences	72	100
Other timing differences of a taxation nature	955	932
Deferred taxation on capital gains	86	99
Total deferred tax liabilities	**1,113**	**1,131**

The reduction of deferred tax assets, overall 476 thousand euros compared to March 31, 2011, was mainly related to the partial release of the fund for returns on sales that according to the management valuation was in excess at September 30, 2011.

In the first half period, consistent with that taken in the previous year, there has not been set aside for deferred tax assets with respect to losses for the period.

13. INVENTORIES

Below there is given the breakdown of the item at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	September 30 2011	March 31 2011
Raw materials, semi-finished goods and advance payments	13,053	11,666
Finished products and goods	89,521	84,526
Total inventories	**102,574**	**96,192**

The net book value of the inventories at September 30, 2011 showed an increase of 6,382 thousand euros compared to March 31, 2011 connected to the seasonality of the procurement process.

It is highlighted that the item finished goods includes 10,379 thousand euros (12,387 thousand euros at March 31, 2011) for products already delivered to customers but for which, at the closing date of the Financial Statements, there were not real assurance that the assumptions of revenues recognition were completely satisfied.

The value of inventories at September 30, 2011 was shown net of 12,346 thousand euros of the inventory write-down reserve (11,540 thousand euros at March 31, 2011). During the first half provisions of 1,534 thousand euros were made and operations of destruction and transformation by the fusion of jewelry products were carried out regarding a stock of 1,957 thousand euros. These operations brought about a loss for 728 thousand euros that was completely absorbed by using the inventory write-down reserve set aside in previous years.

14. TRADE RECEIVABLES

Below there is given the breakdown of the item at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	September 30 2011	March 31 2011
Trade receivables, gross	**47,690**	**63,790**
Bad Debts Reserve	(6,890)	(6,871)
Fund for returns on sales from customers	(21,450)	(25,580)
Impact of Net Present Value calculation of receivables	(104)	(107)
Total net trade receivables	**19,246**	**31,232**

The reduction in the net trade receivables for 11,986 thousand euros compared to March 31, 2011 was mainly due to the timing of cash flow related to the seasonality of sales.

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

It is highlighted that the provisions posted to the bad debts reserve for the period, amounting to 393 thousand euros, are contained in the item "Other net operating (charges) incomes" of the Income Statement. In the first half ended September 30, 2011 were also used 4,130 thousand euros of fund for returns posted in previous years and that was in excess at consolidated level, given the contraction of returns from customers; the net effects of such use, equal to 2,135 thousand euros, have been credited to the Income Statement under the item "Other net operating (charges) incomes". The provision posted and the usages during the period of the return reserves have been posted as a direct change in the value of the item "Revenues from sales and services" of the Income Statement.

There are not receivables with a contractual duration longer than 5 years.

15. TAX RECEIVABLES

At September 30, 2011 showed a balance of 2,557 thousand euros compared to 2,788 thousand euros at March 31, 2011.

16. OTHER CURRENT ASSETS

Below there is given the breakdown of the item at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	**September 30 2011**	**March 31 2011**
VAT receivables from the Tax Authorities	5,718	3,664
Prepayments on exchanges of goods	2,108	1,875
Deposits to suppliers	2,383	1,601
Prepayments	2,028	1,786
Receivables from other	979	2,475
Total other current assets	**13,216**	**11,401**

The advances to suppliers increased due to advances paid to suppliers for goods and services and to agents.

The receivables from other reduced mainly for the collection of insurance reimbursement for which as of March 31, 2011 the notice of receipt was already issued but not paid by the insurance company.

17. CURRENT FINANCIAL RECEIVABLES

The current financial receivables, equal to 553 thousand euros at September 30, 2011, consisted of the receivables from third parties arising from the sale of two shops of Damiani Japan K.K., happened in 2010, collected in installments within the current financial year.

18. CASH AND CASH EQUIVALENT

Below there is given the breakdown of the item at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	September 30 2011	March 31 2011
Bank and post accounts	7,964	9,976
Cash on hand	251	241
Total cash and cash equivalents	**8,215**	**10,217**

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

19. SHAREHOLDERS' EQUITY

At September 30, 2011 the Net Equity amounted to 89,232 thousand euros, down by 5,874 thousand euros compared to March 31, 2011. The changes in equity in the first half ended at September 30, 2011 (which are shown in detail in the Statement of changes in equity) were the following:

- A net loss of the period for 7,204 thousand euros (of which 14 thousand euros related to minorities);
- Positive effects arising from the exchange differences due to the conversion of the financial statements that originate in non-euro currencies and to inter-company balances, for a total amount of 1,149 thousand euros;
- The increase of stock option reserve for 106 thousand euros due to value of share-based payments under IFRS 2;
- Free transfer of own shares in portfolio for 66 thousand euros;
- Changes in cash flow hedging reserve for 9 thousand euros.

With reference to the treasury shares in portfolio it is highlighted that in the April-September 2011 period have not been acquired additional shares but have been distributed free no. 45,000 ordinary shares of Damiani S.p.A. for a value of about 66 thousand euros. Therefore, at September 30, 2011 own shares held were no. 5,573,309, equivalent to 6,75% of the whole share capital and to an overall value amounting to 8,159 thousand euros at an average purchase price of 1.464 euros per share.

20. LONG TERM FINANCIAL DEBT: CURRENT AND MEDIUM/LONG TERM PORTION

The current and medium/long term portion of financial debts were made up as follows at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	September 30 2011	March 31 2011	Note
Non current portion			
Loan A	9,000	10,500	a
Loan B	3,750	5,000	b
Loan C	-	-	c
Loan D	34	102	d
Loan E	-	-	e
Loan F	-	-	f
Financial Leasing	10,077	10,714	g
Total non current portion of medium/long financial debt	**22,862**	**26,316**	
Current portion			
Loan A	3,000	3,000	a
Loan B	2,500	2,500	b
Loan C	-	89	c
Loan D	132	128	d
Loan E	500	833	e
Loan F	453	597	f
Financial Leasing	936	714	g
Total current portion of medium/long financial debt	**7,521**	**7,861**	
Total medium/long financial debt	**30,383**	**34,177**	

Below there is given the details of the main information regarding the loans granted to Group companies by Banks as of September 30, 2011.

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

b) Loan B was originally issued in June 2009 to Damiani S.p.A. for the amount of Euros 10,000,000 and with a repayment plan based on constant quarterly installments for the period from June 30, 2010 until March 31, 2014; on this loan the interest is paid at the annual rate of 4%;

c) Loan C was originally issued in 2006 to Rocca S.p.A. for the amount of Euros 1,000,000 and foresees its reimbursement by quarterly installments. The loan was fully repaid at April 30, 2011;

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

e) Loan E was originally issued in December 2007 to Rocca S.p.A. for the amount of Euros 2,000,000 and with a repayment plan based on constant quarterly installments for the period from

September 30, 2009 until June 30, 2012; on this loan the interest paid is equal to Euribor at three months plus a spread of 0.90%; this loan has two covenant conditions: a) the accounting net equity of Rocca S.p.A. must not go below 8,300 thousand euros; b) the company will not distribute any dividends until the loan expires; at September 30, 2011 first condition was not observed, similar to March 31, 2011; anyway, the loan was classified entirely short-term in view of the deadline by one year;

f) Loan F was originally issued in March 2008 to Rocca S.p.A. for the amount of Euros 1,000,000 and with a repayment plan based on constant quarterly installments for the period from December 31, 2009 until March 31, 2013; on this loan the interest paid is equal to Euribor at three months plus a spread of 1.20%; this loan has two covenant conditions: a) the accounting net equity of Rocca S.p.A. must not go below 8,300 thousand euros; b) the company will not distribute any dividends until the loan expires; at September 30, 2011 the first condition was not observed, similar to March 31, 2011; so the loan has been entirely classified short-term, waiting to renegotiate the terms with the funding body.

Moreover, the point g) shows the debt for leasing on buildings for 11,013 thousand euros and relative to no. 4 contracts for the sale of properties to a related party, which are qualified as sale and lease back contracts, pursuant to IAS 17. These real estate units are Damiani and Rocca shops.

In the following table there are shown the details of the net financial indebtedness at September 30, 2011 and at March 31, 2011:

Net Financial Position (*) (in thousands of Euro)	**Situation at September 30 2011**	**Situation at March 31 2011**	**change**
Medium-long term loans and financing - current portion	6,585	7,147	(562)
Usage of credit lines, short term financing and others	6,502	5,965	537
Medium-long term loans and financing with related parties - current portion	936	714	222
Current financial indebtness	**14,023**	**13,826**	**197**
Medium-long term loans and financing - non current portion	12,785	15,602	(2,817)
Medium-long term loans and financing with related parties - non current portion	10,077	10,714	(637)
Non current financial indebtness	**22,862**	**26,316**	**(3,454)**
Total gross financial indebtness	**36,885**	**40,142**	**(3,257)**
Financial current assets	(553)	(1,074)	521
Cash and cash equivalents	(8,215)	(10,217)	2,002
Net Financial Position (*)	**28,117**	**28,851**	**(734)**

(*) The net financial position has been calculated on the basis of the indications contained in the Consob communication no. DEM/6064923 of July 28, 2006.

The net financial position at September 30, 2011 showed a negative balance of 28,117 thousand euros an improvement of 734 thousand euros if compared to March 31, 2011. Nevertheless the economic negative performance in the six-months period, the improvement was due to the strict control over the net working capital.

21. TERMINATION INDEMNITIES

During the first half ended September 30, 2011 the provision for employee termination indemnities underwent the following movements:

(in thousands of Euro)	
Termination Indemnities at March 31 2011	**4,325**
Cost related to current work performed	51
Financial expenses	101
Paid benefits	(275)
Actuarial Loss (Profit)	(121)
Termination Indemnities at September 30 2011	**4,081**

The movements of the period reflect the accruals and the outgoings, including the advances that were given, which were posted in the six-months period ended September 30, 2011.

22. RISK RESERVES

The risk reserve is provided to cover disputes that are ongoing with former employees and agents. The value of the fund went from 1,431 thousand euros for the financial year ended March 31, 2011 to 1,153 thousand euros in the first half ended September 30, 2011, for the use during the period with reference to the closure of certain disputes and for restructuring actions at the American subsidiary for which a specific provision was made March 31, 2011. During the first half no additional provisions were posted and the current reserve is considered adequate.

23. OTHER NON CURRENT LIABILITIES

The amount of the item went from 493 thousand euros at March 31, 2011 to 522 thousand euros at September 30, 2011. The main part of this amount consists of the severance payments to be made to Directors when their mandates expire.

24. TRADE PAYABLES

The amount of the item went from 54,673 thousand euros for the financial year closed at March 31, 2011 to 57,143 thousand euros at September 30, 2011. The increase was due to the seasonality of the purchase of finished goods from the suppliers to support the Christmas campaign that at the end of September in term of sales has not already reached its positive effects and so the higher level of trade payables is balanced by the growth in the inventories.

25. SHORT TERM BORROWINGS

Below there is given the breakdown of the item at September 30, 1011 and at March 31, 2011:

(in thousands of Euro)	September 30 2011	March 31 2011
Usages of short term credit lines and bank loans	6,491	5,942
Fair value of financial derivatives	11	23
Total short term borrowings	**6,502**	**5,965**

The short-term credit lines are employed to finance the working capital. The higher value of the short-term exposure, compared to the figure at March 31, 2011 has not brought about any negative impacts in terms of the debt burden (the interest rates paid on the short term debt are currently lower than the interest paid on medium/long term financings) and the short-term credit lines are only partially utilized.

26. INCOME TAX PAYABLES

Below there is given the breakdown of the item at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	September 30 2011	March 31 2011
VAT payables	1,174	542
Taxes withheld from employees (IRPEF)	275	331
Current income tax payables (IRES and IRAP)	1,568	1,449
Other tax payables	66	103
Total income tax payables	**3,083**	**2,425**

The increase was basically due to the VAT payables.

27. OTHER CURRENT LIABILITIES

Below there is given the breakdown of the item at September 30, 2011 and at March 31, 2011:

(in thousands of Euro)	September 30 2011	March 31 2011
Payables to social security institutions	927	1,043
Payables to employees	2,387	2,964
Other liabilities	567	625
Deferred income	562	230
Total other current liabilities	**4,443**	**4,862**

The payables to social security institutions include the debt for social security charges and social security contributions and insurance.

The item payables to personnel contains the debts for holidays and pad leave of absence that have been accrued but not yet taken, as well the amounts accrued, but not yet paid out, for the 13th and 14th months' wages and salaries.

The increase in deferred income was due to the liabilities related to the use of third party assets leased.

28. REVENUES

Below there is given the breakdown of the item for the first half ended September 30, 2011 and September 30, 2010:

(in thousands of Euro)	I Half 2011/2012	I Half 2010/2011
Revenues from sales and services	61,214	55,396
Other recurring revenues	92	112
Total revenues	**61,306**	**55,508**

The detail of the revenues by channels was as follows:

Revenues by Sales Channel (In thousands of Euro)	**I Half** **2011/2012**	**I Half** **2010/2011**
Retail	**19,707**	**17,512**
Percentage on total sales	*32.1%*	*31.5%*
Wholesale	**41,507**	**37,884**
Percentage on total sales	*67.7%*	*68.2%*
Total revenues from sales and services	**61,214**	**55,396**
Percentage on total sales	*99.8%*	*99.8%*
Other revenues	92	112
Percentage on total sales	*0.2%*	*0.2%*
Total Revenues	**61,306**	**55,508**

The consolidated revenues for the first half ended September 30, 2011 amounted to 61,306 thousand euros, compared to 55,508 thousand euros in the first half ended September 30, 2010, showing an increase of 5,798 thousand euros, or about 10.4%.

Below there is given the details of the other revenues for the first half ended September 30, 2011 and September 30, 2010.

(in thousands of Euro)	**I Half 2011/2012**	**I Half 2010/2011**
Leases and rentals	79	90
Franchising	10	9
Revenue from sale of advertising material	3	13
Total other revenues	**92**	**112**

29. COSTS FOR RAW MATERIALS AND CONSUMABLES

The costs for raw materials and consumables, also including the purchases of finished products, for the first half ended September 30, 2011 and September 30, 2010 were as follows:

(in thousand of Euro)	**I Half 2011/2012**	**I Half 2010/2011**
Purchases	42,818	34,485
Change in inventory of finished products	(7,338)	(2,668)
Change in inventory of raw materials and consumables	(1,105)	(1,722)
Total cost of raw materials and consumables	**34,375**	**30,095**

The costs went from 30,095 thousand euros for the first half ended September 30, 2010 to 34,375 thousand euros for the first half ended September 30, 2011, with an increase of 4,280 thousand euros. The increase in the costs was related to the growth in the revenues from sales and to a more than proportional increase in costs of raw materials used (in particular prices of gold and diamonds have increased). Moreover, in the first half of 2011/2012 financial year has conducted an adjustment in inventories of finished goods for 1,534 thousand euros.

30. COST OF SERVICES

Below there is given the breakdown of this item for the first half ended September 30, 2011 and September 30, 2010:

(in thousands of Euro)	I Half 2011/2012	I Half 2010/2011
Functional expenses	4,131	3,616
Advertising expenses	3,319	3,135
Other commercial expenses	1,450	1,279
Production costs	1,144	1,444
Consultancy	1,824	1,819
Travel/transport expenses	1,783	1,734
Directors' Fees	592	1,223
Usage of third party properties	5,480	5,004
Total cost of services	**19,723**	**19,254**

The cost of services increased overall by 469 thousand euros compared to the same period of the previous financial year due to the growth of those items which are more directly related to the higher volumes of sales (A&P and commissions), and to the increase in rents, partially offset by the lower fees to directors for the waiver described in the report on operations.

31. PERSONNEL COST

Below there is given the breakdown of this item for the first half ended September 30, 2011 and September 30, 2010:

(in thousand of Euro)	I Half 2011/2012	I Half 2010/2011
Wages and salaries	9,090	8,977
Social security costs	2,505	2,506
Termination indemnity	439	666
Other personnel costs	218	71
Total personnel cost	**12,253**	**12,220**

The substantial stability of the personnel cost in the two six-months periods examined was related to the stability of the average number employed during the two semesters.

The following table shows the average number of Group employees for the two semesters:

Labour category	I Half 2011/2012	I Half 2010/2011
Managers	57	54
Clerks	404	405
Workers	109	112
Total	**570**	**571**

32. OTHER NET OPERATING (CHARGES) INCOMES

Below there is given the breakdown of this item for the first half ended September 30, 2011 and September 30, 2010:

(in thousand of Euro)	I Half 2011/2012	I Half 2010/2011
Other operating (charges) incomes	2,156	1,411
Bad debt reserve allowance	(393)	(132)
Total other net operating (charges) incomes	**1,763**	**1,279**

Both half-periods had a positive net balance. The net operating incomes in the first half of 2011/2012 financial year were affected by the partial release of the fund for returns that, for the trend decline in the acceptance of returns from customers and the consequent changes in estimates, was in excess of September 30, 2011. The positive net effects related to this partial release were equal to 2,135 thousand euros. Instead in the first half of 2010/2011 financial year the item included incomes related to the key money collected as a result of the sale to third parties in advance of three leases related to not strategic boutiques for 1,826 thousand euros. The corresponding write-down of the non-current net assets for these boutiques was booked in the item Amortization, depreciation and devaluation (see note 33).

33. AMORTIZATION, DEPRECIATION AND DEVALUATION

Below there is given the breakdown of this item for the first half ended September 30, 2011 and September 30, 2010:

(in thousand of Euro)	I Half 2011/2012	I Half 2010/2011
Amortization of intangible assets	230	340
Depreciation of tangible assets	1,266	1,434
Devaluation of intangible and tangibles assets	-	1,261
Total Amortization and depreciation	**1,496**	**3,035**

The decrease in the amortization for 278 thousand euros was related to the contraction of the depreciable basis.

The devaluation of the assets booked in the first half of 2010/2011 financial year was due to the complete write off of the remaining net book value of the key money initially paid over at the time of the stipulation of the rental contracts that were ceded to third parties during that semester. This devaluation was related to the key money collected giving such contracts and booked in the item “Other net operating (charges) incomes”, described in Note 32 above.

34. FINANCIAL INCOMES AND (EXPENSES)

Below there is given the breakdown of this item for the first half ended September 30, 2011 and September 30, 2010:

(in thousand of Euro)	I Half 2011/2012	I Half 2010/2011
Net gains on exchange	(385)	253
Other financial charges	(1,195)	(1,344)
Other financial revenues	609	236
Total financial (expenses) and incomes	**(971)**	**(855)**

Worsening of 116 thousand euros compared to the first half of the previous financial year was fully due to the exchange rate effects which were negative in the first half of 2011/2012 financial year for

385 thousand euros while were positive for 253 thousand euros in the same period of the previous financial year. The financial charges were instead in reduction due to the lowest average financial exposure in the semester closed at September 30, 2011 compared to the exposure recorded in the same period of the previous financial year.

35. INCOME TAXES

In the first half of 2011/2012 financial year income taxes had a negative impact equal to 1,455 thousand euros compared to a positive balance equal to 129 thousand euros in the first half of 2010/2011 financial year, when we had benefited from the recalculation of deferred tax assets generated in prior periods for the change of tax rate occurred in foreign countries. In both periods it was decided not to post the provision for prepaid tax assets regarding the losses incurred by companies in the period.

36. TRANSACTIONS WITH RELATED PARTIES

In this paragraph there are described the transactions that have taken place between the companies of the Damiani Group and related parties during the first half ended September 30, 2011 and September 30, 2010, highlighting their impacts on the consolidated financial statements.

The transactions with related parties are almost totally of a real estate/financial nature, i.e. rents, sale and lease back operations, rentals of business units.

The following table shows the details relative to the transactions between Group companies and related parties occurred during the semester ended September 30, 2011.

(in thousands of Euro)	I Half 2011/2012		Balance at September 30, 2011			
	Operating costs	Financial expenses	Other current assets	Long term debts (including leasing)	Other current liabilities	Trade payables
D.Holding S.A.	(85)	-	-	-	-	(340)
Imm.re Miralto S.r.l.	(1,248)	(515)	891	(11,013)	-	(168)
Montenapo 13 S.r.l.	(15)	-	-	-	-	(9)
Roof Garden SA	(43)	-	-	-	-	(145)
Executive with strategic responsabilities	(174)	-	-	-	(25)	(214)
Total with related parties	(1,565)	(515)	891	(11,013)	(25)	(876)
Total from Financial Statements	(66,084)	(1,580)	13,216	(30,383)	(4,443)	(57,143)
%age weight	2%	33%	7%	36%	1%	2%

In detail:

- The costs amounting to 85 thousand euros from the related company D.Holding S.A. relate to the fees paid by the subsidiary Damiani International BV under the agreement granting the use for special events of jewelry that won *Diamonds International Awards*, which are owned by the related party.
- The costs from Immobiliare Miralto S.r.l. relate to real estate rental charges paid for the premises in Milan, Turin and Valenza (AL). Moreover, during the period also arose financial charges for 515 thousand euros for the interests for the reimbursement of the financial debt due to the sale and lease back operations with related party involving four buildings in Milan, Padova and Taormina where Damiani and Rocca boutiques are located. The financial debt outstanding at September 30, 2011 amounted to 11,013 thousand euros. The other current assets include prepaid expense of the large initial rental installment paid by Rocca S.p.A. in the previous financial year when it concluded the lease of the boutique in Turin (the value at September 30, 2011 was equal to 891 thousand euros).
- Costs relating to Montenapo 13 s.r.l. refer to rents paid by the subsidiary Rocca S.p.A. for a store in Italy.
- Costs relating to Roof Garden S.A. refer to rents for the building in New York, used by the subsidiary Damiani Usa Corp.
- Costs relating to executives with strategic responsibilities refer to services which fall under the ordinary operations of the Group.

The following table shows the details relative to the transactions between Group companies and related parties in the first half ended September 30, 2010.

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

In detail:

- The costs amounting to 85 thousand euros from the related company D.Holding S.A. relate to the fees paid by the subsidiary Damiani International BV under the agreement granting the use for special events of jewelry that won *Diamonds International Awards,* which are owned by the related party.
- The costs from Immobiliare Miralto S.r.l. relate to real estate rental charges paid for the premises in Milan, Turin and Valenza (AL). Moreover, during the period also arose financial charges for 566 thousand euros for the interests for the reimbursement of the financial debt due to the sale and lease back operations with related party involving two buildings in Milan, where Damiani and Rocca boutiques are located, the property for workshops in Bassignana (AL) used by the subsidiary Laboratorio Damiani S.r.l and two multibrand store Rocca in Padova and Taormina. The financial debt outstanding at September 30, 2010 amounted to 11,801 thousand euros. At September 30, 2010 the lease back contract related to the property of Bassignana (AL) was extinguished, before its natural expiry, due to the relocation of the headquarter of Laboratorio Damiani S.r.l. to Valenza. The residual value of financial debt, equal to 184 thousand euros, was written off with counterpart to net equity. The other current assets mainly include prepaid expense of the before described large initial rental installment paid by Rocca S.p.A. in the previous financial year for an amount of 1,000 thousand euros, when it concluded the lease of the boutique in Turin.
- Costs relating to Roof Garden S.A. refer to rents for the building in New York, used by the subsidiary Damiani Usa Corp.

In both periods there existed loan contracts between the Parent company and some subsidiaries, which were negotiated at arm's length.

37. COMMITMENTS AND POTENTIAL LIABILITIES

There do not exist any commitments and liabilities arising from obligations under way and which is likely the use of resources dedicated to fulfilling the obligation, which were not already reflected in the financial statements as of September 30, 2011.

In relation to the ongoing litigation between the Tax Agency in Milan – Office 6 and the subsidiary New Mood S.p.A., together with the parent company Damiani S.p.A., which took part in the fiscal consolidation system, it provides an update on the case. On December 29, 2009 the Tax Agency in Milan - Office 6 notified New Mood S.p.A. an assessment notice for the tax year 2004, based on which there was contested the fiscal deductibility of costs for about 8,000 thousand euros related to the purchases of goods from supplier companies resident in Hong Kong, maintaining that for these companies did not exist the tax exemption conditions laid down by article no. 110, paragraph 11 of the TUIR (Consolidated Income Tax Act). The amount demanded by the Office, in terms of taxes and fines net of interest was 6,226 thousand euros. The company presented a plea against this assessment notice on May 28, 2010, because it believes it has acted according to the principles of procedural and substantive fairness and it can establish the illegality of the tax claim. On November 5, 2010 the Provincial Tax Commission of Milan issued the decision at first instance which accepting the reasons of the plaintiff New Mood S.p.A., recognized the deductibility of the costs incurred in 2004 to operations with foreign suppliers. On May 5, 2011 the Regional Tax Commission of Milan of the Tax Agency presented an appeal with a request for public hearing at first instance sentence of November 2010, maintaining that the reasons were insufficient and that the evaluation of the facts and proofs supplied by New Mood S.p.A. were erroneous and reiterating that there did not exist the exemption conditions laid down by article no. 110, paragraph 11, of the TUIR. On July 18, 2011 New Mood S.p.A. and the parent company Damiani S.p.A., represented by their legal and tax advisors, submitted counterclaims and cross-appealed to the Regional Tax Commission of Milan for the reform of the decision at first instance of the Provincial Tax Commission of Milan as of November 5, 2010, with which, has noted above, was partially annulled the notice of assessment originally notified. New Mood S.p.A. is now waiting to be fixed for next hearing according to the process that governs the tax litigation. Given the current situation and considering that in the first instance the position of New Mood S.p.A. was accepted favorably, the liability 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 at March 31, 2011.

38. ATYPICAL AND/OR UNUSUAL AND NON-RECURRING TRANSACTIONS

In the first half of 2011/2012 financial year there were no positions or transactions deriving from non-recurring, atypical and unusual operations as defined in the Consob ruling no.15519 as of July 27, 2006.

39. EARNING (LOSSES) PER SHARE

The basic earnings (losses) per share were calculated by dividing the net result for the period belonging to the ordinary shareholders of the Issuer Damiani S.p.A. by the weighted average number of shares in circulation in the period. In the calculation of the earnings (losses) per share the weighted average number of shares in circulation included also the effects of the treasury shares purchased starting from March 2008, as a result of the resolutions passed by the Shareholders' Meetings of February 22, 2008, of July 22, 2009, of July 21, 2010 and of July 27, 2011.

Below there are shown the information regarding the shares, which were used for the purpose of calculating the basic and diluted earnings (losses) per share:

Basic Earnings (Losses) per Share	**I Half 2011/2012**	**I Half 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	72,666,432	78,311,419
Basic Earnings per Share (amount in Euro)	**(0.10)**	**(0.11)**

Diluted Earnings (Losses) per Share	**I Half 2011/2012**	**I Half 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 diluited earnings per share	79,110,174	79,110,174
Diluted effect from Stock option plan	-	-
Weighted average number of ordinary shares for computation of basic earnings per share	72,666,432	78,311,419
Diluted Earnings per Share (amount in Euro)	**(0.10)**	**(0.11)**

40. FINANCIAL RISK MANAGEMENT

At September 30, 2011 the Damiani Group had a negative net financial position of about 28 million euros, an improvement of about 0.7 million euros compared to March 31, 2011, in spite of the fact that the six months were still characterized by a negative profitability and uncertainties and volatility in target markets, both in terms of sales of products that purchases of raw materials. Consequently, the Group has continued to operate with a cautious financial risk management policy that is appropriate to the existing situation and to the specific projects that, from time to time, it has proceeded to develop.

Below there are given the summary descriptions of the main financial risks to which the Damiani Group is exposed, the policies put in place to monitor them and mitigate the effects.

Interest rate risk

Interest rate changes can affect the profitability of the Group implying higher interest costs on debt.

The structure of the Group's indebtedness at September 30, 2011 is still properly balanced with about 75% of debt at fixed rates with banks, net of the share of payable to related parties for sale and lease back operations, with annual rates between 4% and 4.5% in the various outstanding loans with a maturity up to June 30, 2015. Thanks to this financing structure the Group uses rarely short-term financing, i.e. credit lines and factoring, which is more exposed to interest rate fluctuations especially in times like the present one marked by very strong financial turmoil, but currently it is average less expensive than the medium/long term (average interest expense paid on short using are about 2.5%).

Including between the short term debt the installments of medium/long term due within the next twelve months, at September 30, 2011 the indebtedness to the banking system is perfectly balanced between short and medium/long term with 50% of the total outstanding due after September 30, 2012.

Exchange rate risk

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

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

At September 30, 2011 there were in place contracts for forward purchase of currencies signed by the Group for the amount, expressed in euro at spot exchange rate at period end, equal to 5,323 thousand euros (respectively for 4,902 thousand euros in Damiani S.p.A. and 421 thousand euros in the subsidiary New Mood S.p.A.). The fair value evaluation of these contracts determines a positive impact on the consolidated profit and loss at September 30, 2011 of about 257 thousand euros. The exchange rate risk hedging policies have not undergone significant changes in the first half of 2011/2012 financial year, compared to prior periods.

Liquidity risk

The Group manages its liquidity risk through the tight control of the elements that make up the working capital, consists of inventories and trade receivables and liabilities, and through the centralized managing of its treasury processes and flows. The Damiani Group's exposure towards third parties mainly consists of trade payables connected with supply relationships and financial debts; due to the seasonal trends of the procurement process, at September 30, 2011 trade payables increased compared to March 31, 2011 (in return are increasing inventories which will fuel sales during the high season in the quarter October-December). The short term financial exposure remained limited due to the higher weight of the medium/long term financing. The available short term credit lines are therefore only partially used (the maximum availability at September 30, 2011 was 125 million of euros).

In the context of finding the right balance between the generated and absorbed resources from operations, the evaluations made by management also came into play in order to decrease the inventories and to reach sizes that are more in line with the current volumes of the business activities. These evaluations conduced the Group to carry out some scrapping operations with the recovery of precious raw materials in the first half (and in continuity with the recent past). In the current market situation these operations continue to be considered convenient both in term of brand equity and of liquidity risk control and of optimizing the management of the working capital.

Credit risk

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

With reference to the delearship, the Group deals with selected customers mainly consisting of jewelers and distributors and, therefore, are not usually required collateral. Group policy is subject to the new customer preliminary information survays and monitor all customers with the attribution of a specific trust; there is also an automatic check operating on all them, supported by an information gathering company , to flag possible negative situations (for example dishonored bills) which trigger immediate block and start the process of credit recovery. So far this constant monitoring has kept bad debt losses at an acceptable level. The deterioration in market conditions and the difficult access to credit could affect the solvency of some clients, against which the Group performs constant monitoring to safeguard its interests and from which the Group proceeds to accurate assessments of risk in the financial year end.

Price risk

The Damiani Group uses between the raw materials mainly precious stones, gold, pearls and other prized materials, whose prices and market availability can vary significantly in relation to factors like government regulations, market trends and investors' speculative positions, relationship with suppliers, above all regarding diamonds purchases and therefore consequent conditions of supply.

During the first half of 2011/2012 financial year the average price of gold was 36.18 Euros/gram, while during the same period of the previous financial year the average price was 30.41 Euros/gram, with an increase of about 19% on a year to year basis. Also the Usd price of diamonds purchased during the first half of the current financial year was in strong increase and on certain types of stones the growth exceeded 20% if compared to the purchase price of diamonds with similar characteristics recorded in the same period of the previous financial year.

The risks can also additionally increase due to the exchange rate trend, because some raw materials purchases are settled in foreign currencies as Usd (diamonds) and Japanese yen (pearls), while the financial statements are drawn up in euros.

The Damiani Groups reduces this risk by using mainly to purchase finished goods from suppliers with whom there are established relationships and agreements set over a medium-term time to mitigate the effects associated with sudden and frequent price fluctuations, as has been seen also in the six-months period.

Moreover, in order to reduce the risk arising from the fluctuations of raw materials prices, the Group stipulated forward purchase contracts for gold during the first half. At September 30, 2011 the outstanding contracts were for 40 kilograms for nominal value of 1,402 thousand euros.

41. EXCHANGE RATES

Below there are given the exchange rates at September 30, 2011 and at September 30, 2010 used for converting the financial statements denominated in foreign currencies.

Currency	Average I Half 2011/2012	Spot September 30, 2011	Average I Half 2010/2011	Spot September 30, 2010
U.S. Dollar	1.43	1.35	1.28	1.36
Japanese Yen	113.50	103.79	113.84	113.68
Swiss franc	1.21	1.22	1.37	1.33
G.B.Pound	0.88	0.87	0.84	0.86
Hong Kong Dollar	11.10	10.52	9.96	10.59
Pataca Macau	11.43	10.83	N/A	N/A
Mexican Peso	17.94	18.59	N/A	N/A

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

Attestation of the Half-year condensed consolidated financial statements, pursuant article 81, part three, of the Consob Regulation no. 11971 of May 14, 1999 and its subsequent changes and additions

1. The undersigned Mr. Guido Grassi Damiani, Chairman and CEO and Mr. Gilberto Frola, Executive in charge of drawing up the accounting documents of Damiani S.p.A., attest, also taking into account what is laid down by article 154, part two, paragraphs 3 and 4, of the Legislative Decree of February 24, 1998, no. 58:
   - The appropriateness of the procedures involved in relation to the characteristics of the company and
   - The effective application of the administrative and accounting procedures used to build up the Half-year condensed financial statements during the six-months period ended September 30, 2011.

2. It is also certified that:

   2.1 the half-year condensed financial statements:

   a) Are drawn up in compliance with the applicable International Financial Reporting Standards, as endorsed by the European Community through the UE Regulation no. 1606/2002 of the European Parliament and Counsel, dated July 19, 2002 as well as with the measures implementing Article 9 of the Legislative Decree no. 38/2005;
   b) Reflect the contents of the accounting books and entries;
   c) Are suitable for giving a true and fair view of the assets, liabilities, income and financial position of both the issuer and all the entities included in the scope of consolidation.

   2.2 The interim report on operations provides a reliable analysis of the significant events that have occurred in the first six-months of the year and of their impacts on the half-year condensed financial statements, together with a description of the main risks and uncertainties for the second half-year, as well as the information regarding the relevant transactions with related parties.

Valenza, November 25, 2011

Guido Grassi Damiani	Gilberto Frola
____________________	____________________
Chairman and CEO	Executive in charge of drawing up the accounting documents

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Damiani S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the separate income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement and the related explanatory notes of Damiani S.p.A. and its subsidiaries (the "Damiani Group") as of September 30, 2011. Management of Damiani S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes reference should be made to our reports issued on June 28, 2011 and on November 29, 2010, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Damiani Group as of September 30, 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, November 28, 2011

Reconta Ernst & Young S.p.A.
Signed by: Maurizio Girardi, Partner

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