DAMIANI

DAMIANI S.p.A.

FIRST HALF CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2007

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First Half Consolidated Financial statements as of September 30, 2007

Damiani S.p.A.
Valenza Po (AL), Viale Santuario, 46
Share Capital Euros 36,344,000
VAT Number and Tax Code 01457570065

14 November 2007

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(*) The Damiani Group closes its financial year on 31 March , hereinafter called the financial year 2007/2008 and, therefore, the Profit and Loss Account of the Intermediate Consolidated Financial Statements at 30 September 2007 covers the period from 1 April to 30 September 2007.

COMPANY BODIES

Board of Directors

Guido Grassi Damiani
(Chairman and Managing Director)
Silvia Grassi Damiani
(Vice Chairman)
Giorgio Grassi Damiani
(Vice Chairman)
Giulia De Luca
(Director)
Stefano Graidi
(Director)
Giancarlo Malerba
(Director)
Lorenzo Pozza
(Director)
Fabrizio Redaelli
(Director)

Board of Statutory Auditors

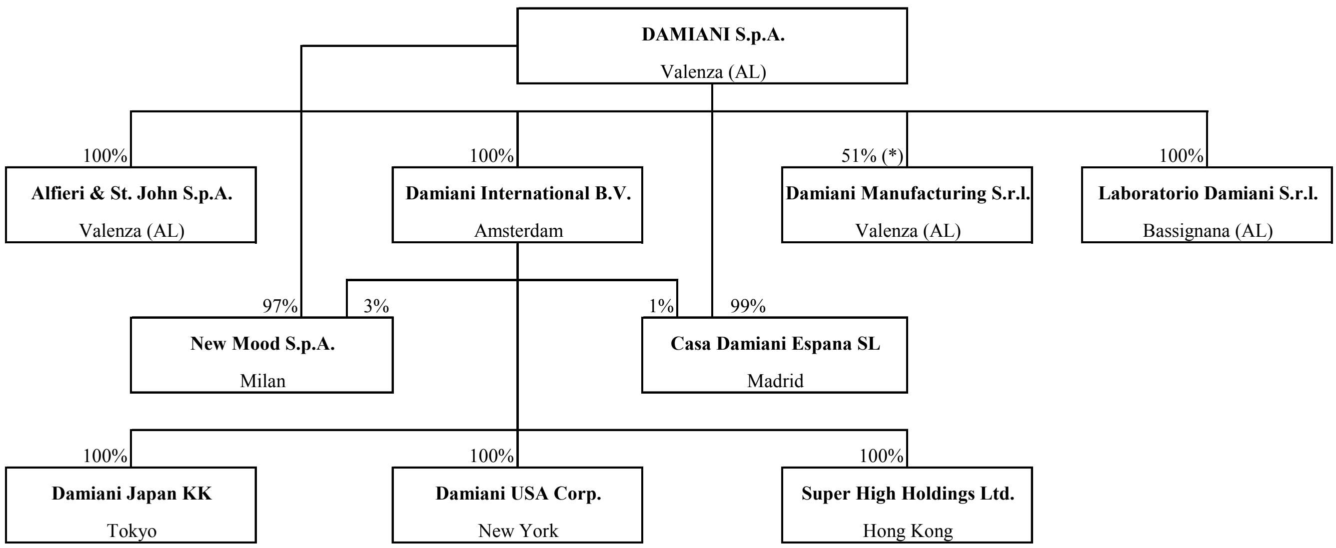
Gianluca Bolelli
(Chairman)
Fabio Massimo Micaludi
(Active Statutory Auditor)
Simone Cavalli
(Active Statutory Auditor)
Pietro Sportelli
(Substitute Statutory Auditor)
Pietro Michele Villa
(Substitute Statutory Auditor)

Independent Auditing Firm

Reconta Ernst & Young S.p.A.

REPORT ON OPERATIONS

Structure of the Damiani Group



(*) 49% is held by Christian and Simone Rizzetto, currently directors of Damiani Manufacturing S.r.l., with mandates for production, administration and finance.

All the companies shown in the above organization chart are subsidiaries and, therefore, in the half yearly report at 30 September 2007 all the financial statements of the companies have been consolidated with the total integration method, regardless of the percentage of the shares in them that are owned by the Group.

History and Business Activities of the Group

The origins of the Group's business activities go back to the year 1924, when Enrico, the grandfather of Guido, Giorgio and Silvia Grassi Damiani, the current shareholders and, respectively, the current Chairman and Vice Chairmen of the Group Parent Company Damiani S.p.A., began to design and produce jewelry with diamonds at Valenza (AL), a city around which there is located the goldsmith area that is considered to be the world center of qualitative excellency for the production of jewelry.

The son of Enrico, Damiano, took up his father's heritage and, side by side with his wife Gabriella, who is currently the Honorary Chairman of the Group, began to develop it, through the industrial reinforcing and the commercial expansion of the Group during the thirty year period between the 60's and the 90's.

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After the premature decease of the father in 1996, the third generation of the family, consisting of the three siblings who are the current shareholders, took over the management of the business and the

Group's revenues grew from about 58 million Euros for the year 1995 to 167 million Euros for the 12 months closed at 31 December 2006, as well as introducing into the business a series of innovative distribution and commercial strategies such as the use of testimonials, i.e. internationally famous celebrities Damiani is the Italian market leader for the production and commercializing of high range and advanced design jewelry with the brands of Damiani, Salvini, Alfieri & St. John and Bliss and the Calderoni brand that was acquired recently but not yet commercialized at 30 September 2007. The Group is present in Italy and in the main countries in the world through the subsidiary companies that are shown in the organization chart and that enable it to preside over the European, American and Asian markets.

During its history the Group has achieved a number of prestigious Italian and international awards and recognitions both for product design, communication and entrepreneurship. Specifically, regarding product design from the year 1976 until today the Group has won a total of eighteen editions of the *Diamond International Award,* which is considered to be the leading worldwide award for jewelry, to which there are added the four that have been won in the past by the Calderoni brand, which was purchased by the Group in 2006.

The Group, even though it is mainly focused on high range jewelry, also offers, through its various brands, an ample coverage of the main market segments for the purpose of satisfying the different consumers by proposing to them a vast array of jewelry in the various price changes.

The following table summarizes the distinguishing features of the Group's brands:

Company/ Brand	Year of creation	Foundation values	Product categories	Main products icon	Positioning
Damiani	1924	Luxury, elegance, high quality, exclusiveness	Jewelry in precious metals con diamonds, precious stones e pearls	D.Side, Belle Epoque, San Lorenzo, Minou, Damianissima	Luxury
Salvini	1986	Classical jewelry reinterpreted w contemporary style	Jewelry in precious metals con diamonds, precious stones e pearls	Le Croci Salvini, Farfalle, I Cuori	Luxury
Alfieri & St. John	Created in 1977 and acquired by Damiani in 1998	Jewelry with characteristic design and with the addition of a classic line in order to fully respond to the needs of the Wholesale channel	Jewelry in precious metals con diamonds, precious stones e pearls	Croci, Astro, Charming	Medium/High range

COMPANY/ BRAND	YEAR OF CREATION	FOUNDATION VALUES	PRODUCT CATEGORIES	MAIN PRODUCTS ICON	POSITIONING
Bliss	1999	Jewelry interprets the design in a refined but accessible manner in order to satisfy a transversal public	Jewelry in precious metals con diamonds, precious stones, pearls and also in alternative materials (steel, carbon, ebony etc.)	Shape, Life, Fish	Accessible luxury
Calderoni	Created in 1840 and acquired by Damiani in 2006	Jewelry that is inspired by the tradition of Italian high class jewelry	Jewelry in precious metals con diamonds, precious stones, pearls	La Fede Calderoni	Luxury

The production mainly takes place through production units that are outside of the Group and located in the goldsmith's area of Valenza, except for a part of the Bliss production that is carried out in Asia, as well as in the production units of the Group: Damiani Manufacturing S.r.l. and Laboratorio Damiani S.r.l.. This latter was constituted in April 2007 and currently it is in the start-up stage. Internal production covers about 15% of the total current need of the Group.

The commercializing of the products of the Group takes place, both in Italy and abroad, mainly through the following two distribution channels:

- The wholesale channel consisting of multi-brand independent jewelers, department stores, franchisees and single brand Points Of Sale (POS) managed by third parties and distributors. The Group has about 2,600 customers all over the world and 45 single brand POS in this channel.
- The retail channel consists of the individual POS that are managed directly by the Group. At 30 September 2007 the single brand POS managed directly were 8, four in Italy and four abroad.

The sales of jewelry are highly seasonal, with the yearly sales peak concentrated in the quarter October-December. For all the brands of the Group there are foreseen two important canvasses (March and September), during which there are launched the most "strong" and identifiable of the different brands and two or three smaller or "tactical" canvasses (January, May/June, November).

Corporate Governance

The Extraordinary Shareholders' Meeting of Damiani S.p.A. adopted on 26 June 2007, the text of a set of Articles of Incorporation that is in conformity with the legislative and regulatory measures that are applicable to quoted companies, including the measures introduced by the Law number 262/2005 (Savings Law) and the Legislative Decree number 313/2006 (Pinza Decree), as these were actuated by Consob (Italian SEC) with the resolutions that it passed in the month of May 2007.

The resolution was inscribed in the Enterprises Register of Alessandria on 27 June 2007. At that date the Shareholders' Meeting appointed a new Board of Directors the composition of which, with the presence in it of a congruous number of non-executive and independent Directors, observes both the legal measures regarding these matters, i.e. the presence of at least two independent Directors in the case of a Board consisting of more than seven members, pursuant to article 148, third paragraph, Legislative Decree number 58/98, as well as the principles of corporate governance laid down by the Self-Governance Code for listed companies.

Among other things, the Board has already decided to put in place, in conformity with the articles 5, 7 and 8 of the Code, the Internal Audit Committee and Corporate Governance and the Remunerations Committee.

As members of the two Committees there were appointed the three non-executive Directors, two of whom are also Independent Administrators, subject to evaluation by the administrative body of the company regarding the observance of the criteria that are laid down within the articles 2.C.1, with reference to the definition of "non-executive", and 3.C.1, with reference to the definition of "independence" of the Self-Governance Code for the listed companies.

Regarding the internal controls the Board has appointed the executive Director charged with superintending the functionalities of the internal controls system, having obtained the favorable opinion of the members of the Internal Controls and Corporate Governance Committee regarding this.

With reference to the relative legislative and regulatory measures regarding market abuse, on 12 September 2007 the Board approved a procedure which, as well as guaranteeing the full observance of the publication obligations inherent to the operations that are carried out by the so-called "relevant parties" pursuant to article 152, sixth part, of the Issuers Regulations regarding the shares issued by Damiani S.p.A. it also prohibits the carrying out of "significantly outstanding operations" as these are defined in the Self Governance Code during specific periods, as well as having put in place, pursuant to article 115, second part, of the Legislative Decree 58/98, the Register of those persons who have access to privileged information. These operations, in any case, include all the operations that have been carried out, also through subsidiary companies with related parties, which must be resolved upon and/or actuated, respecting both the relative formal procedural correctness as well the correctness of substance.

You are reminded that the corporate governance documents can be viewed in the investor relations section of the website www.damiani.it.

Stock Options Plan

On 26 September 2007 the Ordinary Shareholders' Meeting passed a resolution regarding a stock option plan in favor of employees, Directors, agents and consultants of the company and its subsidiaries that occupy relevant roles or functions in the companies of the Group. The plan foresees the assignment up to a maximum of 1,600,000 options to each one of which there is attributed the right to purchase or subscribe 1 share at the offering price, whenever the assignment took place before the beginning of trading of the shares on the Computerized Stock Market.

Afterwards, on 5 November 2007 the Board of Directors actuated the stock option plan identifying, with the support of the Compensation Committee, the names of the beneficiaries between the Directors, the employees, the agents, the consultants and the collaborators of the Group and assigning 1,543,000 options. The Board of Directors has, therefore, set the general objective the achievement of which is the indispensable condition for exercising the option rights by each individual beneficiary and it gave a mandate to the Chairman to fix the individual objectives for each beneficiary to which there is subordinated the faculty of exercising the options.

For greater details reference should be made to the following notes.

Key Data

Share Capital (1)	30 September 2007	30 September 2006
Number of shares	64,137,500	513,100
Nominal value per share	0.44	55
Share Capital	28,220,500	28,220,500

Ownership		
Leading Jewels S.A. (2)	67.60%	39.71%
Guido Grassi Damiani	5.16%	19.45%
Silvia Grassi Damiani	12.56%	19.45%
Giorgio Grassi Damiani	12.56%	19.45%
Colombo Damiani Gabriella(3)	0.16%	0%
Giulia De Luca	1.95%	1.95%

(1) The data regarding the Share Capital that is shown do not take into account the increase of the Share Capital through the issue of 18,462,500 shares for the amount of Euros 8,123,500 that was carried following the quotation, which took place on 8 November of the Group, on the regulated stock market, STAR (Settore Titoli Alti Requisiti) (High Requisites Securities Sector) segment, managed by Borsa Italia. Therefore, at the date of this half yearly report the Share Capital was equal to Euros 36,344,000 consisting of 82,600,000 shares with the nominal value of Euros 0.44 each.
(2) On 18 July 2007 Jewellery Investment S.A., the owner of 39.7% of Damiani S.p.A. at 30 September 2006 changed its name to D. Holding SA and conferred upon the newly incorporated company called Leading Jewels SA the shareholding in Damiani S.p.A.
(3) With the usufruct of 942,821 shares corresponding to 1.47% of the Share Capital.

Profit & Loss Account Data (in thousands of Euros)	**II Quarter** closed at 30 September 2007	closed at 30 September 2006	change %	**I Half Year** closed at 30 September 2007	closed at 30 September 2006	change %
Sales revenues	31.222	27.872	12%	73.893	67.288	10%
Total Revenues	31.356	28.048	12%	81.764	67.635	21%
Operating Expenses	(29.659)	(25.742)	15%	(65.695)	(59.442)	11%
EBITDA	2.322	2.897	-20%	17.348	9.396	85%
Operating Income	1.697	2.306	-26%	16.069	8.193	96%
Profit before taxes	1.446	1.262	15%	15.394	7.733	99%
Net Result	-238	-463	49%	10.107	3.743	170%
Earnings per share				0,16	0,06	

Personnel Costs	(10.284)	(9.441)	9%
Average number of employees	501	453	

Balance Sheet Data (in thousands of Euros)	30 September 2007	31 March 2007	change	30 September 2006	change
Fixed Assets	33.238	37.526	-4.288	46.024	-12.786
Net Working Capital	104.080	94.418	9.662	99.889	4.191
Current and non-current Liabilities	(7.073)	(7.608)	535	(5.351)	-1.722
Net Capital Invested	**130.245**	**124.336**	**5.909**	**140.562**	**-10.317**
Net Equity	83.460	76.430	7.030	62.496	20.964
Net Indebtedness	46.785	47.906	-1.121	78.066	-31.281
Sources of Financing	**130.245**	**124.336**	**5.909**	**140.562**	**-10.317**

(1) The net indebtedness, starting from the Intermediate Consolidated Financial Statements for the quarter closed at 30 June 2007 and therefore also for the Half Years closes at 30 September 2006 and 2007 and for the financial statements for the period of three months closed at 31 March 2007, has been calculated on the basis of the Consob (Italian SEC) communication number DEM/6064923 of 28.07.06. There are no significant differences compared to the amount of the indebtedness based on the previous methodology used for the construction of the financial statements prior to that date.

Comments on the economic and financial results.

The positive trend of revenues, of operating income and of the net result for the Half Year (April – September) of the financial year 2007/2008 was significantly impacted, as well as by the very good operational performance of the company, by some non-recurring operations even though they are linked to the typical business of the company, relative to the cashing in of key money, for an amount that is equal to about Euros 7.6 millions, gross of the corresponding costs for Euros 0.6 millions and the fiscal impact, which was the fee received for the dissolution prior to their natural expiry dates of the real estate rental contracts relative to the commercial buildings located in Italy and abroad , as described below.

In more detail the results of the Damiani Group for the Half Year of the financial year 2007/2008 were the following:

- Revenues from sales and services, which is the core business of the Group, increased by Euros 6,605 thousands, going from Euros 67,288 thousands for the first of the financial year 2006/2007 to Euros 73,893 thousands with a percentage increase of 9.8% compared to the corresponding period of the previous financial year. The total of the revenues increased by Euros 14,129 thousands, or about 21 %, due to the impact of the growth of the other non-recurrent revenues that came in for key money, which is not repeatable, that was cashed in during the Half Year for the amount of Euros 7.6 millions for the advance dissolution of the two real estate rental contracts for commercial buildings that have been referred to above.
- EBITDA amounted to 17,348 thousands, or 21% on revenues with an increase of Euros 7,952 thousands, or 84.6% compared to the corresponding Half Year of the previous financial year, The big increase of the EBITDA was impacted by the amount of the key money referred to that was cashed in during the Half Year, and posted to the non-recurring revenues, which positively impacted the EBITDA of the Half Year for an amount that is equal to about Euros 7.1 millions. Net of the impact of this key money, which is not repeatable, the EBITDA of the first Half Year of the financial year 2007/2208 would have been Euros 10,296 thousands, or about 12.6% on the revenues, in line with the margin of the corresponding Half Year of the previous financial year and an increase of about 9.6% in absolute value compared to the first Half Year of the financial year 2006/2007.
- Operating income amounted to Euros 16,069 thousands with an increase of Euros 7,876 thousands compared to the first Half Year of the previous financial year (about +96), benefiting from the non-recurring operations referred to already.
- Consolidated Net result for the first Half Year of the financial year 2007/2008 amounted to Euros 10,107 thousands increasing by Euros 6,364 thousands (about +170%) compared to the

corresponding period of the previous financial year, benefiting from the non-recurring operations referred to already.

There follows the comparison between the Consolidated Profit and loss Account for the first Half Year (April – September) of the financial year 2007/2008 and the Profit and Loss Account data relative to

	II Quarter				I Half Year			
(in thousands of Euros)	closed at 30 September 2007	closed at 30 September 2006	change	change %	closed at 30 September 2007	30 September 2006	change	change %
Revenues from sales and services	31.222	27.872	3.350	12,0%	73.893	67.288	6.605	9,8%
Other recurring revenues	134	176	(42)	-23,9%	259	347	(88)	-25,4%
Other non-recurring revenues	0	0	0		7.612		7.612	
Total Revenues	**31.356**	**28.048**	**3.308**	**11,8%**	**81.764**	**67.635**	**14.129**	**20,9%**
Costs of production	(29.034)	(25.151)	(3.883)	15,4%	(64.416)	(58.239)	(6.177)	10,6%
EBITDA (*)	**2.322**	**2.897**	**(575)**	**-19,8%**	**17.348**	**9.396**	**7.952**	**84,6%**
EBITDA %	7%	10%			21%	14%		
Depreciation and Amortization	(625)	(591)	(34)	5,8%	(1.279)	(1.203)	(76)	6,3%
Operating income	**1.697**	**2.306**	**(609)**	**-26,4%**	**16.069**	**8.193**	**7.876**	**96,1%**
Operating Income %	5%	8%			20%	12%		
Net financial incomes (losses)	(251)	(1.044)	793	-76,0%	(675)	(460)	(215)	46,6%
Profit before taxes	**1.446**	**1.262**	**184**	**14,6%**	**15.394**	**7.733**	**7.661**	**99,1%**
Profit before taxes %	5%	4%			19%	11%		
Income Taxes	(1.685)	(1.725)	40	-2,3%	(5.288)	(3.990)	(1.298)	32,5%
Net result	**-238**	**-463**	**225**	**-48,6%**	**10.107**	**3.743**	**6.364**	**170,0%**
Net Profit %	-1%	-2%			12%	6%		
Minority Interests	(90)	(124)			146	18		
Net Result of the Group	**-140**	**-339**			**9.961**	**3.725**		
Net Result of the Group %	0%	-1%			12%	6%		

the second quarter (July-September) of the financial years 2007/2008 and 2006/2007.

(*) EBITDA is the operating result intended as Earnings Before Income Tax Depreciation, Amortization and write-downs. EBITDA is a measurement used by the management of the company to monitor operational performance and is not an accounting measurement in the context of the IFRS (International Financial Reporting Standards) and, therefore, it must not be considered as an alternative measurement for the statutory progress of the Group. Because the composition of the EBITDA is not regulated by the IAS (International Accounting Standards) the criteria used by the Group in calculating it may not be the same as those used by others to arrive at the same item and, therefore, it is not necessarily comparable.

Revenues

The progress of Revenues, amounting to Euros 81,764 thousands in the Half Year first Half Year (April -September) of the financial year 2007/2008, which grew by 20.9% compared to the first Half Year of the previous financial year, was impacted by the key money cashed in during the Half Year that was posted as non-recurring other revenues, for about Euros 7.6 millions, gross of the costs for Euros 560 thousands and the fiscal impact and relative to the following two operations:

- An indemnity paid by third parties to the subsidiary company Damiani International B.V. for the agreement concluded by this latter with a related party for vacating, in advance of the natural contractual expiry date, a shop located in Italy, regarding which Damiani International BV had signed a preliminary contract for the purchase of a branch of a company. As a result of the dissolution by Damiani International of the preliminary contract that had been signed, the Group cashed in a gross fee amounting to Euros 6,397 thousands.
- The ceding to third parties of the real estate rental contract for a shop abroad, following which key money was cashed in amounting to Euros 1,215 thousands

Only considering the recurring revenues the growth compared to the first Half Year of the previous financial year amounted to 9.6%.

In the tables below state the consolidated revenues split by channel and by brand in the first Half Years (April-September) and in the second Quarters (July-September) of the financial years 2007/2008 and 2006/2007.

	II Quarter			I Half Year		
Revenues by Sales Channel (in thousands of Euros)	closed at 30 September 2007	closed at 30 September 2006	Change %	closed at 30 September 2007	closed at 30 September 2006	Change %
Wholesale	27.674	24.471	13,1%	66.949	61.017	9,7%
Percentage on total sales	*88,3%*	*87,2%*		*81,9%*	*90,2%*	
Retail	2.106	1.986	6,1%	4.248	3.945	7,7%
Percentage on total sales	*6,7%*	*7,1%*		*5,2%*	*5,8%*	
Total Revenues wholesale and retail	**29.781**	**26.457**	12,6%	**71.198**	**64.962**	9,6%
Percentage on total sales	*95,0%*	*94,3%*		*87,1%*	*96,0%*	
Othe channel/Other recurring revs	1.575	1.591	-1,0%	2.954	2.673	10,5%
Othe channel/Other non-rec. Revs	0	0		7.612		
Other channels/Other revenues	**1.575**	**1.591**	-1,0%	**10.566**	**2.673**	295,3%
Percentage on total sales	*5,0%*	*5,7%*		*12,9%*	*4,0%*	
Total Revenues	**31.356**	**28.048**	11,8%	**81.764**	**67.635**	20,9%

The increase in the revenues is the combined result of the following factors:

- Growth of the other revenues due to the impact of the cashing in of the key money referred to in the first Half Year of the financial year 2007/2008 for a total of Euros 7,612 thousands.
- Wholesale sales channel:
  - Growth of wholesale revenues at the consolidated level was about 9.7% with positive trends for all brands in the first Half Year of the financial year 2007/2008.
- Retail sales channel:
  - The growth in invoicing in the first Half Year of the financial year 2007/2008 compared to the corresponding period of the financial year 2006/2007 of the Damiani boutiques was + 7%, overall, with the best performance recorded in the United States, which has benefited from the growth in the number of directly managed shops between 2006 and 2007, Currently there are three retail shops located in New York, Honolulu and Philadelphia compared to the single one in New York in 2006).
  - Growth of about 15% of the revenues of the Bliss boutique of Piazza Duomo in Milan.
- Other sales channels: There was a limited intake of revenues from the other sales channels that grew in the first Half Year of the financial year 2007/2008 compared to the corresponding

period of the previous financial year, by about +10.5%, with an insignificant increase in absolute terms of Euros 281 thousands.

EBITDA

In the first Half Year (April - September) of the financial year 2007/2008 EBITDA amounted to Euros 17,348 thousands, increasing by Euros 7,952 thousands, or 84.6% compared to the corresponding Half Year of the previous financial year. This increase was heavily impacted by the non-recurring key money that has already been referred to and which was cashed in during the first Half Year of the current financial year, the net impact of which on EBITDA amounted to Euros 7,052 thousands, net of the relative cost for Euros 560 thousands. EBITDA for the first Half Year of the financial year 2007/2008, inclusive of these incomes of a non-recurring nature was 21%, compared to 14% in the corresponding period of the previous financial year. Net of the positive and non-recurring impact of the key money received EBITDA for the first Half Year of the financial year 2007/2008 would have been 12.6 %, which is in line with the result achieved in the corresponding period of the previous financial year.

In terms of operating costs, the growth rate recorded in the first Half Year of the financial year 2007/2008, compared to the same period of the previous financial year amounted to 10.6%, with a growth in the costs for raw and other materials that is in line with the overall growth of the operating costs and the growing level of the revenues from sales and services. The costs for services grew by about 5.5%, mainly for the higher production costs linked to the outsourcing of the activity of the transformation of the raw materials and the personnel costs recorded a growth rate of almost 9%, with growth in average manpower of the Group of more than 10%.

Net Result

The Group closed the first Half Year (April -September) of the financial year 2007/2008 with a consolidated result amounting to Euros 10,107 thousands, growing by 170% and with a percentage on the revenues of 12%. This result was, of course, positively influenced by the non-recurring cashing in of the key money, already referred to above, and excluding this the net financial management does not show any basic differences between the two Half Years being looked at.

The tax rate of first Half Year of the financial year 2007/2008 amounted to 34%, down compared to the 52% recorded in the corresponding period of the previous financial year, benefiting from the increase in the taxable income of Damiani International BV, mainly due to the cashing in of the key monies referred to above, and because it is subject to tax rates that are lower than the Italian ones.

Summary of the financial results of the second quarters

Regarding the slightly negative financial results that have been achieved in the second quarters July-September of the financials years 2007/2008 and 2006/2007, it is highlighted that they are heavily impacted by the fact that this period is a low season for the business of the Group, with revenues that, historically, are always around 18% of the yearly total and with a level of direct costs that is higher than usual in order to carry out the production activity required to support the sales of the next quarter (October-December), which is the high season with an average of 45-46% of the yearly revenues of the Group, and an incidence of the indirect costs that squeezes the operating margin of the quarter.

Equity and Financial situation

In the following table there is shown the consolidated Equity/Financial situation of the Damiani Group al 30 September 2007 compared to that at 31 March 2007 and at 30 September 2006.

Balance Sheet Data (in thousands of Euros)	30 September 2007	31 March 2007	change	30 September 2006	change
Fixed Assets	33.238	37.526	-4.288	46.024	-12.786
Net Working Capital	104.080	94.418	9.662	99.889	4.191
Current and non-current Liabilities	(7.073)	(7.608)	535	(5.351)	-1.722
Net Capital Invested	**130.245**	**124.336**	**5.909**	**140.562**	**-10.317**
Net Equity	83.460	76.430	7.030	62.496	20.964
Net Indebtedness	46.785	47.906	-1.121	78.066	-31.281
Sources of Financing	**130.245**	**124.336**	**5.909**	**140.562**	**-10.317**

In the first Half Year of the financial year 2007/2008 the consolidated **Net Invested Capital** increased by Euros 5.909 thousands compared to the figure 31 March 2007. This increase is linked to the growth of the Net Working Capital by Euros 9.662 thousands mainly due to the higher inventory levels for Euros 7,907 thousands that reflect the seasonality of the Group's business and the consequent acceleration in the production of stocks to meet the sales peak that, historically, takes place in the next quarter of October-December, As a confirmation of this trend there is highlighted the stability of the inventories at 30 September 2007 (Euros 102,627 thousands) compared to 30 September 2006 (Euros 102,746 thousands).

In the following table there is shown the breakdown of the **Net financial Indebtedness** at 30 September 2007 and its change compared to the figures at 31 March 2007 and at 30 September 2006.

Net Financial Indebtedness (in thousands of Euros)	30 September 2007	31 March 2007	change	30 September 2006	change
Bonds - current part				5.423	-5.423
Medium/Long term loans - current part	4.519	8.386	-3.867	3.988	531
Current Financial Debts to banks and other financiers	19.368	14.824	4.544	30.751	-11.383
Current Financial Indebtednes	**23.887**	**23.210**	**677**	**40.162**	**-16.275**
Medium/Long term loans - non-current part	32.470	38.793	-6.323	44.965	-12.495
Non-current Financial Indebtednes	**32.470**	**38.793**	**-6.323**	**44.965**	**-12.495**
Total Gross Financial Indebtedness	**56.357**	**62.003**	**-5.646**	**85.127**	**-28.770**
Cash, Banks and equivalents	-9.572	-14.097	-4.525	-7.061	2.511
Net Financial Indebtedness	**46.785**	**47.906**	**-1.121**	**78.066**	**-31.281**

The Group recorded a slight improvement in its net financial indebtedness in the first Half Year of the financial year 2007/2008 (down by Euros 1,121 thousands), that went from Euros 47,906 thousands at 31 March 2007 to Euros 46,785 thousands at 30 September 2007, mainly caused by the operating performance which, together with the cashing in of non-current financial receivables from related parties and of the key money received from third parties for the operations that have been exhaustively described previously, has been able to fully absorb the greater need for net working capital linked to the seasonality of the production cycle of the Group.

Regarding the cashing in of the financial receivables it is highlighted that this cash flow, which overall, amounted to Euros 3,936 thousands is linked to the settlement of loans that were given in the past to the subsidiary company Damiani International BV to the companies Jewels Manufacturing SA (for Euros 1,531 thousands) and Damiani Suisse SA, now Immobiliare Pessina SA (for Euros 2,405 thousands), controlled by the Group at the time when the loans were given and that were then ceded in the month of March 2007 to related parties. The repayment of the loans took place on 23 July 2007, from Damiani Suisse SA, and on 14 September 2007, from Jewels Manufacturing SA.

The improvement of the net financial indebtedness of Euros 31,281 thousands compared to the situation at 30 September 2006 depends, as well as on the operating management, also on the positive financial impacts coming from the restructuring of the Group that took place as a first step before the stock exchange quotation that took place with related parties in March 2007 which were, specifically, (i) sales of minority shareholdings in Pomellato and WJR, (ii) from the payments in by the shareholders regarding the sale and lease back operation relative to the real estate of Via Montenapoleone, 10, in Milan, that was realized with parties subject to joint control and (iii) from the cash intake for the key money referred to that, on a total basis, brought in cash for more than Euros 27 millions.

It is highlighted that the financial indebtedness of the Group at 30 September 2007 does not reflect the financial benefits that took place afterwards with the process of stock exchange quotation which, on 8 November 2007, brought into the coffers of the Group Parent Company Damiani S.p.A. net cash amounting to Euros 72,373 thousands, turning the net financial position of the Group into a cash surplus.

The increase in the **Net Equity** between 31 March 2007 and 30 September 2007 is the result of the positive trend of the Half Year, net of the distribution of dividends per Euros 1,847 thousands which was resolved upon regarding the profit at 31 March 2007. In the first Half Year of the financial year 2007/2008 no changes have taken place in the make up of the company's Share Capital.

Key Data by geographical areas

The geographical areas have been identified by making reference to the contents of the IAS (International Accounting Standard) 14 and they are the areas "Italy", "The Americas", "Japan" and the "Rest of the World (ROW)". The sectors consist of the following:

i) the geographical area Italy includes the revenues and the operating costs of the Group Parent Company Damiani Group and its directly controlled subsidiaries that operate in Italy;

ii) the geographical area The Americas includes the revenues and the operating costs of the subsidiary company Damiani USA that operates in the United States of America and that commercializes the products of the Group also in South America, Central America and Canada;

iii) the geographical area Japan includes the revenues and the operating costs of the subsidiary company Damiani Japan that operates in Japan;

iv) the geographical area Rest of World (ROW) includes the revenues and the operating costs of the other subsidiary companies that operate and sell in all the other countries that are not included in the previous areas.

In the following table there are shown the revenues for each geographical area in the first Half Year of each of the financial years 2007/2008 and 2006/2007.

Revenues (in thousands of Euros)	**I Half Year** closed at 30 September 2007	% on total	**I Half Year** closed at 30 September 2006	% on total	2007 vs 2006
Italy:	**51.890**	63%	**49.022**	72%	6%
- revenues from sales and services	51.657		48.795		6%
- other recurring revenues	233		227		
The Americas:	**4.052**	5%	**3.411**	5%	19%
- revenues from sales and services	4.052		3.363		21%
- other recurring revenues			48		
Japan:	**4.931**	6%	**5.156**	8%	-4%
- revenues from sales and services	4.919		5.152		-5%
- other recurring revenues	12		4		
Rest of World:	**20.890**	26%	**10.046**	15%	108%
- revenues from sales and services	13.264		9.978		33%
- other recurring revenues	14		68		
- other non-recurring revenues	7.612				
Total Revenues	**81.764**	100%	**67.635**	100%	21%

The analysis of Revenues by geographical area shows a stable growth in the **Rest of World (ROW)** (about +108% compared to the first Half Year of the financial year 2006/2007), which has benefited from some of the key money received. Net of this effect, the increase of the revenues from core sales would, in any case amount to about 33%, pulled up by the Damiani brand that constitutes 82% of the entire revenues of the geographical area but also with increases in the sales of the other brands. Within the markets contained in the Rest of World (ROW) there has gone ahead positively the growth in Russia, which is the main market in this area and which has a growth of +30% amounting to an increase of Euros 665 thousands and Kazakhstan +192% amounting to an increase of Euros 1,125 thousands. There was set in motion the penetration of new markets such as the Arab Emirates with revenues that were over Euros 650 thousands in the first Half Year 2007 and Turkey with Euros 510 thousands and there was recorded a positive turnaround of the revenues in the Iberian Peninsula of +48%, amounting to an increase of about Euros 530 thousands compared to the first Half Year of the previous financial year.

Furthermore, revenues in the segment **The Americas** also increased about +19% compared to the corresponding Half Year of the financial year 2006/2007 and with a growing weight of the retail trade that went from about 4% in the first Half Year of the financial year 2006/2007 to more than 12 % in the first Half Year of the financial year 2007/2008, as well as good results in the wholesale trade.

There was growth of 6% also in the segment **Italy** mainly due to the impact of the growth of Alfieri & St. John, which has already been referred to, but also because of the positive trend of Damiani, the holding of its position by Bliss and the inversion of the trend of Salvini that was recorded in the second quarter of the financial year 2007/2008.

On the other hand the revenues of **Japan** dropped down by -4% compared to the corresponding Half Year of the previous financial year, which was further penalized by the impact of the exchange rate die to the weakening of the Yen against the Euro by almost 13% on a yearly basis. Net of the exchange rate impact, which means solely in local currency, also Japan recorded an increase in its revenues of about 7%.

In the following table there are given the values of EBITDA for each geographical area in the first two Half Years of the financial years 2007/2008 and 2006/2007.

EBITDA (*) **(in thousands of Euros)**	**I Half Year** closed at 30 September 2007	% on the total EBITDA	**I Half Year** closed at 30 September 2006	% on the total EBITDA	2007 vs 2006
Italy:	**11.764**	68%	**9.407**	100%	25%
The Americas:	**-2.856**	-16%	**-1.761**	-19%	62%
Japan:	**-1.205**	-7%	**167**	2%	n.s.
Rest of World:	**9.645**	56%	**1.583**	17%	n.s.
EBITDA of the Group	**17.348**	100%	**9.396**	100%	85%
Percentage on the Revenues	***21%***		***14%***		

(*) EBITDA is the operating result intended as Earnings Before Income Tax Depreciation and Amortization.. EBITDA is a measurement used by the management of the company to monitor operational performance and is not an accounting measurement in the context of the IFRS (International Financial Reporting Standards) and, therefore, it must not be considered as an alternative measurement for the statutory progress of the Group. Because the composition of the EBITDA is not regulated by the IAS (International Accounting Standards) the criteria used by the Group in calculating it may not be the same as those used by others to arrive at the same item and, therefore, it is not necessarily comparable.

In terms of EBITDA, the segment **Italy** confirms itself as being the one that contributes most to the consolidate results of the Group, also achieving significant growth compared to the first Half Year of the previous financial year (+25%) thanks, above all the restraining of the costs for service.

The segment **Rest of World (ROW)** recorded a growth of the EBITDA of more than Euros 8 millions mainly due to the positive impact of the cashing in of the non-recurring key money that has been often referred to above.

The sector **The Americas** confirms a negative margin with a weight that is basically constant at consolidated EBITDA level, because the revenue growth is not yet sufficient to absorb the fixed costs of the structure which, having grown compared to the first Half Year of the previous financial year, are already sized to support the expected expansion of business activities in this geographical area.

The sector **Japan** showed a decrease in its margins, largely due, on the one hand to the drop in revenues (-4%) and, on the other, to an increase in the costs for services (+40%), above all for advertising and other commercial expenses the benefits from which are only expected to be received in the near future.

Transactions with related parties

The Damiani Group mainly has relations of a commercial nature, linked to the core business of the Group and regarding real estate, i.e. the renting of buildings for use as shops and offices with related parties.

In the following table there are shown, summary format, for the first two Half Years of the financial year 2007/2008 and of the financial year 2006/2007 the relations that the Group has had with related parties and their incidence on the totals of the consolidated P&L and Balance Sheet values for the details of which reference should be made to the Explanatory Notes attached to the Half Yearly Report.

(in thousands of Euros)	First Half Financial Year 2007/2008			Situation at 30 September 2007			
	Revenues	Operating Costs	Financial charges/incs	Trade receivables	Fin. Payables (incl. Leasing)	Trade payables	RE in lease back
Totals with related parties	3.266	(1.590)	(259)	7.025	(9.036)	(238)	8.812
Total Group	81.764	(65.695)	(675)	60.867	(56.357)	(60.517)	
Percentage on Group totals	4%	2%	38%	12%	16%	0%	

(in thousands of Euros)	First Half Financial Year 2006/2007			Situation at 30 September 2006			
	Revenues	Operating Costs	Financial charges/incs	Trade receivables	Fin. Payables (incl. Leasing)	Trade payables	RE in lease back
Totals with related parties	3.035	(639)	(133)	1.400	(6.471)	(2.373)	5.576
Total Group	67.636	(59.442)	(460)	53.541	(85.127)	(59.189)	
Percentage on Group totals	4%	1%	29%	3%	8%	4%	

Significant events after the end of the First Half Period

There are highlighted the following significant events that occurred after the closing of the Half Year:

- On 8 November 2007, at the conclusion of the quotation process that was officially started up with the resolution passed by the Board of Directors Meeting of 30 March 2007, that gave the mandate to the Chairman to carry out the preceding first steps to activate the process and, officially, on 15 June 2007 with the presentation of the request for admission to the Stock Exchange contained in the resolution passed by the Shareholders' Meeting of the company, there began trading of the shares of the Group Parent Company Damiani S.p.A. in Borsa Italiana (Italian Stock Exchange) on the Stock Market in the STAR segment.
- The Initial Purchase Offer and Subscription concerned 26,355,500 shares of Damiani S.p.A., that came partially, for 18,462,550 shares, from an increase in the Share Capital and partially, for 7,893,000 shares, that were put up for sale by the existing shareholders. After the Share Capital increase Damiani S.p.A. had a Share Capital of Euros 36,344,000 made up of 82,600,000 shares of

a nominal value of Euros 0.44 each and the subscription of the Share capital increase by the new shareholders at the placement price brought into Damiani S.p.A. a net cash amount of Euros 72,373 thousands on 8 November 2007.

- On 5 November 2007 the Board of Directors actuated a stock option plan identifying, with the support of the Compensation Committee, the names of the beneficiaries among the Directors, the employees, the agents, the consultants and the collaborators of the Group, assigning 1,543,000 options.
- On 18 October 2007 there took place the opening of the directly managed Bologna boutique of Damiani.

Forecast for operation

Even if in the context of an international macroeconomic scenario that is unfavorable and gives rise to uncertainty on the part of consumers in a quarter (October-December 2007) which due to its being the high season strongly impacts on the results of the whole financial year and, taking into account the trend of the Half Year that has just been closed, the Directors are confident that the current financial year will be closed with growth.

Milan, November 14, 2007

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

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INTERMEDIATE CONSOLIDATED BALANCE SHEET

At 30 September 2007, at 31 March 2007 and at 30 September 2006

(In thousands of Euros)	Note	30/09/2007	31/03/2007	30/09/2006
NON-CURRENT ASSETS				
Goodwill	4	4,977	5,622	5,289
Other Intangible Fixed Assets	5	3,196	1,725	1,919
Tangible Fixed Assets	6	14,235	15,193	18,632
Shareholdings	7	169	545	11,069
Financial receivables and other non-current assets	8	825	4,653	740
Prepaid taxes	9	9,836	9,788	9,019
TOTAL NON-CURRENT ASSETS		**33,238**	**37,526**	**46,668**
CURRENT ASSETS				
Inventories	10	102,627	94,720	102,746
Trade Receivables	11	60,867	60,979	53,541
Taxation receivables	12	3,189	1,786	3,883
Other current assets	12	9,528	7,999	8,178
Cash and Banks and equivalents	14	9,572	14,097	7,061
TOTAL CURRENT ASSETS		**185,784**	**179,581**	**175,409**
TOTAL ASSETS		**219,022**	**217,107**	**222,077**
NET EQUITY				
NET EQUITY of GROUP				
Share Capital		28,221	28,221	28,221
Reserves		43,544	32,524	29,731
Net profit belonging to the Group		9,961	14,024	3,725
TOTAL NET EQUITY DI GROUP		**81,726**	**74,769**	**61,677**
NET EQUITY OF MINORITIES				
Share Capital and reserves of minorities		1,588	1,447	1446
Net profit belonging to minorities		146	214	18
TOTAL NET EQUITY OF MINORITIES		**1,734**	**1,661**	**1,464**
SHAREHOLDERS EQUITY	13	**83,460**	**76,430**	**63,141**
NON-CURRENT LIABILITIES				
Medium/long term loans	14	32,470	38,793	44,965
Employee Termination Indemnity	15	4,135	4,548	4,298
Deferred Taxes Liabilities	9	2,629	2,784	809
Other payables and non-current liabilities		309	276	244
TOTAL NON-CURRENT LIABILITIES		**39,543**	**46,401**	**50,315**
CURRENT LIABILITIES				
Bonds –current part	14	-	-	5,423
Current part of the medium/long term loans	14	4,519	8,386	3,988
Trade Payables	16	60,517	61,082	59,189
Current financial payables to banks and other financiers	14	19,368	14,824	30,751
Taxation Payables	17	7,983	4,857	5,566
Other current liabilities	17	3,632	5,127	3,704
TOTAL CURRENT LIABILITIES		**96,019**	**94,276**	**108,621**
TOTAL LIABILITIES		**135,562**	**140,677**	**158,936**
TOTAL NET EQUITY AND LIABILITIES		**219,022**	**217,107**	**222,077**

INTERMEDIATE CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Half Years closed at 30 September 2007 and at 30 September 2006.

(in thousands of Euros)	Note	Half Year Closed At 30 September 2007	Half Year Closed At 30 September 2006
Revenues from sales and services		73,893	67,288
Other recurring revenues		259	347
Other non-recurring revenues		7,612	0
Total Other revenues		7,871	347
TOTAL REVENUES	18	**81,764**	**67,635**
Costs for raw materials and consumables	19	(28,898)	(26,116)
Costs for services	20	(22,990)	(21,805)
Personnel costs	21	(10,284)	(9,441)
Other net operating costs	22	(2,244)	(877)
Depreciation and Amortization		(1,279)	(1,203)
TOTAL OPERATING COSTS		**(65,695)**	**(59,442)**
OPERATING RESULT		**16,069**	**8,193**
Financial Charges	23	(1,789)	(2,286)
Financial Incomes	23	1,114	1,826
PROFIT BEFORE TAXES		**15,394**	**7,733**
Income Taxes		(5,288)	(3,990)
NET PROFIT FOR THE PERIOD		**10,107**	**3,743**
Belonging to:			
Group		9,961	3,725
Minorities		146	18
Basic Earnings per Share(*)		**0,16**	**0,06**
Diluted Earnings per Share(*)		**0,12**	**0,05**

(*) The diluted Earnings per Share is calculated according to what is laid down in IAS (International Accounting Standard) 33, paragraph 64, taking into account the increase in the number of shares following the Share Capital increase that was consequent to the stock market quotation of the Group Parent Company on the regulated market, STAR segment, managed by Borsa Italiana.

(Amounts in thousands of Euros unless indicated differently)

TABLE OF CHANGES IN THE CONSOLIDATED NET EQUITY

For the Half Year closed at 30 September 2007

(In thousands of Euros)	**Share Capital**	**Share Premium Reserve**	**Legal Reserve**	**Reserve shareholder payments**	**Own shares held in portfolio**	**Conversion reserve**	**Cash flow hedging**	**Other reserves**	**Net profit for the period**	**Net equity of Group**	**Net equity Of minorities**	**Total Net equity**
Balances at 31 March 2007	**28,221**	**4,131**	**1,628**	**8,618**	**0**	**(29)**	**55**	**18, 121**	**14,024**	**74,769**	**1,661**	**76,430**
Allocation of profit for the period			523					11.816	(12.177)	-		
Conversion differences for financial statements in foreign currencies						(380)				(380)		(380)
Adjustment to fair value of Cash Flow Hedging							103			103		103
Payments in by shareholders										-		
Change in the consolidation area								(235)		(235)	(24)	(259)
Distribution of dividends												
Sale of own shares				(645)					(1.847)	(2.492)	(49)	(2.541)
Net profit for the period									9.963	9.963	144	10.107
Balances at 30 September 2007	**28,221**	**4,131**	**1,989**	**7,973**	**0**	**(409)**	**158**	**29,702**	**9,963**	**81,728**	**1,731**	**83,460**

(Amounts in thousands of Euros unless indicated differently)

TABLE OF CHANGES IN THE CONSOLIDATED NET EQUITY

For the Half Year closed at 30 September 2006

(In thousands of Euros)	**Share Capital**	**Share Premium Reserve**	**Legal Reserve**	**Reserve shareholder payments**	**Own shares held in portfolio**	**Conversion reserve**	**Cash flow hedging**	**Other reserves**	**Net profit for the period**	**Net equity of Group**	**Net equity Of minorities**	**Total Net equity**
Balances at 31 March 2006	**27,665**	**4,131**	**975**	**2,531**	**0**	**212**	**(99)**	**11,382**	**10,473**	**57,270**	**1,531**	**58,801**
Allocation of profit for the period			523					9,950	(10,473)			
Conversion differences for financial statements in foreign currencies						187				187		187
Adjustment to fair value of Cash Flow Hedging							(62)			(62)		(62)
Payments in by shareholders	556									556		556
Change in the consolidation area												
Distribution of dividends											(80)	(80)
Sale of own shares												
Net profit for the period											(5)	(5)
									3,724	3,724	20	3,744
Balances at 30 September 2006	**28,221**	**4,131**	**1,498**	**2,531**	**0**	**399**	**(161)**	**21,332**	**3,724**	**61,675**	**1,466**	**63,141**

(Amounts in thousands of Euros unless indicated differently)

CONSOLIDATED FUNDS FLOW STATEMENT

For the Half Years closed at 30 September 2007 and at 30 September 2006

(In thousands of Euros)	**Half Year closed at 30 September 2007**	**Half Year closed at 30 September 2006**
CASH FLOW FROM OPERATIONAL ACTIVITIES		
Net profit for the period coming from ongoing activities	10.107	3.743
Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by the operational activities:		
Depreciation, Amortization and Write-downs	1.279	1.203
Provisions posted to the Bad Debts Reserve	546	236
Change in the Fair Value of Financial Instruments	(259)	(204)
Provisions posted to the Employee Leaving Indemnity Fund	(409)	583
Paid out for Employee Leaving Indemnity	(4)	(313)
Changes in the deferred and prepaid taxes	(63)	(515)
	11.197	4.733
Changes in the operational assets and liabilities:		
Receivables from customers	(432)	9.131
Inventories	(7.907)	(5.390)
Payables to suppliers	(565)	(6.798)
Taxation receivables	(1.404)	(2.302)
Taxation payables	3.126	3.923
Other current and non-current assets and liabilities	(2.876)	(1.830)
NET CASH FLOW GENERATED (ABSORBED) BY OPERATIONAL ACTIVITIES (A)	**1.139**	**1.467**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Proceeds from the disposals of Intangible and Tangible Fixed Assets	74	56
Tangible Fixed Assets purchased	(297)	(582)
Intangible Fixed Assets purchased	(1.670)	(88)
Purchases/disposals of shareholdings	_	(582)
Net change in the other non-current assets	3.828	(60)
NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES (B)	**1.935**	**(1.256)**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Repayment of long term loans	(9.201)	(5.572)
Net change in the short term financial liabilities	4.544	2.315
Distributed dividends	(1.896)	(80)
Payment of leasing installments	(693)	(365)
Increases in Share Capital and payments in by shareholders	-	556
Other changes in net equity	(302)	120
NET CASH FLOW GENERATED (ABSORBED) BY FINANCIAL ACTIVITIES (C)	**(7.548))**	**(3.026)**
OVERALL CASH FLOW (D=A+B+C)	**(4.474)**	**(2.815)**
NET AVAILABLE LIQUIDITY AT THE START OF THE PERIOD (E)	**14.097**	**9.910**
Net impact of foreign currency conversions on available liquidity (F)	(51)	(34)
NET AVAILABLE LIQUIDITY AT THE START OF THE PERIOD (G=D+E+F)	**9.572**	**7.061**

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(Amounts in thousands of Euros unless indicated differently)

EXPLANATORY NOTES

1. Company Information

These Intermediate Consolidated Financial Statements of the Damiani Group at 30 September 2007 for the period of six months from 1 April to 30 September 2007, consisting of the Consolidated Balance Sheet, of the Consolidated Profit and Loss Account, of the Consolidated Funds Flow Statement, of the table of the changes in the Consolidated Net Equity and of the Explanatory Notes, afterwards called the "Intermediate Consolidated Financial Statements" were approved by the Board of Directors of the company on 14 November 2007.
The registered office of the company is in Valenza (AL), in Viale Santuario, 46.
As for the Yearly Consolidated Financial Statements, the structure of this Balance Sheet is impacted by the classification between "current assets" and "non-current assets", according to what is laid down by the IAS (International Accounting Standard) 1 while with reference to the Profit and Loss Account there has been maintained the classification by type, which is considered to be a more representative format than the presentation by usage that is also called the "cost of sales" layout.
The Funds Flow Statement was drawn up using the indirect method.
The Intermediate Consolidated Financial Statements have been drawn up in thousands of Euros. All the amounts included in the tables contained in the following notes, except where indicated differently, are all expressed in thousands of Euros.
The Damiani Group closes its financial year at 31 March and therefore the Profit and Loss Account of the Intermediate Consolidated Financial Statements at 30 September 2007 covers the period 1 April to 30 September 2007.

2. Assessment criteria and accounting principles

Assessment criteria

The Intermediate Consolidated Financial Statements refer to the period 1 April to 30 September 2007 and they have been prepared as laid down by article 81 of the actuation regulations of the Legislative Decree 58/98 and its successive changes, in conformity with the IAS 34 concerning financial information to be presented during the year. The IAS 34 allows the drafting of the Intermediate Financial Statements in summary format, which means on the basis of an informational level that is lower than the one required by the International Financial Reporting Standards put in place by the European Union for the Year End Financial Statements, when there must be made available to the public a fully informative set of Financial Statements based on what is laid down by the IFRS.

Following the change of the closing date of the financial year from 31 December to 31 March, resolved upon by

(Amounts in thousands of Euros unless indicated differently)

the Shareholders' Meeting of 14 September 2006, the financial year closed at 31 March 2007 was a very short one of only three months. At 31 March 2007, coinciding with its last financial year closing, Damiani S.p.A. had not yet started up the process of being quoted on the market that is organized and managed by Borsa S.p.A. and it had not exercised the option that is laid down by the Legislative Decree 38/2005 for the drafting of the financial statements based on the IFRS, therefore, the Consolidated Financial Statements for the financial year closed at 31 March 2007, of only three months, was drawn up according to Italian GAAP.

Therefore, in application of the Regulation (EC) number 1606/2002 of 19 July 2002, the Consolidated Financial Statements of the Damiani Group at 31 March 2008, will be the first set of consolidated financial statements drawn up in conformity with the IFRS adopted by the European Union.

For the sole purpose of including them in the Informational Prospectus prepared for the quotation of Damiani S.p.A. on the stock market organized and managed by Borsa Italiana, STAR segment, that took place on 8 November 2007, the Group had already presented the sets of Financial Statements for the financial years closed at 31 December 2006, 2005 and 2004 and for the periods of 12 months closed at 31 March 2007 and 2006 drawn up in conformity with the IFRS. The migration date to IAS adopted by the Group for these consolidated financial statements was first January 2004.

This migration date remains unchanged for the purposes of these Intermediate Consolidated Financial Statements, and the IFRS numbers do not vary, compared to the data that was made public in the Quotation Informational Prospectus and there is therefore a continuity in the expression of the figures. It is also highlighted that for the purposes of the IFRS consolidated financial statements, to be drawn up pursuant to the contents of the Legislative Decree 38/2005, at 31 March 2008. This imposition could be subject to changes, also considering the interpretations that could be issued by the relative regulatory entities regarding this matter. Furthermore also regarding the migration dates to any IFRS after 1 January 2004; the values expressed according to the IFRS could undergo significant changes.

Together with this report, the Group presents, as an attachment, the consolidated financial statements for the financial year of three months closed at 31 March 2007 drawn up in conformity with the IFRS. The IFRS and the valuation criteria used for drawing up these Intermediate Consolidated Financial Statements at 30 September 2007 are the same that were used to draw up the consolidated financial statements of the group for the financial year of three months closed at 31 March 2007, which is attached and to which reference should be made for the description of them. They have been applied coherently with the intermediate consolidate financial statements for the preceding periods that are presented for comparison purposes.

The Profit and Loss Account data, the changes in the Shareholder's equity and the cash flows for the Half Year closed at 30 September 2007 are presented in a comparative format with the corresponding Half Year of the previous year. The Balance Sheet data are presented in a comparative format with the previous financial year closed at 31 March 2007 and with the Half Year closed at 30 September 2006.

As attachments to the Intermediate Consolidated Financial Statements at 30 September 2007 there are presented, in line with the communication of Consob (Italian SEC) DEM/6064313 of 28 July 2006, the

(Amounts in thousands of Euros unless indicated differently)

reconciliation tables of the Group Parent Company at 1 January 2007 for the financial year of three months closed at 31 March 2007 that have been prepared in conformity with the IFRS. These tables have been audited by the external auditing company.

The Consolidation Perimeter

The subsidiary companies are consolidated starting from the date when the control of them was effectively transferred to the Group and they cease to be consolidated from the date when the control is transferred outside of the Group.
The subsidiary companies included in the consolidation area at 30 September 2007 are the following:

Company name	Registered office	Currency	Parent Company	% Direct	% of Group
Alfieri & St. John S.p.A.	Valenza Po (AL), Italy	EUR	Damiani S.p.A.	100.00%	100.00%
New Mood S.p.A.	Milano (MI), Italy	EUR	Damiani S.p.A.	97.00%	100.00%
Damiani Manufacturing S.r.l.	Valenza Po (AL), Italy	EUR	Damiani S.p.A.	51.00%	51.00%
Laboratorio Damiani S.r.l.	Bassignana (AL), Italy	EUR	Damiani S.p.A.	100.00%	100.00%
Damiani International BV	Amsterdam, Holland	EUR	Damiani S.p.A.	100.00%	100.00%
Damiani Japan KK	Tokio, Japan	JPY	Damiani International BV	100.00%	100.00%
Damiani USA, Corp.	New York, United States of America	USD	Damiani International BV	100.00%	100.00%
Casa Damiani Espana SL	Madrid, Spain	EUR	Damiani S.p.A.	99.00%	100.00%
Super High Holding SA	Hong Kong, Hong Kong	HKD	Damiani International BV	100.00%	100.00%

The consolidation area at 30 September 2007 has undergone the following changes compared to the situation at 30 September 2006:

- the Group Parent Company Damiani S.p.A. in the month of April 2007 incorporated the company Laboratorio Damiani S.r.l., with a Share Capital of Euros 200,000 owned 100%, which has as its main objective the production and creation of the prototypes of jewels on behalf of the companies of the Group. The company is currently in a start-up stage.
- In March 2007 the subsidiary company Damiani International BV ceded to Jewellery Investment SA, a parent company, now D. Holding SA, the shareholdings in Damiani Suisse SA (100%), now Immobiliare Pessina SA, Damiani Germany Gmbh (100%) and Jewels Manufacturing SA (100%).

The change in the consolidation perimeter referred to above has not brought about any significant impacts on the consolidated financial statements.

(Amounts in thousands of Euros unless indicated differently)

Compared to 31 March 2007, the closing date of the yearly financial statements, the consolidation area at 30 September 2007 changed due to the impact of the incorporation of Laboratorio Damiani S.r.l., that took place in the month of April 2007.

3. Segment information

The primary business informational split of the Group is by geography, because the group Casa Damiani only operates in a single business activity segment.

There follows the financial information detailed by geography for the Half Year closed at 30 September 2007, compared to the corresponding Half Year for the previous financial year closed at 30 September 2006.

Information by geographical area (first Half Year closed at 30 September 2007 of the financial year to be closet at 31 March 2008))

Half Year closed at 30 September 2007	Italy	The Americas	Japan	Rest of world	Wash outs	Consolidated
Net sales to third party customers	52,624	4,051	4,919	13,414	-1,116	73,893
Other revenues	233	0	12	14	0	259
Other non-recurring revenues	0	0	0	7,612	0	7,612
Inter-company sales between geographies	25,254	5	0	13,256	-38,515	0
Total net sales	**78,111**	**4,057**	**4,931**	**34,296**	**-39,631**	**81,764**
Inter-company costs between geographies	-7,188	-5,817	-5,501	-20,286	38,793	0
Costs for raw and consumable materials	-32,654	2,253	2,194	-665	-26	-28,898
Costs for services	-16,212	-2,059	-1,915	-2,464	-339	-22,990
Personnel Costs	-7,743	-1,093	-821	-627	0	-10,284
Other operating expenses	-23	-159	-76	-1,775	-22	-2,055
Non-recurring charges	-69	-18	-16	-85	0	-188
Depreciation and amortization	-957	-152	-46	-358	233	-1,279
COSTS	**-64,846**	**-7,045**	**-6,182**	**-26,261**	**38,639**	**-65,695**
Operating profit	**13,266**	**-2,988**	**-1,251**	**8,035**	**-992**	**16,069**

(Amounts in thousands of Euros unless indicated differently)

Information by geographical area (first Half Year closed at 30 September 2067 of the financial year to closed at 31 March 2007))

Half Year closed at 30 September 2006	Italy	The Americas	Japan	Rest of world	Wash outs	Consolidated
Net sales to third party customers	49,023	3,361	5,152	10,054	-302	67,288
Other revenues	228	49	16	74	-19	347
Inter-company sales between geographies	22,123	6	0	11,274	-33,405	0
Total net sales	**71,375**	**3,416**	**5,167**	**21,403**	**-33,727**	**67,634**
Inter-company costs between geographies	-7,089	-5,380	-5,120	-15,396	32,986	0
Costs for raw and consumable materials	-29,516	2,607	2,200	-352	-1,055	-26,116
Costs for services	-16,137	-1,563	-1,359	-2,248	-498	-21,805
Personnel costs	-7,469	-669	-761	-543	0	-9,441
Other operating expenses	390	-18	21	-1,033	90	-550
Non-recurring charges	-288	-1	-26	-28	16	-327
Depreciation and amortization	-776	-92	13	-183	-166	-1,203
COSTS	**-60,885**	**-5,115**	**-5,031**	**-19,783**	**31,373**	**-59,442**
Operating profit	**10,490**	**-1,699**	**137**	**1,619**	**-2,354**	**8,193**

4. Goodwill

The Goodwill amounted to Euros 4,977 thousands, Euros 5,622 thousands and Euros 5,289 thousands at 30 September 2007, at 31 March 2007 and at 30 September 2006, respectively.

The item refers for Euros 4,258 thousands to the Goodwill posted with reference to the acquisition that took place in 1998, of 100% of the shares of the company Alfieri & St. John S.p.A.. At 31 March 2007 the remaining part refers to the Goodwill paid for in the years 1996, 2002, and in March 2007 in relation to the purchases of branches of companies that were represented by the boutiques of Venice, Portofino, Verona, currently being managed by Rocca S.p.A. and Bologna, which is a Bliss single brand shop.

The reduction at 30 September 2007 compared to the figure at 31 March 2007 is due to the direct debiting among the reserves contained in the Net Equity for New Mood Goodwill, because it was purchased by

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parties subject to joint control.

5. Other Intangible Fixed Assets

There follows the breakdown of the item at 30 September 2007, at 31 March 2007 and at 30 September 2006:

(in thousands of Euros)	30 September 2007	31 March 2007	30 September 2006
Industrial rights and patents	139	120	212
Key money	3,043	1,583	1,684
Other Intangible Fixed Assets	14	22	23
Total Intangible Fixed Assets	**3,196**	**1,725**	**1,919**

The item "key money" increased during the Half Year due to the impact of the contract that was signed with third parties for the acquisition of the rental contract of a shop located in the center of Rome, for the purposes of opening a Bliss single brand POS. In this context there was recognized to the contractual counterpart key money amounting to Euros 1,560 thousands. During the Half Year this key money has not been amortized because both the entry into the real estate rental contract and the opening of the single brand shop have not yet taken place.

Furthermore, the item includes the key money paid, during the financial year 2002 under the heading of a "one off" lump sum, for an original value of Euros 2,650 thousands) in relation to the renewal of the rental contract for the real estate situated in Milan, in Via Montenapoleone, 16. This amount is amortized on the basis of the remaining duration period of the relative rental contract.

6. Tangible Fixed Assets

The Tangible Fixed Assets show at 30 September 2007 a net book value of Euros 14,235 thousands and a reduction compared to the figure at 31 March 2007 of Euros 958 thousands. The breakdown of the item at 30 September 2007, at 31 March 2007 and at 30 September 2006 was the following:

(in thousands of Euros)	30 September 2007	31 March 2007	30 September 2006
Land and buildings	10,739	11,192	14,510
Plant and machinery	509	597	615
Industrial and commercial equipment	670	708	668
Other Tangible Fixed Assets	2,317	2,696	2,839
Total Tangible Fixed Assets	**14,235**	**15,193**	**18,632**

(Amounts in thousands of Euros unless indicated differently)

The item land and buildings includes assets in financial leasing in each one of the accounting periods closed at 30 September 2007, at 31 March 2007 and at 30 September 2006, respectively, for Euros 9,154 thousands, for Euros 9,616 thousands and Euros 6,099 thousands.

The decrease of the item land and buildings compared to the Half Year closed at 30 September 2006 is due to the change in the consolidation area linked to the ceding to related parties of the company Damiani Suisse S.A., which is the owner of a piece of real estate in Lugano.

The item "Other Tangible Fixed Assets" mainly consists of furniture, fittings and office machinery for a net book value at 30 September 2007, 31 March 2007 and at 30 September 2006 of Euros 2,285 thousands, Euros 2,566 thousands and Euros 2,216 thousands, respectively.

7. Shareholdings

At 30 September 2007 the item only includes minority investments in consortiums and in the companies Fin.Or.Val S.r.l and Banca d'Alba for the amount of Euros 169 thousands. At 30 September 2006 the item also included the shareholding of 16% in the company Pomellato (Euros 5,423 thousands) and the shareholding of 9% in the company WJR (Euros 4,521 thousands), ceded in the month of March 2007 to Jewellery Investment SA, the shareholder of reference of Damiani S.p.A. at that date and currently called D. Holding S.A..

8. Financial receivables and other non-current assets

There follows the breakdown of the item at 30 September 2007, at 31 March 2007 and at 30 September 2006:

(in thousands of Euros)	**30 September 2007**	**31 March 2007**	**30 September 2006**
Guarantee deposits	775	700	740
Receivables from related parties	-	3,936	-
Receivables from others	50	17	-
Total Long Term Financial Receivables	**825**	**4,653**	**740**

At 31 March 2007 the item the item mainly referred to long-term financial receivables due to the group by the companies Jewels Manufacturing (Euros 1,540 thousands) and Damiani Suisse (Euros 2,378 thousands), which were ceded to related parties during the financial year of three months that was closed at 31 March 2007. The reduction recorded at 30 September 2007 compared to the figure at 31 March 2007 and relative to the fact that these receivables where wholly repaid on 23 July 2007, respectively, for

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the loan given to Damiani Suisse for the total overall amount of Euros 2,405 thousands and on 14 September 2007 for the loan given to Jewels Manufacturing for Euros 1,531 thousands.

At 30 September 2006, these loans that had already been given were not shown among the financial receivables because they were washed out in the consolidation because the two beneficiary companies, wholly owned subsidiaries, were included in the consolidation perimeter.

9. Deferred and Prepaid Taxes

On 30 September 2007 the net deferred taxes were basically in line with the figure for this item at 31 March 2007.

The prepaid taxes which were Euros 9,836 thousands at 30 September 2007, versus a balance of Euros 9,788 thousands at 31 March 2007, mainly consist of the prepaid taxes calculated on the fund for the future returns of merchandise, on the washing out of inter-company profits and the sales of the brands to the subsidiary company Damiani International by the parent company.

The deferred taxes, which were Euros 2,629 thousands at 30 September 2007, versus a balance Euros 2,784 thousands at 31 March 2007, mainly refer to the deferred taxation on the gains realized from the sales of brands and shareholdings.

10. Inventories

There follows below the breakdown of the item at 30 September 2007, at 31 March 2007 and at 30 September 2006:

(In thousands of Euros)	30 September 2007	31 March 2007	30 September 2006
Raw, ancillary and consumable materials	10,388	10,117	11,865
Work in progress and semi-finished products	918	1,457	1,336
Finished products and merchandise	76,027	67,580	75,067
Returns into inventory from customers	15,210	15,538	14,409
Advances paid out	84	28	69
Total	**102,627**	**94,720**	**102,746**

The value of the inventories at 30 September 2007, amounting to Euros 102,627 thousands, net of a risks fund of Euros 300 thousands, has undergone a net increase of Euros 7,907 thousands, amounting to about 8.5% compared to the figure at 31 March 2007. The main increase has taken place in the item finished products, principally due to the impact of the seasonality of the sales and the requirement to stock up for them beforehand. Compared to the balance at the Half Year closed at 30 September 2006 the inventory values, in fact, remain basically in line.

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Furthermore, it is highlighted that the item inventories also includes the finished products delivered to customers regarding which, at the date of these financial statements, there has not yet been ascertained the transfer of the risks and benefit.

The Group believes that it is not necessary to set aside and provide for an obsolescence fund for the inventories, because of the intrinsic nature of the goods involved themselves that are not subject to any losses in value because they do not become obsolete. Furthermore, there are not present within the inventories any goods that have been found to have an accounting book value that is higher than their presumed realizable value deduced from the relative market trend regarding them.

11. Trade Receivables

There follows below the breakdown of the item at 30 September 2007, at 31 March 2007 and at 30 September 2006:

(In thousands of Euros)	**30 September 2007**	**31 March 2007**	**30 September 2006**
Trade receivables Italy	80,666	82,811	71,980
Trade receivables the Americas	7,988	6,523	7,356
Trade receivables Japan	4,248	3,897	3,986
Trade receivables Rest of world	3,735	3,614	3,839
Total gross trade receivables	**96,637**	**96,845**	**87,161**
Bad Debts Reserve	(3,251)	(2,973)	(3,198)
Fund for returns from customers	(32,411)	(32,135)	(30,141)
Impact of Net Present Value calculation of receivables	(108)	(758)	(281)
Total trade receivables	**60,867**	**60,979**	**53,541**

It is highlighted that the provisions posted during the period to the Bad Debts Reserve are included in the item “Other operational charges and incomes” within Profit and Loss Account. The provisions posted and the usages made of the fund for returns from customers during the period are accounted for as a direct posting to the item “Revenues from sales and services” contained in the Profit and Loss Account.

There are no receivables with a contractual duration that is any longer than five years.

12. Taxation receivables and other current assets

The taxation receivables amount at 30 September 2007, at 31 March 2007 and at 30 September 2006 to Euros 3,189 thousands, Euros 1,786 thousands and Euros 3,883 thousands, respectively, and they mainly consists of the credits for VAT and the advance payments made on taxes during the period. The increase compared to the

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figure at 31 March 2007 is mainly due to the VAT credits that increase because of the seasonality of the Group's sales. In fact, the balance of these credits is in line with the corresponding figure at 30 September 2006. The other "Current assets" amount at 30 September 2007, at 31 March 2007 and at 30 September 2006 to Euros 9,528 thousands, Euros 7,999 thousands and Euros 8,178 thousands, respectively. They mainly consist of confirmation and guarantee deposits for rented moveable assets, receivables from insurance companies to cover the theft of products sold and receivables from social security entities and agents. Compared to the balance at 31 March 2007 they show an increase of Euros 1,529 thousands mainly due to an increase of the prepayments of costs that on a proper timing basis are actually relative to the second Half Year.

13. Shareholder's Equity

The Shareholders' Meeting of 15 June 2007 passed a resolution to distribute dividends for the amount of Euros 1,847 thousands.

The Extraordinary Shareholders' Meeting of 27 June 2007 passed a resolution to spit up the unit value of the share and to take it from Euros 55 to Euros 0.44. Due to the impact of this split the Share Capital at 30 September 2007 consists of 64,137,500 shares.

Following the increase in the Share Capital that took place after the stock exchange quotation on 8 November of the Damiani Group on the Regulated market, STAR (Settore Titoli Alti Requisiti) (High Requisite Securities Sector) segment, managed by Borsa Italiana, at the date of this Half Yearly Report the Share Capital amounted to Euros 36,344,000, consisting of 82,600,000 shares with a nominal value of Euros 0.44 each.

14. Net Financial Debt

In the following table there is given the breakdown of the net financial indebtedness at 30 September 2007 and its changes compared to 31 March 2007 and 30 September 2006.

Net Financial Indebtedness (in thousands of Euros)	30 September 2007	31 March 2007	change	30 September 2006	change
Bonds - current part				5.423	-5.423
Medium/Long term loans - current part	4.519	8.386	-3.867	3.988	531
Current Financial Debts to banks and other financiers	19.368	14.824	4.544	30.751	-11.383
Current Financial Indebtednes	**23.887**	**23.210**	**677**	**40.162**	**-16.275**
Medium/Long term loans - non-current part	32.470	38.793	-6.323	44.965	-12.495
Non-current Financial Indebtednes	**32.470**	**38.793**	**-6.323**	**44.965**	**-12.495**
Total Gross Financial Indebtedness	**56.357**	**62.003**	**-5.646**	**85.127**	**-28.770**
Cash, Banks and equivalents	-9.572	-14.097	-4.525	-7.061	2.511
Net Financial Indebtedness	**46.785**	**47.906**	**-1.121**	**78.066**	**-31.281**

In general terms the Net Financial Indebtedness at 30 September 2007 amounted to Euros 46,785 thousands and it was Euros 47,906 thousands at 31 March 2007, therefore showing a slight decrease of Euros 1,121 thousands

(Amounts in thousands of Euros unless indicated differently)

but an improvement of Euros 31,281 thousands compared to the figure at 30 September 2006.
At 30 September 2007, the improvement of the Net Financial Indebtedness compared to the figure at 31 March 2007, is mainly due to the impacts from the cashing in of a series of non current receivables from related parties and from the key money received from third parties for the operations that have been fully described previously, which together have fully absorbed the greater need, in this period, for net working capital linked to the seasonality of the Group's sales.

The current financial payables to banks and other financiers for Euros 19,368 thousands increased by the amount of Euros 4,544 compared to the figure at 31 March 2007 mainly due to the fact that this Half Year period is the low season for the Group's sales and this brought about a higher level of usage of the short term credit lines and greater recourse to the giving of credit for financing purposes.

The medium/long term loans amount at 30 September 2007 to Euros 32,470 thousands (Euros 38,793 at 31 March 2007 and Euros 44,965 at 30 September 2006) and they mainly consist of loans from banks and credit institutions with due dates beyond 30 September 2008. They went down, compared to the figure at 31 March 2007, due to the impact of the installments repaid during the Half Year and to the total repayment of a loan received from Banca di Roma for Euros 5,000 thousands. The medium/long term loans include the debts for the leasing on buildings. On a total basis the debt for leasing on buildings amounted at 30 September 2007 to Euros 9,036 thousands, of which Euros 8,434 with due dates beyond 30 September 2008, slightly down compared to the figure at 31 March 2007 of Euros 9,438 thousands due to the impact of the leasing installments paid during the Half Year.

The improvement compared to the situation at 30 September 2006, amounting to Euros 31,281 thousands comes, as well as from the management of operations, also from the positive impacts of the sales of minority interests in Pomellato and WJR, with an overall cash intake of Euros 15,315 thousands, from the payments in of shareholders linked to the sale and lease back operation relative to the building situated in via Montenapoleone 10, that was carried out with parties who are subject to joint control and that brought in further cash of Euros 5,500 thousands, and from the cash income, already referred to of the key money for Euros 7,061 thousands, net of the amount of Euros 560 thousands paid to the related party Rocca for the dissolution of the rental contract, which on a total overall basis have brought in cash of more than Euros 27 millions.

15. Employee Termination Indemnity (ETI)

At 30 September 2007, at 31 March 2007 and at 30 September 2006 the Employee Leaving Indemnity amounted to Euros 4,135 thousands, to Euros 4,548 thousands and to Euros 4,298 thousands, respectively.
Starting from 1 January 2007 the Finance Law and the relative actuating decrees have introduced significant changes in the regulating of the ETI, among which there is the choice given to the employee regarding the allocation of his/her own ETI that is accruing. Specifically, the new flows of the ETI can be allocated by the

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employee to chosen forms of pensions or kept within the company, in which case this latter will pay the that ETI contributions into a treasury account set up within INPS (National Social Security Institution). As a consequence of the change in the legislative picture regarding this matter and the choices made by the employees up to 30 June 2007, the ETI accrued at 31 December 2006 has continued to be posted within the item ETI at has been calculated at its net present value using the analysis carried out by an external consultant according to the measures laid down in the IAS 19, introducing some corrective measures into the methods of arriving at the net present value in order to take into account the changed legislation.

16. Trade payables

There follows below the breakdown of the item at 30 September 2007 and 31 March 2007:

(In thousands of Euros)	30 September 2007	31 March 2007	30 September 2006
Trade payables due within 12 months	60,322	60,365	57,599
Advances received	195	717	1590
Total	**60,517**	**61,082**	**59,189**

17. Taxation Payables and other current liabilities

The taxation payables at 30 September 2007, at 31 March 2007 and at 30 September 2006 amount to Euros 7,983 thousands, Euros 4,857 thousands and Euros 5,566 thousands respectively. The increase at 30 September 2007 compared to the figure at 31 March 2007 is linked to the tax charge for the period in question.

The other current liabilities at 30 September 2007, at 31 March 2007 and at 30 September 2006 amounted to Euros 3,632 thousands, Euros 5,127 thousands and Euros 3.794 thousands, respectively, and they mainly consist of the payables due to social security and pensions institutions relative to social security charges, pensions and insurances and the payables to employees for holidays and paid leave accrued but not yet taken as well as the amounts accrued but not yet paid out for the 13th and 14th month of wages and salaries together with the relative accruals for social security contributions. The decrease compared to the figure at 31 March 2007 is mainly imputable to the reduction of the amount of the payables to personnel for the 14th month of wages and salaries and the accrued holidays not yet taken.

(Amounts in thousands of Euros unless indicated differently)

18. Revenues

Consolidated revenues for the two half years period to 30 September 2007 and 2006 are set out in the table below:

	Half year to 30 September			
(In thousands of Euro)	**2007**	**2006**	**Change**	**% change**
Revenues from sales and services	73,893	67,288	6,605	9.8%
Other recurring revenues from operations	259	347	(88)	(25.4)%
Other non-recurring revenues from operations	7,612	-	7,612	n.a.
Total Revenues	**81,764**	**67,635**	**14,129**	**20.9%**

Consolidated revenues for the half year to 30 September 2007 amounted to Euro 81,764 thousand, compared with Euro 67,635 thousand in the half year to 30 September 2006, an increase of Euro 14,129 thousand, or approximately 20.9%. Non-recurring revenues in the form of key money, illustrated above, were a significant factor in the half-year revenue improvement with respect to the year-earlier period. Key money classified as other non-recurring revenues amounted to approximately Euro 7,611 thousand (gross of related costs for Euro 560 thousand and of tax) and referred to the two transactions described below:

- signature of a contract with a third party for early release of the lease contract between Damiani International BV and the owners of a store in Italy . The Group collected a gross consideration of Euro 6,397 thousand in respect of the agreements;
- assignment to a third party of the lease on a store abrod , and subsequent collection of key money totalling Euro 1,215 thousand.

The year-on-year increase in recurring revenues was 9.6%.The rise in revenues from sales and services reflected the healthy performance of the wholesale channel (+9.7%), the retail channel (+7.7%) and the other channels, whose contribution in absolute terms was limited (less than 4% of total consolidated revenues). Further details are provided in the directors’ report.

(Amounts in thousands of Euros unless indicated differently)

A geographical breakdown of revenues is set out below:

Revenues (In thousands of Euro)	**I Half** closed at 30 September 2007	% of total	**I Half** closed at 30 September 2006	% of total	2007 vs 2006
Italy:	**51,890**	63%	**49,022**	72%	6%
- revenues from sales and services	51,657		48,795		6%
- other recurring revenues	233		227		
Americas	**4,052**	5%	**3,411**	5%	19%
- revenues from sales and services	4,052		3,363		21%
- other recurring revenues			48		
Japan	**4,931**	6%	**5,156**	8%	-4%
- revenues from sales and services	4,919		5,152		-5%
- other recurring revenues	12		4		
Rest of World	**20,890**	26%	**10,046**	15%	108%
- revenues from sales and services	13,264		9,978		33%
- other recurring revenues	14		68		
- other non-recurring revenues	7,612				
Total Revenues	**81,764**	100%	**67,635**	100%	21%

The geographical revenue breakdown reflects:

- growth in Rest of World revenues (+108% approximately from the year-earlier period), as a result of collection of key money. Net of this effect, the increase in core business revenues would have been approximately 33%, driven by the Damiani brand which accounts for approximately 82% of total turnover in this geographical area;
- a rise in revenues from the Americas (+19% approximately from the year-earlier period), with a growing proportion represented by retail revenues (from approximately 4% in the quarter half to 30 September 2006 to more than 12 % in the first half to 30 September 2007) and good wholesale results ;
- growth of 6% in Italy, due largely to the growth of the Alfieri & St. John brand, illustrated above, and also to the progress reported by Damiani;
- a downturn in revenues in Japan (-4% from the year-earlier period), which was again affected by a negative exchange-rate effect. Net of this effect, in local currency Japan reported a revenue improvement of approximately 7%.

19. Costs for raw materials and consumables

Costs for raw materials and other materials for the half years to 30 September 2007 and 2006 were as follows:

(Amounts in thousands of Euros unless indicated differently)

(in thousands of Euro)	Half year to 30 September	
	2007	2006
Purchases	38,095	33,472
Change in inventories of finished goods	(9,005)	(8,665)
Change in inventories of raw and ancillary materials and consumables	192	1308
Total Costs of raw materials and other materials	**28,898**	**26,116**

Costs of raw materials and consumables rose from Euro 26,116 thousand for the half year to 30 September 2006 to Euro 28,898 thousand for the half year to 30 September 2007, an increase of Euro 2,782 thousand, equivalent to approximately 10.7%. As a percentage of revenues from sales and services, purchases net of the change in inventories stood at approximately 51.6% at 30 September 2007 (49.8% at 30 September 2006). The increase was largely due to the change in the mix of products sold compared with the year-earlier period.

20. Costs for services

Costs for services in the half years to 30 September 2007 and 2006 are set out below:

(In thousands of Euro)	Half year to 30 September	
	2007	2006
Operating expenses	4,260	4,397
Advertising expenses	5,285	5,483
Other commercial expenses	2,085	1,965
Cost of external services	3,823	2,409
Consultancy	1,607	1,608
Travel/transport expenses	2,142	2,112
Director emoluments	1,455	1,354
Use of third-party assets	2,333	2,476
Total costs for services	**22,990**	**21,805**

The rise in costs for services (an increase of Euro 1,184 thousand, or 5.4%, from the half year to 30 September 2006) was largely due to the increase in the cost of external services (up Euro 1,414 thousand from the year-earlier period). Excluding this increase, costs for services were substantially stable in the two half years. As a percentage of revenues from sales and services, costs for services decreased from 32.4% to 31.1 %; this was due to revenue growth, since a portion of these costs are fixed.

(Amounts in thousands of Euros unless indicated differently)

The increase in the cost of external services, which rose as a percentage of revenues from 3.6% to 5.2%, was mainly due to greater use of outside contractors. The rise in costs for use of outside contractors was reflected in inventory values (which are direct production costs) and did not have a significant impact on the half-year operating profit.

21. Personnel costs

A breakdown of this item for the half years to 30 September 2007 and 2006 is set out below:

(In thousands of Euro)	Half year to 30 September	
	2007	**2006**
Wages and salaries	7,564	6,739
Social security and pension contributions	2,275	2,021
Employee severance entitlements	111	371
Other costs for personnel	334	311
Total Costs for personnel	**10,284**	**9,441**

Costs for personnel were up on the year-earlier period, as a result of two contrasting effects: 1) a Euro 1,102 thousand increase for personnel recruitments to strengthen the company's administrative and commercial divisions; 2) the positive effect of back-discounting applied to employee severance entitlements in compliance with new legislation, for an amount of approximately Euro 200 thousand.

The table below shows the average number of Group employees in the half years to 30 September 2007 and 2006

	Half-year closed at			Twelve-month period closed at 31 March 2007
	30 September 2007	30 September 2006	change	
Senior and junior managers	53	44	9	46
Clerical workers	347	320	27	328
Factory workers	101	89	12	92
Total	501	453	48	466

(Amounts in thousands of Euros unless indicated differently)

22. Other operating costs, net

The table below details this item for the half years to 30 September 2007 and 2006:

(In thousands of Euro)	Half year to 30 September	
	2007	2006
Provision for bad debts	545	237
Miscellaneous operating charges, net	1,771	1,075
Other charges	188	327
Total other operating costs	**2,504**	**1,639**
Other income	(358)	(415)
Other sundry revenues	(476)	(428)
Total other operating income	**(834)**	**(843)**
Trade exchange rate differences, net	**574**	**81**
Total Other operating costs, net	**2,244**	**877**

The half-year increase of Euro 1,367 thousand was largely due to an increase of Euro 308 thousand in the provision for bad debts, higher miscellaneous operating charges mainly as a result of compensation of Euro 560 thousand paid to Rocca for early termination of the lease on the building in Via Montenapoleone, released earlier than planned as part of the transaction described above under revenues, and larger negative exchange-rate differences during the first half.

Miscellaneous operating charges include expenses for corners, tax and levies, bad debts, and are carried net of the related non-recurring income.

Other charges reflect various types of cost not classified under any of the other headings described above.

Other sundry revenues and other income reflect various types of revenue and income, mainly of a non-recurring nature, not classified under any of the other headings.

Net trade exchange-rate differences reflect the effects of variations in exchange rates during the period.

23. Net financial expenses

Net financial expenses in the half year to 30 September 2007 amounted to Euro 675 thousand, compared with net finance income of Euro 460 thousand at 30 September 2006. The change of Euro 215 thousand arose mainly as a result of:

- the decrease of Euro 497 thousand in finance expense, as a result of lower average debt in the period under review;

(Amounts in thousands of Euros unless indicated differently)

- the decrease of Euro 715 thousand in finance income, which at 30 September 2006 included Euro 900 thousand of dividends collected from the associate Pomellato, which has since been sold.

24. Risk management: objectives and criteria

With regard to exposure and Group policies for management of financial risk (interest risk), foreign exchange risk, raw material cost risk and procurement risk, the disclosures already set out in the consolidated financial statements for the three-month financial year closed at 31 March 2007 attached to this half-year report are confirmed.

25. Transactions with related parties

This section describes dealings between Damiani Group companies and related parties in the half years to 30 September 2007 and 30 September 2006, showing their impact on the consolidated income statement and balance sheet.

Dealings with related parties in the periods under review concerned real estate (leases, sale and lease backs, business unit rents), principally with Immobiliare Miralto s.r.l., and trade (sale of jewellery products, cooperation agreements), mainly with Rocca S.p.A.

The following table sets out details on dealings between Group companies and related parties in the half year to 30 September 2007.

(in thousands of Euros)	Period of six months closed at 30 September 2007			Situation at 30 September 2007			
	Revenues	Operating Costs	Financial charges/incs	Trade receivables	Fin. Payables (incl. Leasing)	Trade payables	RE in lease back
Sparkling Inv. SA (Luxembourg)		(127)				-	
Idea Rocca S.p.A.(Italy)	784			5.990			
Rocca S.p.A. (Italy)	2.233	(595)		824			
Rocca International SA (Switzerland)	250			157			
Imm.re Miralto S.r.l. (Italy)		(748)	(296)		(9.036)	(44)	8.812
Famiglia Grassi		(120)		4		(194)	
Jewels Manufacturings SA (Luxembourg)			16	50			
Immobiliare Pessina SA (ex Damiani Suisse)			21				
Totals with related parties	3.266	(1.590)	(259)	7.025	(9.036)	(238)	8.812
Total Group	81.764	(65.695)	(675)	60.867	(56.357)	(60.517)	
Percentage weight on Group totals	4%	2%	38%	12%	16%	0%	

- Costs of Euro 127 thousand in respect of Sparkling Inv. SA refer to the fee paid by the subsidiary Damiani International BV under the usage concession for use for special events of the jewels that won the *Diamonds International Awards,* which are the property of the related party;

- Revenues in respect of Idea Rocca S.p.A. include sales of jewels of the Group brands for Euro 659 thousand and a royalty of Euro 125 thousand envisaged under the cooperation agreement signed until March 2008 with Damiani International BV for the store in Venice;
- Revenues in respect of Rocca S.p.A. include sales of jewels of the Group brands for Euro 2,023 thousand, the rent received by New Mood for Euro 127 thousand for the store in Via Montenapoleone 16, Milan, and the rent received by Damiani S.p.A. for a total of Euro 83 thousand for management of the monobrand Damiani stores in Verona and Portofino. Costs in respect of Rocca S.p.A. include Euro 560 thousand for the charge incurred by Damiani International BV for termination on 21 May 2007 of a preliminary contract signed with the counterpart in September 2006 for purchase of a business unit formed by the store Italy . Costs in respect of Rocca S.p.A. also include Euro 35 thousand for property brokerage charges incurred by New Mood S.p.A., with reference to premises in a shopping mall in Rome, where a franchise store is due to be opened;
- Revenues of Euro 250 thousand in respect of Rocca International SA relate to the sale of jewels by Damiani International BV;
- Costs in respect of Immobiliare Miralto reflect rents paid for the premises in C.so Magenta (numbers 77 and 82) in Milan and for some properties in Valenza (province of Alessandria) for a total of Euro 284 thousand. Operating costs also include depreciation charges of Euro 464 thousand on the premises in Via Montenapoleone 10 and Piazza Duomo 25, Milan, used for Damiani and Bliss boutiques respectively, for the laboratory building in Bassignana (Alessandria) used by the subsidiary Laboratorio Damiani srl and the above-mentioned store in Portofino. These four properties, owned by the counterparty, were previously the subject of sale and lease back transactions and were accounted for as such (IAS 17), thus generating recognition of the interest on the loan repayment of Euro 296 thousand, shown in the table. The residual loan in respect of these sale and lease back transactions amounts to Euro 9,036 thousand and the corresponding net carrying amount of the properties to Euro 8,812 thousand.
- Costs in respect of the Grassi Damiani Family for Euro 120 thousand refer to rents paid for office buildings in Valenza (Alessandria);
- Finance income of Euro 16 thousand in respect of Jewels Manufacturing SA refers to repayment of a loan granted to the company when it was still a Group subsidiary. The subsequent sale of the company to Jewellery Investment SA (currently D.Holding SA) and its deconsolidation generated a financial receivable of Euro 1,531 thousand collected in full on 14 September 2007.
- Finance income of Euro 21 thousand in respect of Immobiliare Pessina SA (previously Damiani Suisse SA) related to repayment of a loan granted to the company when it was still a Group subsidiary. The subsequent sale of the company to Jewellery Investment SA (currently D.Holding

(Amounts in thousands of Euros unless indicated differently)

SA) and its deconsolidation generated a financial receivable of Euro 2,405 thousand collected in full on 23 July 2007.

The following table sets out details on dealings between Group companies and related parties in the half year to 30 September 2006.

(in thousands of Euros)	Period of six months closed at 30 September 2006			Situation at 30 September 2006			
	Revenues	Operating Costs	Financial charges/incs	Trade receivables	Fin. Payables (incl. Leasing)	Trade payables	RE in lease back
Rocca S.p.A. (Italy)	2.992			1.354		(1.097)	
Rocca International SA (Switzerland)	43			46		(136)	
Imm.re Miralto S.r.l. (Italy)		(514)	(133)		(6.471)	(1.130)	5.576
Grassi Family		(125)				(10)	
Totals with related parties	3.035	(639)	(133)	1.400	(6.471)	(2.373)	5.576
Total Group	67.636	(59.442)	(460)	53.541	(85.127)	(59.189)	
Percentage weight on Group totals	4%	1%	29%	3%	8%	4%	

- Revenues in respect of Rocca S.p.A. include sales of jewels of the Group brands for Euro 2,766 thousand, the rent of Euro 125 thousand received by New Mood for the store in Via Montenapoleone 16, Milan, and rents totalling Euro 101 thousand received by Damiani S.p.A. for management of the Damiani mono brand stores in Verona and Portofino;
- Revenues of Euro 43 thousand in respect of Rocca International SA refer to sales of jewels by Damiani International BV;
- Costs in respect of Immobiliare Miralto relate to rents paid for premises in C.so Magenta 82, Milan, and for some properties in Valenza (Alessandria) for a total of Euro 233 thousand. Operating costs also include depreciation charges of Euro 281 Euro thousand for the building in Piazza Duomo 25, Milan, where a Bliss boutique is located and the above-mentioned store in Portofino, which were the subjects of sale and lease back transactions and accounted for as such (IAS 17), generating recognition of interest relating to loan repayment of Euro 133 thousand, shown in the table. The residual loan in respect of these sale and lease back transactions amounts to Euro 5,696 thousand and the corresponding net carrying amount of the properties to Euro 5,576 thousand. At 30 September 2006 there was also a financial payable of Euro 775 thousand for a loan contracted with the related party, which had been repaid in full by 30 September 2007;
- Costs in respect of the Grassi Damiani Family for Euro 125 thousand related to rents paid for office buildings in Valenza (Alessandria).

(Amounts in thousands of Euros unless indicated differently)

In the past, Damiani International BV, a subsidiary of Damiani S.p.A., granted loans to Damiani Suisse S.A. and Jewels Manufacturing S.A., which were subsidiaries at the time the loans were granted. These companies were sold in March 2007 to a related party which subsequently repaid the loans. Specifically, the loan of Euro 2,405 thousand granted to Damiani Suisse S.A. was repaid on 23 July 2007 and the loan of Euro 1,531 thousand granted to Jewels Manufacturing S.A. was repaid on 14 September 2007.

26. Non-recurring and atypical and/or unusual operations

There were no positions or transactions arising from atypical and/or unusual operations as defined by Consob Resolution no. 15519 of 27/07/2006.
Non-recurring operations are described in the note "Comments on the main movements in income statement, equity and financial items", to which reference should be made. They are summarised below:

- collection of key money totalling Euro 6,397 thousand in connection with a contract signed with a third party for early termination, by 31 May 2007, of the lease contract signed by Damiani International BV and the owners of the a store in Italy ; with respect to this key money, Damiani International BV incurred an expense of Euro 560 thousand, charged to income, for compensation for resolution of a previous preliminary agreement regarding the sale of the business unit constituted by the store in question;
- collection of key money totalling Euro 1,215 thousand following the assignment to a third party of the lease on a store abroad.

27. Seasonality

The Group's activity, similarly with the one of the main competitors, is marked of a relevant seasonality. Sales are mostly concentrated in the quarter October – December because of the fact that jewellery sales are traditionally typical at the end of the year with the consequent need of supply from dealers in the quarter October – December.
Because of Damiani Group realize a minor profitability in the first and second quarter of the fiscal year, which has his closing date at March, 31.

28. Earnings per share

Basic earnings per share are computed by dividing net profit for the quarter attributable to the Issuer's ordinary shareholders by the weighted average number of shares outstanding in the reporting period in question. In the absence of convertible bonds or other financial instruments that have diluting effects, diluted earnings per share are the same as basic earnings per share.

(Amounts in thousands of Euros unless indicated differently)

In compliance with paragraph 64 of IAS 33:

- earnings per share have been computed for the two half years to 30 September 2007 and 2006 by considering the increase in the number of shares following the rise in share capital as a result of the admission of the Parent Company for trading on the STAR segment of the market regulated by Borsa Italiana;
- on 26 June 2007 the shareholders' meeting approved an outstanding share split through replacement with ordinary shares with a value of Euro 0.44 each; the share split was considered retrospectively in the computation of earnings per share at 30 September 2006 detailed below.

The table below sets out net profit and the share information used to compute earnings per share:

(In thousands of Euro)	**Half year to 30 September**	
	2007	**2006**
Net profit attributable to shareholders	10,107	3,743

(In thousands of Euro)	**Half year to 30 September**	
	2007	**2006**
Number of ordinary shares at the beginning and end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of basic and diluted earnings per share	82,600,000	82,600,000
Basic and diluted earnings per share (amounts in euro)	0.12	0.05

In compliance with paragraph 52, IAS 33, no diluting effect was reflected in respect of the above-mentioned stock option plan given that the plan is not effective since it is conditional upon attainment of future business and individual performance targets, some of which have not yet been defined.

29 Stock option plan

On 26 September 2007 the Ordinary Shareholders' Meeting passed a resolution regarding a stock option plan in favor of employees, Directors, agents and consultants of the company and its subsidiaries that occupy relevant roles or functions in the companies of the Group. The plan foresees the assignment up to a maximum of 1,600,000 options to each one of which there is attributed the right to purchase or subscribe 1 share at the offering price, whenever the assignment took place before the beginning of trading of the shares on the Computerized Stock

(Amounts in thousands of Euros unless indicated differently)

Market.

Afterwards, on 5 November 2007 the Board of Directors actuated the stock option plan identifying, with the support of the Compensation Committee, the names of the beneficiaries between the Directors, the employees, the agents, the consultants and the collaborators of the Group and assigning 1,543,000 options. The Board of Directors has, therefore, set the general objective the achievement of which is the indispensable condition for exercising the option rights by each individual beneficiary and it gave a mandate to the Chairman to fix the individual objectives for each beneficiary to which there is subordinated the faculty of exercising the options.

Milan, November 14, 2007

DECLARATION

Ex Art. 154 *bis* Paragraph 2 – Part IV, Title III, Chapter II, Section V-Bis, of Legislative Decree no. 58 of 24 February 1998: "Consolidated Law on Finance, pursuant to articles 8 and 21 of Law no. 52 of 6 February 1996"

The undersigned Gilberto Frola,
manager charged with preparing the Damiani S.p.A.'s financial reports, with reference to the First Half Report at 30 September 2007, approved by the Board of Directors on 14 November 2007

DECLARES

In compliance with paragraph 2 of art. 154 bis, part IV, title III, chapter II, section V-Bis, of Legislative Decree no. 58 of 24 February 1998, that the consolidated First Half Report at 30 September 2007 corresponds to the documented results, books and accounting records.

Manager charged with preparing the Company's financial reports
Signed: Gilberto Frola

(Amounts in thousands of Euros unless indicated differently)

DECLARATION ATTACHED TO THE FIRST HALF DAMIANI S.P.A.'S FINANCIAL REPORT AS OF SEPTEMBER 30, 2007

Ex Art. 81-ter of CONSOB Regulations no. 11971 of May, 14 1999 and subsequent modifications and supplements

The undersigned Mrs Giulia De Luca, Deputy CEO and Mr Gilberto Frola, manager charged with preparing the Company's financial reports, in compliance with art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of February, 24 1998

DECLARE

- The adequacy and the fair application of administrative and booking procedures for the building up of the First Half consolidated financial report for the period April, 1st 2007 – September, 30 2007;
- The First Half Financial Report is compliant with International Accounting Standards (IAS-IFRS) and it is fit to give a true and fair view of the financial position, the result of operations and the changes in shareholders equity of Damiani S.p.A. and of its consolidated subsidiaries;
- The First Half consolidated financial report corresponds to the documented results, books and accounting records.

Milano, November, 14 2007

Deputy CEO	Manager charged with preparing the Company's financial reports
Signed: Mrs Giulia De Luca	Signed: Mr Gilberto Frola

(Amounts in thousands of Euros unless indicated differently)

ATTACHMENT 1

Financial Statements laid out pursuant to the Consob (Italian SEC) Resolution number 15519 of 27/07/2006 (details of relations with related parties)

Balance sheet (in euro/thousands)	**September 30, 2007**			**September 30, 2006**		
	Third parties	**Related parties**	**Total**	**Third parties**	**Related parties**	**Total**
Non Current assets						
Goodwill	4.977		4.977	5.289		5.289
Intangible assets	3.196		3.196	1.919		1.919
Property, plant and equipment net	5.423	8.812	14.235	13.056	5.576	18.632
Investments in affiliated companies	169		169	11.069		11.069
Financial receivables and other non current assets	825		825	740		740
Deferred tax assets	9.836		9.836	9.019		9.019
Total non current assets	**24.426**	**8.812**	**33.238**	**41.092**	**5.576**	**46.668**
Current assets			0			
Inventories	102.627		102.627	102.746		102.746
Trade receivables	53.842	7.025	60.867	52.141	1.400	53.541
Tax receivables	3.189		3.189	3.883		3.883
Other current assets	9.528		9.528	8.178		8.178
Cash and cash equivalents	9.572		9.573	7.061		7.061
Total current assets	**178.758**	**7.025**	**185.784**	**174.009**	**1.400**	**175.409**
Total assets	**203.184**	**15.837**	**219.022**	**215.101**	**6.976**	**222.077**
Shareholder’s equity			0			0
Share Capital	28.221		28.221	28.221		28.221
Reserves	43.544		43.544	29.731		29.731
Net Income (loss) for the period	9.961		9.961	3.725		3.725
Group shareholder’s equity	**81.726**		**81.726**	**61.677**		**61.677**
Third shareholder's euity	**1.734**		**1.734**	**1.464**		**1.464**
Total shareholder's equity	**83.460**		**83.460**	**63.141**		**63.141**
Non current liabilities						0
Long term debt	24.036	8.434	32.470	38.948	6.016	44.964
Termination indemnities	4.135		4.135	4.298		4.298
Deferred tax liabilities	2.629		2.629	809		809
Other non current liabilities	309		309	244		244
Total non current liabilities	**31.109**	**8.434**	**39.543**	**44.299**	**6.016**	**50.315**
Current liabilities						
Bond				5.423		5.423
Current portion of bond loan	4.519		4.519	3.988		3.988
Trade payables	60.279	238	60.517	56.816	2.373	59.189
Short term Financial payables	18.766	602	19.368	30.296	455	30.751
Income tax payables	7.983		7.983	5.566		5.566
Other current liabilities	3.632		3.632	3.704		3.704
Total current liabilities	**95.179**	**840**	**96.019**	**105.793**	**2.828**	**108.621**
Total liabilities	**126.288**	**9.274**	**135.562**	**150.092**	**8.844**	**158.936**
Total shareholder’s equity and liabilities	**209.748**	**9.274**	**219.022**	**213.233**	**8.844**	**222.077**

(Amounts in thousands of Euros unless indicated differently)

	September, 30, 2007			September, 30, 2006		
	Third parties	Related parties	Total	Third parties	Related parties	Total
Revenues from sales and services	70.627	3.266	73.893	64.253	3.035	67.288
Other recurring revenues	259		259	347		347
Other non-recurring revenues	7.612		7.612			
Total Other revenues	7.871	0	7.871	347	0	347
TOTAL REVENUES	**78.498**	**3.266**	**81.764**	**64.600**	**3.035**	**67.635**
Costs for raw materials and consumables (*)	-27.265	-1.633	-28.898	-24.599	-1.518	-26.117
Costs for services (**)	-21.864	-1.126	-22.990	-21.447	-358	-21.805
Personnel costs	-10.284		-10.284	-9.441		-9.441
Other net operating costs	-2.244		-2.244	-877		-877
Depreciation and Amortization	-815	-464	-1.279	-922	-281	-1.203
TOTAL OPERATING COSTS	**-62.472**	**-3.223**	**-65.695**	**-57.286**	**-2.157**	**-59.442**
OPERATING RESULT	**16.026**	**43**	**16.069**	**7.315**	**879**	**8.193**
Financial Charges	-1.493	-296	-1.789	-2.153	-133	-2.286
Financial Incomes	1.077	37	1.114	1.826		1.826
PROFIT BEFORE TAXES	**15.610**	**-216**	**15.394**	**6.988**	**746**	**7.733**
Income Taxes	-5.288		-5.288	-3.990		-3.990
NET PROFIT FOR THE PERIOD	**10.323**	**-216**	**10.107**	**2.998**	**746**	**3.743**
Belonging to:						
Group			**9.961**			**3.725**
Minorities			**146**			**18**

(*) Costs for raw materials and consumables include for each period changes in inventories related to sales of finished goods to related parties, estimating on an average margin. No purchases of raw materials and finished goods have been made from related parties.

(**) Costs for services at september 30, 2007 include non recurring costs for Euro 560 thousands paid to related parties and concerning key money cashed in by the Group during first half (details on explanatory notes no. 18 and no. 25)

(Amounts in thousands of Euros unless indicated differently)

ATTACHMENT 2

Group Parent Company Financial Statements

Damiani S.p.A.
Statement of income IFRS 30.09.06

Statement of income (in euro thousands)	ITA GAAP	Variations Reclass.	Adjustments	IFRS
Revenues from sales and services	50.887	-2.414	-1.070	47.403
Other revenue	437	-334		103
Total revenues	**51.324**	**-2.748**	**-1.070**	**47.506**
Cost of raw materials and consumables	-25.123	1.440	522	-23.161
Cost of services	-10.307		1	-10.306
Personnel costs	-5.429		-74	-5.503
Other operating expenses	599	1.176	-174	1.601
Amortization and depreciation	-619		44	-575
Total operating expenses	**-40.879**	**2.616**	**319**	**-37.944**
Operating income (loss)	**10.445**	**-132**	**-751**	**9.562**
Financial expenses	-1.408		-71	-1.479
Financial income	-48	132	398	482
Income (loss) before income taxes	**8.989**	**0**	**-424**	**8.565**
Income taxes	-3.596		164	-3.432
Net income (loss) for the period	**5.393**	**0**	**-260**	**5.133**

(Amounts in thousands of Euros unless indicated differently)

Damiani S.p.A.
Balance Sheet IFRS 30.09.07

Balance sheet (in euro/thousands)	ITA GAAP	Variations		IFRS
		Reclass.	Adjustments	
Non Current assets				
Goodwill	435		292	727
Intangible assets	336		-256	80
Property, plant and equipment net	3.095		3.752	6.847
Investments in affiliated companies	18.075			18.075
Other investments	527		-375	152
Financial receivables and other non current assets	546	-401		145
Deferred tax assets	725		2.983	3.708
Total non current assets	**23.739**	**-401**	**6.396**	**29.734**
Current assets				
Inventories	41.610		7.272	48.882
Trade receivables	86.834	13.425	-15.111	85.148
Tax receivables	10			10
Other current assets	10.303		199	10.502
Cash and cash equivalents	1.869	-1.619		250
Total current assets	**140.626**	**11.806**	**-7.640**	**144.792**
Total assets	**164.365**	**11.405**	**-1.244**	**174.526**
Shareholder's equity				
Share Capital	28.221		0	28.221
Reserves	34.581		-4.841	29.740
Net Income (loss) for the period	5.676		567	6.243
Total shareholder's equity	**68.478**	**0**	**-4.274**	**64.204**
Non current liabilities				
Long term debt	24.036		3.758	27.794
Termination indemnities	3.976	-401	-530	3.045
Deferred tax liabilities	2.134		273	2.407
Other non current liabilities	1		-1	0
Total non current liabilities	**30.147**	**-401**	**3.500**	**33.246**
Current liabilities				
Current portion of bond loan	3.917		134	4.051
Trade payables	52.188		-604	51.584
Short term Financial payables	1.108	11.806		12.914
Income tax payables	5.967			5.967
Other current liabilities	2.560			2.560
Total current liabilities	**65.740**	**11.806**	**-470**	**77.076**
Total liabilities	**95.887**	**11.405**	**3.030**	**110.322**
Total shareholder's equity and liabilities	**164.365**	**11.405**	**-1.244**	**174.526**

(Amounts in thousands of Euros unless indicated differently)

Damiani S.p.A.
Statement of income IFRS 30.09.07

Statement of income (in euro thousands)	ITA GAAP	Variations		IFRS
		Reclass.	Adjustments	
Revenues from sales and services	54.232	-2.739	-638	50.855
Other revenue	229	-122		107
Total revenues	**54.461**	**-2.861**	**-638**	**50.962**
Cost of raw materials and consumables	-26.987	2.033	305	-24.649
Cost of services	-10.840		340	-10.500
Personnel costs	-5.609		265	-5.344
Other operating expenses	342	721	1	1.064
Amortization and depreciation	-434		-114	-548
Total operating expenses	**-43.528**	**2.754**	**796**	**-39.978**
Operating income (loss)	**10.933**	**-107**	**159**	**10.985**
Financial expenses	-1.859	526	-185	-1.518
Financial income	546	-419	911	1.038
Income (loss) before income taxes	**9.620**	**0**	**885**	**10.505**
Income taxes	-3.944		-318	-4.262
Net income (loss) for the period	**5.676**	**0**	**567**	**6.243**

(Amounts in thousands of Euros unless indicated differently)

ATTACHMENT 3

Damiani S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS FOR THE FINANCIAL YEAR CLOSED AT MARCH 31, 2007

(Amounts in thousands of Euros unless indicated differently)

Consolidated Balance Sheets as of March 31, 2007 and December 31, 2006

(€ in thousands)	Notes	March 31, 2007	December 31, 2006
NON-CURRENT ASSETS			
Goodwill	4	5,622	5,289
Intangible assets	5	1,725	1,786
Property, plant and equipment, net	6	15,193	18,430
Investments in affiliated companies		-	405
Other Investments		545	11,193
Financial receivables and other non-current assets	7	4,653	703
Deferred tax assets	8	9,788	7,614
TOTAL NON-CURRENT ASSETS		**37,526**	**45,420**
CURRENT ASSETS			
Inventories	9	94,720	89,699
Trade receivables	10	60,979	80,363
Tax receivables	11	1,786	1,694
Other current assets	12	7,999	7,796
Cash and cash equivalents	13	14,097	2,044
TOTAL CURRENT ASSETS		**179,581**	**181,596**
TOTAL ASSETS		**217,107**	**227,016**
SHAREHOLDERS' EQUITY			
GROUP SHAREHOLDERS' EQUITY			
Share capital		28,221	28,221
Reserves		52,101	32,614
Group net income (loss) for the period		-5-553	15,955
TOTAL GROUP SHAREHOLDERS' EQUITY		**74,769**	**76,790**
MINORITY SHAREHOLDERS' EQUITY			
Minority share capital and reserves		1,659	1,520
Minority net income (loss)		2	152
TOTAL MINORITY SHAREHOLDERS' EQUITY		**1,661**	**1,672**
TOTAL SHAREHOLDERS' EQUITY	14	**76,430**	**78,462**
NON-CURRENT LIABILITIES			
Long-term debt	16	38,793	38,334
Termination indemnities	17	4,548	4,404
Deferred tax liabilities	8	2,784	1,347
Other non-current liabilities	18	276	260
TOTAL NON-CURRENT LIABILITIES		**46,401**	**44,345**
CURRENT LIABILITIES			
Current portion of bond loan	15	-	5,423
Current portion of long-term debt	16	8,386	8,638
Trade payables	19	61,082	68,357
Short-term borrowings	20	14,824	13,438
Income tax payables	21	4,857	4,515
Other current liabilities	22	5,127	3,838
TOTAL CURRENT LIABILITIES		**94,276**	**104,209**
TOTAL LIABILITIES		**140,677**	**148,554**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**217,107**	**227,016**

(Amounts in thousands of Euros unless indicated differently)

Consolidated Statement of Income for the Three-month Period Ended March 31, 2007 and the Year Ended December 31, 2006

(€ in thousands)	Notes	Three months ended March 31, 2007	Year ended December 31, 2006
Revenues from sales and services		19,697	166,467
Other revenue		125	699
TOTAL REVENUES	23	**19,822**	**167,166**
Cost of raw materials and consumables	24	-8,564	-66,390
Cost of Services	25	-10,946	-47,585
Personnel costs	26	-5,489	-19,862
Other Operating Expenses	27	-1,411	-3,058
Amortization and Depreciation	28	-747	-2,957
TOTAL OPERATING EXPENSES		**-27,157**	**-139,852**
OPERATING INCOME (LOSS)		**-7,335**	**27,314**
Financial Expenses	29	-1,754	-4,747
Financial income	30	1,154	2,440
INCOME (LOSS) BEFORE INCOME TAXES		**-7,935**	**25,007**
Income Taxes	**31**	2,384	-8,900
NET INCOME (LOSS) FOR THE PERIOD		**-5,551**	**16,107**
Attributable to:			
Group		-5,553	15,955
Minority interests		2	152
Net earnings (loss) per share – basic and diluted (in €)	32	-0.09	0.25

(Amounts in thousands of Euros unless indicated differently)

Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2007 and for the Year Ended December 31, 2006

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Net income (loss) for the period	-5,551	16,107
Adjustments to reconcile net income (loss) for the period to net cash provided by (used in) operating activities:		
Depreciation and amortization	747	2,957
Provision for doubtful accounts	743	529
Changes in fair value of financial instruments	803	-684
Provision for termination indemnities	254	705
Termination indemnities payments	-110	-365
Change in deferred tax assets and liabilities	-737	825
	-3,851	20,074
Changes in operating assets and liabilities:		
Trade receivables	19,384	2,001
Inventories	-5,021	-2,483
Trade payables	-7,275	-4,801
Tax receivables	-92	-797
Income tax payables	342	1,392
Other non-current assets and liabilities	1,086	-615
NET CASH PROVIDED BY OPERATING ACTIVITIES (A)	**4,573**	**14,771**
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment and intangible assets	1,962	82
Addition to property, plant and equipment	-174	-1,225
Addition to intangible assets	-372	-642
Sale of Subsidiaries Damiani Suisse and Jewels Manufacturing	350	--
Sale (Addition) of investments	9,942	-1,110
Net change in other non-current assets	-3,950	-7
NET CASH GENERATED BY (USED IN) INVESTING ACTIVITIES (B)	**7,758**	**-2,902**
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of bond loan	-5,423	-5,175
Long-term debts	3,858	5,000
Payment of long-term debt	-3,635	-12,073
Net change in short-term borrowings	1,386	-2,224
Dividend paid	-3,081	-80
Increase in share capital and paid-in capital	6,852	556
NET CASH USED IN FINANCING ACTIVITIES (C)	**-43**	**-13,996**
DECREASE IN CASH AND CASH EQUIVALENTS (D=A+B+C)	**12,288**	**-2,127**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (E)	**2,044**	**4,191**
Net effect of conversion of foreign currencies on cash and cash equivalents (F)	-235	-20
CASH AND CASH EQUIVALENTS AT END OF PERIOD (G=D+E+F)	**14,097**	**2,044**

Statement of Movements in Consolidated Shareholders' Equity for the Three Months Ended March 31, 2007 and for the Year Ended December 31, 2006

(€ in thousands)	**Share capital**	**Share premium reserve**	**Legal reserve**	**Paid-in capital**	**Foreign currency conversion**	**Cash flow hedges**	**Other reserves**	**Net income for the period**	**Group shareholders’ equity**	**Minority shareholders’ equity**	**Total shareholders' equity**
Balance as of December 31, 2005	**27,665**	**4,131**	**975**	**2,531**	**692**	**-433**	**12,591**	**12,116**	**60,268**	**1,600**	**61,868**
Increase in share capital	556								556		556
Allocation of period result			291				11,825	-12,116	-		-
Foreign currency conversion					-491				-491		-491
Fair value of cash flow hedging						497			497		497
Dividend distribution									-	-80	-80
Other movements							5		5		5
Net income for the period								15,955	15,955	152	16,107
Balance as of December 31, 2006	**28,221**	**4,131**	**1,266**	**2,531**	**201**	**64**	**24,421**	**15,955**	**76,790**	**1,672**	**78,462**
Allocation of period result			362				15,593	-15,955	-		-
Foreign currency conversion					-230				-230		-230
Fair value of cash flow hedging						-9			-9		-9
Dividend distribution							-3,081		-3,081		-3,081
Payments from shareholders				6,087			765		6,852		6,852
Other movements									-	-13	-13
Net income (loss) for the period								-5,553	-5,553	2	-5,551
Balance as of March 31, 2007	**28,221**	**4,131**	**1,628**	**8,618**	**-29**	**55**	**37,698**	**-5,553**	**74,769**	**1,661**	**76,430**

Damiani S.p.A.

Notes to the Consolidated Financial Statements for the Three Months Ended March 31, 2007

1. Company Information and Financial Statements

The publication of the consolidated Financial Statements of Damiani S.p.A. (the "Company" and together with its subsidiaries "Group" or "Damiani Group") for the three months ended March 31, 2007, in accordance with IAS 10, was approved by the Board of Directors of the Company on November 14, 2007.
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In application of the provisions of Legislative Decree 38/2005, Damiani S.p.A. will prepare its first consolidated financial statements at March 31, 2008 and for the year ended on that date. Consequently, the consolidated financial statements at March 31, 2008 must be accompanied by comparative data attached to the consolidated financial statements for the three months ended March 31, 2007.

These financial statements have been prepared to allow for the drafting of the half-yearly report at September 30, 2007 in accordance with IAS 34.
Based on the provisions of IAS 34, for the half-yearly report to be presented in summary form, it needs comparative data with the most recent annual financial statements drafted in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union for annual financial statements.

These consolidated financial statements are compared with those of the previous twelve-month period ended December 31, 2006 that were already drafted in accordance with IFRS for the sole purpose of inclusion in the Company's Prospectus.

For the sole purpose of inclusion in the Prospectus as part of the application for listing on the market organized and managed by Borsa Italiana S.p.A., STAR segment, starting on November 8, 2007, the Group had already presented consolidated financial statements for the years ended December 31, 2006, 2005 and 2004 and the special consolidated financial statements for the years ended March 31, 2007 and 2006, drafted in accordance with IFRS. For these consolidated financial statements, the Group adopted January 1, 2004 as the IFRS transition date. This transition date remains unchanged (and the IFRS amounts remain unchanged) also for the purposes of these IFRS-compliant consolidated financial statements and for the purposes of the financial statements to be drafted as per Legislative Decree 38/2005 at March 31, 2008.

The Company's registered offices are in Valenza Po (province of Alessandria) Viale Santuario, no. 46.

The consolidated financial statements include the consolidated balance sheet, statement of income, statement of cash flows, statement of changes in consolidated shareholders' equity, and these notes.

The balance sheet structure chosen by the Company acknowledges the classification between "current assets" and "non-current assets", in accordance with IAS 1, while for the statement of income the Company maintained the "by nature" classification, deemed to be more representative of the so-called allocation presentation (also called cost of goods sold).

Pursuant to CONSOB Resolution No. 15519 of July 27, 2006, the effects of transactions with related parties on balance sheet assets and liabilities and on the statement of income for the three months ended March 31, 2007 and for the year ended December 31, 2006 are illustrated in the notes so as to maintain the overall readability of the main financial statements. Transactions with related parties are identified according to the extended definition as per IAS 24, including transactions with corporate and control boards, as well as executives with strategic responsibilities. Note 33 “Related Parties" and Note 35 “Unusual and non-recurring transactions/ Non-recurring charges and income” provide further information on this subject.

The statement of cash flows was prepared using the in direct method.

2. Basis of presentation and consolidation

The financial statements for the three months ended March 31, 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, and include the Financial Statements of Damiani S.p.A. and other Italian and foreign companies has the right to exercise control, either directly or indirectly, influencing their financial and operating decisions, and to obtain the relevant benefits. In preparing the consolidated financial statements, the financial statements of Italian subsidiaries and the accounting situations foreign subsidiaries prepared in accordance with Italian GAAP have been adjusted to align them to IFRS.

Subsidiaries

Subsidiaries are consolidated as of the date the Group actually acquired control of the companies and cease to be consolidated as of the date control is transferred by the Group.

The consolidated financial statements as of March 31, 2007 include:

Company name	Location	Currency	Shareholders' equity (€ in units)	Direct Parent company	% directly owned	% owned by the Group
Alfieri & St. John S.p.A.	Valenza Po (AL), Italy	EUR	1,462,000	Damiani S.p.A.	61.56%	100.00%
New Mood S.p.A.	Milan (MI), Italy	EUR	1,040,000	Damiani S.p.A.	97.00%	100.00%
Damiani Manufacturing S.r.l.	Bassignana (AL), Italy	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Damiani International BV	Amsterdam, The Netherlands	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan KK	Tokyo, Japan	JPY	280,000,000	Damiani International BV	100.00%	100.00%
Damiani USA, Corp.	New York, United States of America	USD	55,000	Damiani International BV	100.00%	100.00%
Damiani Germany GmbH	Berlin, Germany	EUR	1,185,000	Damiani International BV	100.00%	100.00%
Casa Damiani Espana SL	Madrid, Spain	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Super High Holding SA	Hong Kong, Hong Kong	HKD	2,500,000	Damiani International BV	100.00%	100.00%

The consolidation area at March 31, 2007 changed compared to December 31, 2006.

- in March 2007, the subsidiary Damiani International transferred its investments in Damiani Suisse SA (100%) and Jewels Manufacturing SA (100%) to Jewellery Investment SA (parent company).

The above-mentioned change in the consolidation area did not significantly impact the consolidated financial statements.

The consolidated financial statements as of December 31, 2006 include:

Company name	Location	Currency	Shareholders' equity (€ in units)	Direct Parent company	% directly owned	% owned by the Group
Alfieri & St. John S.p.A.	Valenza (AL), Italy	EUR	1,462,000	Damiani S.p.A.	61.56%	100.00%
New Mood S.p.A.	Milan (MI), Italy	EUR	1,040,000	Damiani S.p.A.	97.00%	100.00%
Damiani Manufacturing S.r.l.	Bassignana (AL), Italy	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Damiani International BV	Amsterdam, The Netherlands	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan KK	Tokyo, Japan	JPY	280,000,000	Damiani International BV	100.00%	100.00%
Damiani USA, Corp.	New York, United States of America	USD	55,000	Damiani International BV	100.00%	100.00%
Damiani Germany GmbH	Berlin, Germany	EUR	1,185,000	Damiani International BV	100.00%	100.00%
Casa Damiani Espana SL	Madrid, Spain	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Suisse SA	Lugano, Switzerland	CHF	1,800,000	Damiani International BV	100.00%	100.00%
Jewels Manufacturing SA	Luxembourg, Luxembourg	EUR	3,285,018	Damiani International BV	100.00%	100.00%
Super High Holding SA	Hong Kong, Hong Kong	HKD	2,500,000	Damiani International BV	100.00%	100.00%

Affiliates

Investments in affiliates refer to those investments in which the Group has at least 20% of voting rights or exercises significant influence, but not control, over financial and operating policies.

Investments in affiliates are accounted for under the equity method. Group's share of profits or losses from the investments in affiliates is recognized in the consolidated financial statements for the period during which the Group has significant influence over the affiliates.

The financial statements of the affiliates for the three months ended March 31, 2007 and the year ended December 31, 2006 are the basis for evaluation of the Group's investments under the equity method. The financial statements have been adjusted as necessary, in order to comply with the Group's accounting policies.

During the period ended December 31, 2006, the Group acquired 45% of share capital in affiliate Idea Rocca S.r.l., incorporated on December 21, 2006, with a share capital of € 3 million, of which € 900 thousand paid up.

The investment was sold to Jewellery Investment S.A. for the same amount on March 27, 2007. As of March 31, 2007 the Group did not own any investments in affiliates.

Other Investments

The details of other investments held by the Damiani Group as of March 31, 2007 and December 31, 2006 are reported below. For valuation criteria for such investments refer to the paragraph Accounting Policies below.

Other investments as of March 31, 2007 are valued at cost and totaled € 545 thousand.

Company name	Currency	Shareholders' equity (€ in units)	Carrying value (€ in units)	Held by	% directly owned	% owned by the Group
Orgafin S.r.l.	EUR	n/d	374,815	Damiani S.p.A.	N/d	n/d
Fin-or-val S.r.l	EUR	n/d	125,592	Alfieri & St. John S.p.A. Damiani S.p.A.	0.52% 3.84%	4.36%
Banca D'Alba	EUR	n/d	41,317	Damiani S.p.A.	0.5%	0.5%
Co.in.or S.r.l.	EUR	n/d	129	Damiani S.p.A.	N/d	n/d
Consorzio Coral	EUR	n/d	1,549	Damiani S.p.A.	N/d	n/d
Consorzio Conai	EUR	n/d	299	Damiani S.p.A.	N/d	n/d

Changes compared to December 31, 2006 were as follows:

- in March 2007, subsidiary Damiani International sold its investments in Pomellato S.p.A. (16%) and WJR (9%) to Jewellery Investment SA (parent company). The investment in WJR was sold at a price approximating the carrying value. The investment in Pomellato was sold at a price of € 10,794 thousand, with a capital gain of € 5,372 thousand. This gain was recognized as a contribution to equity reserves, as it ensued from a transaction with a company under common control as part of the Group reorganization strategy.

Other investments as of December 31, 2006 are valued at cost and totaled € 11,193 thousand.

Company name	Location	Currency	Shareholders' equity (€ in units)	Carrying value (in € units)	Held by	% directly owned	% owned by the Group
WJR	Luxembourg	EUR	1,580,000	4,521,000	Jewels Manufacturing SA	9%	9%
Pomellato S.p.A.	Milan	EUR	5,200,000	6,127,797	Damiani International BV	16%	16%
Orgafin S.r.l.	n/d	EUR	n/d	374,815	Damiani S.p.A.	n/d	n/d
Fin-or-val S.r.l.	Valenza Po	EUR	n/d	125,591	Alfieri & St. John S.p.A. Damiani S.p.A.	0.52% 3.84%	4.36%
Banca D'Alba	Alba	EUR	n/d	41,317	Damiani S.p.A.	0.5%	0.5%
Co.in.or S.r.l.	n/d	EUR	n/d	129	Damiani S.p.A.	n/d	n/d
Consorzio Coral	n/d	EUR	n/d	1,549	Damiani S.p.A.	n/d	n/d
Consorzio Conai	n/d	EUR	n/d	299	Damiani S.p.A.	n/d	n/d

The Group did not hold any investments valued at fair value in the periods ended March 31, 2007 and December 31, 2006.

Consolidation Method

In preparing the consolidated financial statements, the assets, liabilities, revenues and expenses of the consolidated companies have been consolidated on a line-by-line basis. Minority interests in shareholders' equity and net income are presented separately in the consolidated balance sheet and statement of income. The book value of investments in each subsidiary is written off against a corresponding share of equity in each of the subsidiaries, including any fair value adjustments at the acquisition date of assets and liabilities; any remaining differences is allocated to goodwill.

All intra-group balances and transactions, including unrealized profits arising from intra-group transactions, are eliminated in full. Unrealized profits and losses resulting from transactions with affiliates are eliminated for the amount attributable to the Group. Intra-group losses, other than impairment losses, are written off.

Investments in affiliates valued under the equity method are initially accounted for at cost, and increased by subsequent changes due to acquisitions of additional shares in the affiliate's shareholders' equity, while decreasing by losses in value. The statement of income reflects the Group's share of the affiliates result for the period. If an affiliate accounts for a transaction directly to equity, the Group also accounts for the transaction similarly and, if applicable, indicates the transaction in the statement of changes in shareholders' equity.

Conversion of currencies other than the euro

Balance sheet and statement of income figures for companies operating outside the eurozone are converted into euro applying: (**i**) spot exchange rates at year end to balance sheet asset and liabilities items; (**ii**) historical exchange rates to shareholders' equity items; **(iii)** average exchange rates for the period to statement of income items.

Exchange rate conversion differences from the application of different exchange rates for assets and liabilities, shareholders' equity, and statement of income items are recognized in the consolidated shareholders' equity reserve "foreign currency conversion" for the portion attributable to the Group and in the item "minority share capital and reserves" for the portion attributable to minority interests.

The balance sheet and statement of income figures used in the conversion are those denominated in the functional currency. Goodwill and adjustments to fair value when attributing the cost of acquiring a foreign company are recognized in the relative currency and converted using the end-of-period exchange rate.

3. Accounting policies

The consolidated financial statements of the Damiani Group for the three months ended March 31, 2007 and for the year ended December 31, 2006 have been prepared in accordance with IFRS.

The consolidated financial statements are stated in euro, which is also the functional currency for most of the companies in the Group.

Compliance with IFRS adopted by the European Union

The consolidated financial statements of the Damiani Group for the three months ended March 31, 2007 and for the year ended December 31, 2006 have been prepared in accordance with IFRS, as adopted by the European Union.

There were no departures from the application of the IFRS in the preparation of the consolidated financial statements for the three months ended March 31, 2007 and for the year ended December 31, 2006.

Changes in accounting policies

The accounting criteria used in preparing the consolidated financial statements of the Damiani Group for the three months ended March 31, 2007 and for the year ended December 31, 2006 are consistent.

Use of estimates

The preparation of consolidated financial statements and related notes in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates. Estimates are used in many areas, including accounting for allowances for doubtful account receivables and for sale returns, obsolete and slow-moving inventories, depreciation and amortization, asset impairment, employee benefits, taxes, other provisions and contingencies. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately in the statement of income.

The main valuation processes that required the utilization of estimates relate to impairment tests, purchase price allocation in business combinations accounted for in accordance with IFRS 3 Business Combinations, and to the allowance for sale returns.

Goodwill

Goodwill on acquisitions is the excess of the business combination's purchase price over the acquirer's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently in case of events or changes in circumstances indicating that the carrying value may be impaired.

For this recoverability analysis, at the acquisition date the goodwill of a business combination is allocated to cash generating units (or groups of units) that are deemed to benefit from the synergic effects of the acquisition, regardless of the allocation of the acquired assets or liabilities. Each unit or group of units to which the goodwill is allocated:

– represents the lowest level within the Group in which the goodwill is monitored for internal management purposes;

– is not higher in a primary or secondary segment of the Group as defined in the segment classification as per IAS 14.

Impairment is determined by measuring the recoverable amount of the cash-generating group (or group of units) to which the goodwill is allocated. When the impaired value of the cash generating unit (or group of units) is lower than the accounting value, an impairment loss is recognized. If the goodwill is attributed to a cash-generating unit (or group of units) whose assets are partially sold, the goodwill associated with the sold asset is recognized for the purposes of determining any capital gain or loss deriving from the transaction. In such circumstances, the goodwill transferred is measured on the basis of the amount of the sold asset in proportion to the asset still held by the same unit.

Intangible assets

Intangible assets acquired separately are recognized at cost, while those acquired through transactions involving business combinations are recognized at fair value at the acquisition date. After initial recognition, intangible assets are measured at cost, net of accumulated amortization and any accumulated impairment losses. Intangible assets internally produced are not capitalized and they are recognized in the statement of income for the period in which they were produced.

All intangible assets have either definite or indefinite useful lives. Intangible assets with definite useful lives are amortized over their estimated useful life, and are tested for impairment each time there is any indications of impairment. The amortization period and method are reviewed at least once at each financial year-end, or more frequently if necessary. Changes in expected useful life or the methods through which the Group obtains future economic rewards associated with the intangible assets are recognized by recording the amortization period or method, as required, and treating them as changes in accounting estimates. Amortization rates for intangible assets with a defined life are recognized in the statement of income in the cost category consistent with the intangible asset's function.

Intangible assets with an indefinite useful life are subject tested annually for impairment at the individual level or at the cash-generation unit level. No amortization is recognized for such assets. The useful life of an intangible asset with indefinite useful life is reviewed annually to ascertain the persistence of the conditions justifying such classification. In the opposite case, the change from definite to indefinite useful life is done prospectively.

Gains or losses from the sale of an intangible asset are measured as the difference between the net revenue from the sale and the asset's accounting value and they are recognized in the statement of income at the time of sale.

Depreciation rates adopted for intangible assets with definite life are as follows:

Category	**Rates**
Licenses	From 10% to 20%
Software	From 20% to 33%
Key money (lump sum paid to sign or renew store lease contracts)	Duration of contract
Other intangible assets	From 14% to 20%

Cost for research and development

Research costs are directly expensed in the financial year they are incurred.

Development costs related to specific projects are recognized if the Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset and use or sell it; its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefit; the availability of adequate technical, financial and other resources to complete the development; its ability to measure reliably the expenditure attributable to the intangible asset during its development; and the existence of a market for the output of the intangible asset or the intangible asset itself; or, if it is to be used internally, the usefulness of the intangible asset. Capitalized development costs include all costs incurred directly in connection with the development process.

After initial recognition, development costs are recorded net of depreciation and any impairment losses recognized using the above-mentioned methods for intangible assets with a finite useful life.

Property, plant and equipment, net

Property, plant and equipment acquired separately, based on purchase or lease agreements, are recognized at purchase cost. Those acquired through business combination transactions are recognized based on the fair value measured at the acquisition date.

Property, plant and equipment is stated at the purchase cost, including directly related transaction costs and costs necessary to make the asset ready for use. The value is subsequently increased to take account of the expected cash outflows required to dismantle and remove such asset, if such amount is significant and current obligations exist to dismantle or remove the asset. If significant portions of property, plant and equipment have different useful lives, these items are accounted for separately. Land both acquired separately and apportioned to buildings, which has an unlimited life, is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable based on the amortization plan. If any of such indicators exist and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units to which the assets are allocated are written down to their recoverable amount.

The residual value of the assets, their useful lives and the methods applied are reviewed annually and, if necessary, they are adjusted at the end of each period.

The main technical-economic lives used are as follows:

Category	**Rates**
Buildings	From 2% to 3%
Plant and Machinery	From 12 % to 25%
Commercial and industrial equipment	From 7% to 35%
Other Assets	From 12% to 25%

Leased assets

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets and liabilities at their fair value or, if lower, at the present value of the minimum lease payments. The finance expense is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The finance expense is directly charged to the statement of income.

Capitalized leased assets are depreciated over the shorter period represented by their expected useful lives or the duration of the relevant contracts, if there is not the reasonable certainty that the Group will obtain the ownership of the asset at the end of the contract.

Operating lease expenditures are charged to the statement of income over the lease term.

Impairment

The carrying values of Group’s tangible assets and intangible assets with definite useful lives and leased assets are reviewed for impairment at the closing date of each period. The assets are tested for impairment if there are any such indicators.

Goodwill and other intangible assets with indefinite useful lives are reviewed for impairment annually, regardless of circumstances that indicate that the carrying value may be impaired. Property, plant, equipment and intangible assets with definite useful life are tested for impairment when there are any indicators that their carrying value may be impaired.

To review for impairment, the Group estimates the assets’ relative carrying values, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount is the greater of net selling price and value in use. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset has been allocated. Impairment test on goodwill is based on the cash flows generated by the cash- generating units to which it has been allocated.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The future cash flows are derived from the Group plans approved by the Board of Directors, which normally cover a period of three years The plan’s projections usually cover a three-year period; the long-term growth rate used to estimate the terminal value of the cash-generating unit is estimated not higher than the average long-term growth rate of the segment, country or market in which the cash-generating unit operates. Future cash flows are estimated with reference to the current operating conditions of the cash-generating unit and, therefore, do not include benefits expected from any future restructurings to which the Company has not yet committed, nor future investments for the improvement or optimization of the cash-generating unit.

If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in the statement of income.

Impairment losses of continuing operations are recognized in the income statement in the cost categories consistent with the function of the impaired asset. If there are indicators that any previously recognized impairment losses are reduced, the Group determines the recoverable amount of assets to quantify the reversal. Impairment losses (except for goodwill impairments) are reversed if there are changes in the original estimates used to determine an asset’s recoverable amount since the last impairment loss was recognized. In this case, the carrying value of the asset is written up to the recoverable value, which cannot however exceed the carrying value that would have been recognized, net of any depreciation, if no impairment losses had been recognized in previous years. A reversal of an impairment loss is recognized as gain in the statement of income. After a reversal, the adjusted carrying value of the asset is depreciated on a straight-line basis over the remaining useful life, net of any remaining values.

Previously recognized impairment losses on goodwill are never reversed.

Investments

Investments in affiliates are accounted for under the equity method. The paragraph *Consolidation* provides a description of the equity method.

Equity investments other than those in subsidiaries and affiliates (i.e. normally below 20%) are classified upon acquisition as “assets available for sale” or “assets valued at fair value through profit or loss” and included in current or non-current assets. In accordance with IAS 39, such investments are valued at fair value or, for investments in non-public companies or whose fair value cannot be determined reliably, at cost adjusted for impairment losses.

Changes in value of investments included in available-for-sale assets are recognized in equity, in a reserve which will be charged to the statement of income at the time the investment is sold or impaired. Changes in the value of investments included in Assets valued at fair value through profit and loss are directly recognized in the statement of income.

Other current assets

Receivables and assets included in non-current assets are valued using the amortized cost method. Receivables after one year or receivables that do not accrue interest or accrue interest at a below market rate are discounted at market interest rate.

Inventories

Inventories are valued at the lower of the purchase or manufacturing cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business. The cost model used for inventories is the weighted average cost method. The weighted average cost method includes relevant accessory charges for the period. Inventories include direct costs of materials and personnel and in direct production costs. Provision is made for obsolete and slow-moving raw materials, finished products, spare parts and other supplies based on their expected future use and realizable value.

inventories include estimated manufacturing costs of sales returns expected to be received in future years calculated by deducting the average profit from the original sale price.

Trade receivables and other current assets

Trade receivables and other current assets are recognized at fair value, being the nominal value and are subsequently reduced to take into account any impairment or allowance for doubtful accounts to adjust the carrying value. Trade receivables are recognized net of the allowance for sale returns. This allowance refers to invoiced amounts upon shipment, and it is estimated, based on historical experiences, for products for which risks and rewards are reasonably forecast not to be transferred to the buyer at the balance sheet date.

Trade receivables and other current assets for which the collection due dates exceed collection times in the normal course of business are accounted for at present value.

Financial instruments

IAS 39 applies to the following types of financial instruments: 1) financial assets with the fair value adjusted via statement of income at each reporting period end; 2) loans and receivables; 3) held-to-maturity investments; 4) available-for-sale financial investments.

Financial assets are initially recognized at fair value, subsequently increased with accessory charges, for financial assets other than those at fair value through profit and loss. The Company determines the classification of its financial assets after initial recognition and, where applicable and allowed, it reviews this classification at each balance sheet date.

All regular purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset.

- Financial assets with the fair value adjusted via the statement of income

These assets include financial assets held for trading. i.e. all those financial assets that have been purchased in order to be sold in the short term. Derivatives other than those designated as effective hedging instruments are classified as financial assets held for trading. Gains or losses on investments held for trading are recognized in profit and loss.

- Loans and receivables

Loans and receivables represent non-derivative financial assets with no fixed or readily determinable payments, which are not listed on an active market. They are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, or through the amortization method.

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. The financial assets that the Group decides to hold for an indefinite period are not included in held-to-maturity investments. After initial measurement, held-to-maturity investments, such as bonds, are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments adjusted for the cumulative amortization using the effective interest method of premium or discount upon initial issue. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of income when investments valued at amortized cost are derecognized or impaired, as well as through the amortization process.

- Assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-or-sale financial assets are measured at fair value with gains or losses being recognized directly in equity until such investment is derecognized or impaired. Gains or losses recognized in equity are then transferred to the statement of income.

If investments are traded on regulated markets, their fair value is measured based on their quotation on the stock exchange at the close of trading at the balance sheet date. The fair value of investments for which there is no active market is measured using pricing techniques based on recent transaction prices between independent parties, the current value of a substantially similar instrument, the analysis of the present value of financial flows, and option pricing models.

- Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or parts of a group of a similar financial asset) is derecognized when:

– the rights to receive the financial flows expire;

– the Group maintains the right to receive the asset's financial flows, but it has the contractual obligation to transfer them without delay to a third party;

– The Group has transferred the right to receive the asset's financial flows and (i) it has transferred substantially all the risks and rewards of owning the financial assets, or (ii) it has not substantially transferred nor withheld all the risks and rewards of the asset, but it has transferred control of the asset.

In cases where the Group has transferred the rights to an asset's financial flows and it has neither substantially transferred nor withheld all the risks and rewards or it has not lost control of it, the asset is recognized in the Group's financial statements to the extent of its remaining involvement in the asset. Remaining involvement that takes the form of a guarantee on the transferred asset is measured at the lesser of the asset's initial book value and the maximum transfer value that the Group may have to pay.

A financial liability is derecognized when the liability's underlying obligation expires, is annulled, or is fulfilled.

In cases where an existing financial liability is replaced by another of the same lender but at substantially different conditions, or an existing financial liability's conditions are substantially modified, such replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the recognition in the statement of income of any differences in accounting value.

Hedge accounting

Instruments that follow hedge accounting are classified as:

- Fair value hedging when hedging the exposure to changes in the fair value of the underlying asset or liability; or an irrevocable commitment (except for a currency risk); or
- Cash flow hedges when hedging exposure to variability in exchange rates, which is attributable to a specific risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk related to an irrevocable commitment;
- A net investment hedge in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting, its risk management objectives and the strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The fair value change of hedging derivatives is recognized in the statement of income. The fair value change in the hedged item and attributable to the hedged risk is recorded as part of the carrying value of the hedged item and is also recognized in profit or loss.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the statement of income over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument to which the effective interest rate method applies is amortized through the statement of income.
Any gains or loss ensuing from fair value changes of derivatives to which hedge accounting does not apply are directly recognized in the statement of income for the period.

Cash and cash equivalents

Cash and cash equivalents are recorded at the nominal value or amortized cost, based on their nature.

Financial liabilities

Financial liabilities include financial debt and financial liabilities associated with derivatives. Financial liabilities other than derivatives are initially recognized at fair value plus transaction costs; they are subsequently valued at amortized cost, i.e. at the initial cost net of principal repayments made, adjusted (increased or decreased) based on the amortization (using the effective rate method) of any differences between the initial value and value at maturity.

Employee benefits

Employee benefits issued during or after the employment relationship through defined-benefit programs (for Italian companies, termination indemnities) are recognized during the period in which the rights are accrued.

Liabilities from defined-benefit programs, net of any assets to service the plan, are determined on the basis of actuarial assumptions and recognized on an accrual basis consistent with the employment services necessary to obtain the benefits; independent actuarials measure such liabilities.

The Group did not adopt the IAS 19 corridor approach; therefore gains and losses from actuarial calculations are accounted for in the statement of income as personnel cost and financial income.

Trade payables and other current liabilities

Trade payables and other current liabilities whose terms are consistent with market conditions are recognized and carried at the nominal amount and are not discounted.

Revenues from sales and services

Revenues from sales and services are reported at fair value net of discounts, other sales inducements and returns and are recognized to the extent that it is probable that the economic benefits will flow to the Company and the fair value of the revenues can be reliably measured.

Revenues from the sale of goods are recognized when all the following conditions are met:

a) the significant risks and rewards connected with the property of the goods are sold to the buyer;
b) the usual continuing activities and control associated with the property of the goods are not exercised;
c) the amount of revenue can be reasonably determined;
d) it is probable that the economic benefits will flow to the Group;
e) the costs incurred or to be incurred can be reasonably estimated.

The Group in certain circumstances accepts, for commercial reasons and consistent with the industry, practice, returns from customers related to goods delivered in prior periods. In accordance with this practice, the allowance refers to invoiced amounts upon shipment, and it is estimated, based on historical experiences, for products for which risks and rewards are reasonably forecast not to be transferred to the buyer at the balance sheet date . Sales returns are recorded as a reduction in sales in the statements of income, and in an allowance against accounts receivable in the balance sheet, while the related manufacturing costs are included in inventories.

Barter transactions

Barter transactions for which the Group sell goods in exchange for promotion and advertising services are recorded separately, respectively, in revenues and in the costs of services. Revenues from sales of goods are recorded at the fair value of advertising services received, adjusted for any cash payment or equivalent, at the time of delivery of the goods.

Other revenue

Other revenues include the flows of economic benefits attained during the period deriving from the company's ordinary operations.
The revenues received from the early rescission of commercial property leasing contracts are recognized among other revenues at the time they were received, corresponding with the signing date of the agreement to rescind the original leasing contract.

Purchases

Purchases are recognized on an accrual basis. In detail:

- Costs for advertising campaigns and spokespersons

Fees to our advertising agency and the costs of the advertising campaign (commercials and photographs) are recognized in the statement of income when they are incurred.

Costs related to advertising campaigns and promotions are recognized in the statement of income in each period for the services received (advertisements launched, published or broadcasts, spokespersons' services received).

Any advance payment of services to be received are recognized using the accrual method.

Fees to be paid to the advertising agency and the cost of commercials and photographs are recognized in the statement of income in the period these services are received.

The cost of advertising services purchased are recognized on an accruals basis, in the period they are rendered.

- Financial income and expense

Financial income and expenses are recognized when the relevant interest income is ascertained, using the effective interest method represented by the actuarial rate used to measure expected cash flows based on the remaining useful life of the financial instrument.

Financial expenses are recognized, based on the effective interest rate, in the statement of income on an accruals basis.

Dividends

Dividends are accounted for when the shareholders' right to receive payment has occurred, coinciding with when they are approved. Dividends from other companies are classified in the statement of income among other operating income since they are related to long-term investments pertaining to the segment in which the group operates. Dividends from other investments held for financial purposes are classified as financial income.

Income Taxes

- Current taxes

Current income taxes are calculated based on the expected taxable income for the period. Taxable income differs from the result of the statement of income as it excludes positive and negative items that will become taxable or deductible in future years, and the items that will never become taxable or deductible. The liability for current taxes is calculated based on applicable tax rates or rates approved at the balance sheet date.

- Deferred tax assets and liabilities

Deferred tax assets and liabilities are accounted for based on the temporary differences between the statutory and tax values of the assets and liabilities presented in the balance sheet. Deferred tax assets are recognized for all taxable temporary differences except for the following cases:

– deferred tax liabilities arise on the initial recognition of goodwill or an asset or liability related to a transaction other than a business combination, and when at the time of transaction there were no effects on statutory net income for the period or on the net income or loss calculated for tax purposes;

– with reference to taxable temporary differences related to investments in subsidiaries, affiliates and joint ventures, the reversal of such temporary differences can be controlled and it is probable that such temporary differences will reverse in the foreseeable future.

Deferred tax assets (liabilities) are recognized to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences can be utilized, with the following exceptions:

– deferred tax liabilities arise on the initial recognition of an asset or liability related to a transaction other than a business combination, and when at the time of transaction there were no effects on statutory net income for the period or on the net income or loss calculated for tax purposes;

Deferred tax assets are reviewed at each balance sheet date and their value is reduced to the extent that it is not probable that the taxable profit will be available against which the deductible temporary differences can be utilized in the year they are expected to be reversed. Unrecognized deferred tax assets are reviewed annually at the balance sheet date and are recognized based on the probability of reversal.

Deferred tax assets and liabilities are calculated based on the tax rates that pursuant to applicable laws are expected to be applied at the time the asset is realized or the liability is derecognized.

Deferred tax assets and liabilities are recognized directly in the statement of income, except for assets and liabilities related to items recognized directly in equity. In this case, the relevant deferred tax assets and liabilities are also consistently recognized without a counter-entry in the statement of income.

Deferred tax assets and liabilities are offset, if there is a legal right to offset these items and deferred tax liabilities refer to the same taxable entity and the same tax authority.

Deferred tax assets and liabilities are recognized among non-currernt assets and liabilities.

Foreign currency conversion

The functional and presentation currency of the Damiani Group is the euro.

Transactions in foreign currencies are initially recorded in the functional currency rate applicable at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are reconverted at the functional currency rate of exchange applicable at the relevant balance sheet date. Non-monetary differences are recognized in the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value are reconverted using the exchange rate as at the date of designation of fair value.

Treasury stock

Treasury stock is classified as a reduction to shareholders' equity. Original cost of treasury stock and gains from sale of treasury stock are recorded directly in shareholders' equity.

Earnings per Share

Earnings per share are calculated by dividing the net income attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period. For the purposes determining earnings per share for the three months ended March 31, 2007 and the year ended December 31, 2006, we took the average number of outstanding shares for each period as measured by the change in share capital during each period, with particular reference to the capital increase. In measuring the average number of shares, we also took into account any Shareholders' Meeting decisions to split and/or combine shares. The Company's diluted earnings per share is computed taking account of the shares issued for the capital increase as part of the listing process.

New accounting principles and new interpretations adopted by the European Union, not yet in force

As required by IAS 8 Accounting policies, changes in accounting estimates and errors, the effect of adopting the newly issued accounting principles and interpretations is stated below.

New IFRS pronouncements and modifications in force for the first financial year starting after January 1, 2007 are as follows:

a) *IFRS 7 – Financial instruments — Disclosures*

The principle, adopted by the European Union in January 2006 (CE Regulation 108/2006), relates to guidance regarding disclosures, within IAS 32 Financial instruments: Disclosure and presentation), with certain amendments and additions. Consequently, IAS 32 Financial Instruments: Presentation". The Company believes that the adoption of IFRS 7 will not have significant effects on the financial statements for the first financial year starting after January 1, 2007.

b) Changes to IAS 1 — Information on capital

Changes to IAS 1 require an entity to present certain disclosures in the financial statements to enable the reader to evaluate the objectives, the criteria and the procedures of capital management at an entity. The Company will apply the new principle in the financial statements for the first financial year starting after January 1, 2007.

Management of financial risks

The management of financial requirements and of the relevant risks (especially interest rate risk, liquidity risk and currency exchange risk) is carried out by each individual company in the Damiani Group, in accordance with the guidelines defined by the Group's General Manager and approved by the Chief Executive Officer.

The primary goal of management is to establish an appropriate equilibrium between the assets and liabilities so to maintain proper balance sheet solidity.

Loans mainly refer to the following:

- Long-term debt with a medium/long-term reimbursement plan, to cover non-current investments and to finance new sales channels, both direct and indirect;

- Short-term borrowings, advances with recourse on receivables, and factoring of receivables to finance working capital.

Average cost of debt is mainly related to Euribor at 1/3/6 month based on the loan agreement and IRS at 3 years, plus spread, which mainly depends on the type of the financial instrument used. In general, the applied margins are in line with market margins.

Certain loans require compliance with certain covenants regarding income or equity (refer to note 16 *Long-term debt current and medium/long-term portion*). Loans issued in favor of subsidiaries must be accompanied by a guarantee letter issued by Damiani S.p.A...

- Interest rate risk

The interest rate risk to which the companies of the Group are exposed mainly relates to long-term loans. The cash flow risk on interest rates has been in the past managed by entering into interest rate swap agreements in order to convert the variable-rate to a fixed rate. Such instruments are used in a residual measure.

- Currency exchange risk

Certain companies within the Group enter into transactions in currencies other than their functional currency and thus are exposed to currency exchange risk. On the basis of volumes of transactions, if the risk is significant, the Group enters into derivative currency contracts.

- Credit risk

The Group's customers are selected customers deemed creditworthy and solvent; most of the Group's customers are wholesalers. Since the Group's customers typically have sound credit history and are solvent, additional guaranties are generally not requested from them. The Group has a policy to check potential customers' backgrounds through the Federalpool information company, prior to entering into a business relationship with them and monitors all the customers with a specific credit limit; moreover, an information company automatically checks all customers and signals any negative events (e.g. any protest), triggering immediate blocking procedures and accelerated credit recovery procedures. Moreover, accounts receivable are monitored on a timely basis, with a view to reducing as much as possible bad debts. As shown by historical data, the amount of bad debts is not material.

The credit risk related to other Group financial assets, that includes cash and cash equivalents, financial assets held for sale and certain derivative instruments, shows a maximum risk equal to the book value in case of the insolvency from the counterpart.

- Risk of price increases for raw materials and difficulties in purchasing raw materials

The Group uses precious stones, gold, platinum, Silver, pearls and other precious materials as raw materials. The price of such raw materials and their availability on the market can be affected by factors such as government regulation and macroeconomic market in general; by the trends in exchange rates against US dollar (the currency in which purchase prices are typically quoted); by the dependency on a limited number of suppliers (for example for diamonds, on De Beers and its subsidiary Diamond Trading Company), and by the supply terms for such raw materials.

Specifically, the above risks refer to gold, which fluctuations may be significant in relation to supply and demand on international markets The Group has entered into contract with suppliers in order to guarantee adequate and constant supply of this precious metal.

With reference to precious stones and to other precious metals, the Group refers to suppliers with consolidated relations.

Notes to the consolidated financial statements

4. Goodwill

As of March 31, 2007 and December 31, 2006, goodwill amounted to € 5,622 thousand and € 5,289 thousand, respectively.

Goodwill of € 4,258 thousand mainly relates to the acquisition of 100% interest in Alfieri & St. John S.p.A. that took place in 1998. The remaining amount relates to the acquisitions of business lines represented by boutiques located in Venice, Portofino and Verona, and of the residual 3% interest in New Mood S.p.A. occurred in December of 2005.

In March 2007, a store in Bologna was acquired by the Group, resulting in the addition of € 334 thousand to the goodwill — boutiques item.

Impairment test on intangible assets with an indefinite useful life

The only intangible asset with an indefinite useful life as of and for the years ended March 31, 2007 and 2006 is goodwill. During the periods presented, no impairment indicators emerged, causing the Group to carry out an impairment test on property, plant equipment and intangible assets with a definite useful life.

Goodwill has been subject to impairment test in order to determine the appropriateness of amount recorded.

The following data and assumptions have been considered in performing the test:

- Goodwill has been allocated to the cash generating units Alfieri & St. John, Damiani and New Mood since such goodwill does not individually produce any future economic benefits;

- Financial data has been derived from the Group's business plan for 2007-2010;

- Cash flow has been determined starting from EBITDA, adjusted in order to eliminate the amounts related to investments and to changes in working capital. Specifically, the cash flows for 2010, utilized as a constant value in order to obtain the terminal value, have been determined assuming that the amount of investments was equal to the amount of depreciation;

- Cash flows have been discounted utilizing the weighted average cost of capital method (WACC), determined on the basis of the following assumptions:
    - risk free rate of 4.4%;
    - beta of 1;
    - risk premium (country risk) of 5%; and
    - ratio of debt to equity calculated based on per actual Group's data as of March 31, 2007;

- Terminal value has been determined considering the same 2010 cash flow, constant for 9 years and discounting such amounts. The "g" growth rate has been prudentially assumed equal to zero; and

- Recoverable value has been determined with reference to the value in use.

Impairment tests have confirmed the recorded value of goodwill.

5. Intangible assets

The breakdown of this item at March 31, 2007 and December 31, 2006 is as follows:

(€ in thousands)	**March 31, 2007**	**December 31, 2006**
Concessions, licenses, trademarks and similar rights	120	129
"Key money"	1,583	1,633
Other	22	24
Total intangible assets	**1,725**	**1,786**

"Key money" refers to a lump-sum indemnity paid during 2002 of € 2,650 thousand to renew the rental agreement of a building located in Milan, Italy at Via Montenapoleone, 16. The amount is amortized over the duration of the contract.

The roll forward of intangible assets as of December 31, 2006 and March 31, 2007 was as follows:

(€ in thousands)	**Licenses and similar rights**	***"Key money"***	**Trade marks**	**Other**	**Total**
Net book value as of December 31, 2005	**179**	**1,833**		**24**	**2,036**
Purchases	142	-	500	-	642
Disposals	-6	-			-6
Depreciation	-181	-200		-	-381
Write-off			-500		-500
Exchange rate adjustments	-5	-		-	-5
Net book value as of December 31, 2006	**129**	**1,633**	**-**	**24**	**1,786**
Purchases	41	-	-	-	41
Disposals	-	-		-2	-2
Depreciation	-50	-50		-	-100
Write-off			-		-
Exchange rate adjustments	-	-		-	-
Net book value as of March 31, 2007	**120**	**1,583**	**-**	**22**	**1,725**

All additions in "Licenses and similar rights" item refer to software licenses.

6. Property, plant and equipment, net

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows:

(€ in thousands)	March 31, 2007	December 31, 2006
Land and buildings	11,192	14,309
Plant and machinery	597	613
Commercial and industrial equipment	708	719
Other assets	2,696	2,789
Total property, plant and equipment	**15,193**	**18,430**

Land and buildings includes assets under finance leases at March 31, 2007 and December 31, 2006 for € 9,616 thousand and for € 5,810 thousand, respectively.

Other assets include furniture and office equipment for a net book value at March 31, 2007 of € 2,566 thousand.

The roll forward of property, plant and equipment as of December 31, 2006 and March 31, 2007 was as follows:

(€ in thousands)	Land and buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Total
Historical cost	18,589	2,655	2,003	17,006	40,253
Accumulated depreciation as of December 31, 2005	-3,408	- 1,885	- 1,265	- 14,125	- 20,683
Net book value as of December 31, 2005	**15,181**	**770**	**738**	**2,881**	**19,570**
Purchases	-	62	255	908	1,225
Disposals	-	-7	-50	-21	-78
Depreciation	-781	-210	-195	-890	-2,076
Exchange rate adjustments	-91	-2	-29	-89	-211
Net book value as of December 31, 2006	**14,309**	**613**	**719**	**2,789**	**18,430**
Purchases	-	9	34	131	174
Disposals	-	-	-	-	-
Change in consolidation area	-2,753				-2,753
Depreciation	-364	-25	-44	-214	-647
Exchange rate adjustments	-	-	-1	-10	-11
Net book value as of March 31, 2007	**11,192**	**597**	**708**	**2,696**	**15,193**

The change in consolidation area during the three-months ended March 31, 2007 relates to the sale to related parties of Damiani Suisse S.A., owner of a building located in Lugano.

7. Financial receivables and other non-current assets

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows:

(€ in thousands)	**March 31, 2007**	**December 31, 2006**
Guarantee deposits	700	687
Receivables from related parties	3,936	-
Other receivables	17	16
Total non-current financial receivables	**4,653**	**703**

Receivables from related parties are a result of the exit of the Jewels Manufacturing and Damiani Suisse subsidiaries from consolidation, as they were sold to related parties during the period. This item refers to long-term receivables of Damiani International BV, which in the period ended December 31, 2006 had been cancelled as these companies were consolidated using the line-by-line method. These receivables amounted to € 1,531 thousand and € 2,405 thousand, respectively, from Jewels Manufacturing and Damiani Suisse, with the interest rate of 4% accruing on the receivable from Jewels Manufacturing and the 12-month LIBOR plus 0.50% interest rate accruing on the receivable from Damiani Suisse.

8. Deferred tax assets and liabilities

The components of deferred tax assets and liabilities as of March 31, 2007 and December 31, 2006 were as follows (the description indicates the nature of the temporary differences):

(€ in thousands)	**March 31, 2007**	**December 31, 2006**
Deferred tax assets:		
Net adjustments on sales returns	3,967	3,926
Write-off of inter-company inventory margins	2,549	2,447
Exchange rate differences	216	135
Allowance for doubtful accounts	372	257
Write-off of investments	-	23
Intangible assets	290	364
Actuarial loss on trade receivables	282	287
Derivative instruments	49	8
Write-off of inter-company gains on brand transfer	1,937	-
Other temporary tax differences	126	167
Tax losses carried forward	5,677	5,500
Total deferred tax assets	**15,465**	**13,114**
Less: Valuation allowance	-5,677	-5,500
Total deferred tax assets net	**9,788**	**7,614**
Deferred tax liabilities:		
Actuarial gain and losses on personnel termination indemnity	124	155
Exchange rate differences	250	324
Elimination of Damiani International tax allowance for inventory obsolescence	187	180
Lease adjustments (IAS 17)	70	79
Derivative instruments	-	225
Other temporary tax differences	-	384
Deferred tax gains on disposals	2,153	-
Total deferred tax liabilities	**2,784**	**1,347**

Deferred tax assets include deferred taxes calculated on the allowance on sales returns, on the write-off of inter-company margins and on the transfer of trademarks from the Parent Company to subsidiary Damiani International.

Deferred tax assets on intangible assets refer to deferred charges that are not in compliance with IFRS identification and capitalization requirements and are recognized in the statement of income as incurred. They are amortized over more than one period for tax purposes.

Tax loss carry-forwards from the subsidiaries Damiani USA and Casa Damiani España amounted to € 13.3 million (or USD 16.6 million) and € 3.2 million, respectively. The related deferred tax assets have been fully covered by a valuation allowance since they are not considered recoverable.

In the periods analyzed they grew due to the deferred gains realized from the sale of the trademarks to subsidiary Damiani International BV, which are taxed at constant rates in the current year and for the following 5 years.

9. Inventories

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows:

(€ in thousands)	**March 31, 2007**	**December 31, 2006**
Raw materials and consumables	10,117	9,401
Work-in-progress and semi-finished goods	1,457	1,222
Finished goods	67,580	63,745
Inventory for sale returns	15,538	15,043
Advance payments	28	288
Total	**94,720**	**89,699**

Inventories include finished goods delivered to customers for which the transfer of risks and rewards of ownership has not yet occurred at the financial statements' closing date.

The Group does not record an inventory allowance due to the inventory not being subject to obsolescence. There is no inventory where cost exceeds market value.

10. Trade receivables

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows:

(€ in thousands)	**March 31, 2007**	**December 31, 2006**
Trade receivables in Italy	82,811	95,160
Trade receivables Americas	6,523	4,947
Trade receivables Japan	3,897	5,634
Trade receivables rest of the world	3,614	9,216
Total trade receivables gross	**96,845**	**114,957**

Allowance for Doubtful Accounts	-2,973	-2,693
Allowance for sale returns	-32,135	-31,132
Discount on long-term trade receivables	-758	-769
Total trade receivables	**60,979**	**80,363**

Accounts receivable are presented net of the allowance for doubtful accounts, the allowance for sale returns and net of the actuarial adjustment on re-issued cash orders expiring in the following period.

Roll forward of allowance for doubtful accounts and allowance for sale return accounts for the three months ended March 31, 2007 and the year ended December 31, 2006 is as follows:

(€ in thousands)	**Allowance for sale returns**	**Allowance for doubtful accounts**
Book value as of December 31, 2005	**-27,673**	**-2,836**
Accrual	-13,912	-529
Utilization	10,453	636
Exchange rate adjustment	-	36
Book value as of December 31, 2006	**-31,132**	**-2,693**
Accrual	-15,411	-743
Utilization	14,408	460
Exchange rate adjustment	-	3
Book value as of March 31, 2007	**-32,135**	**-2,973**

Period allowances for doubtful accounts are accounted for as other operating expenses in the statement of income.

Period provisions and utilizations related to the allowance for sale returns are accounted for as deductions from revenue in the statement of income.

There are no receivables exceeding a five-year term.

11 Tax receivables

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows:

(€ in thousands)	**March 31, 2007**	**December 31, 2006**
VAT receivables	1,642	1,416
Current income tax receivables	144	278
Total tax receivables	**1,786**	**1,694**

12. Other current assets

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows:

(€ in thousands)	**March 31, 2007**	**December 31, 2006**
Receivables from personnel	-	26
Advances paid to suppliers	2,900	3,207
Prepaid expenses on goods exchanged	2,427	2,644
Accrued income	-	165
Prepaid expenses	697	537
Other receivables	1,975	1,217
Total other current assets	**7,999**	**7,796**

Advances paid to suppliers refer to recurring transactions related to the purchase of raw materials.

Prepaid expenses on goods include the portion of costs for advertising services yet to be received, which will accrue in future years, purchased in barter transactions.

Other receivables refer to rental deposits, insurance receivables to cover from theft of goods sold and social security and agent receivables.

13. Cash and cash equivalents

The breakdown of this item at March 31, 2007 and December 31, 2006 is as follows:

(€ in thousands)	**March 31, 2007**	**December 31, 2006**
Bank and post accounts	14,019	1,989
Cash on hand	78	55
Total cash and cash equivalents	**14,097**	**2,044**

14. Shareholders' equity

Share capital as of March 31, 2007 consisted of 513.100 shares with the nominal value of € 55 each, for a total of € 28,220,000.

On June 27, 2007, an extraordinary shareholders' meeting authorized the splitting of the nominal share value from € 55 to € 0.44. Following the nominal share split, at March 31, 2007 the Company's share capital consisted of 64,137,500 shares.

On June 15, 2007, the shareholders' meeting approved a dividend distribution in the amount of € 1,847 thousand.

On September 14, 2005, an extraordinary shareholders' meeting approved a capital increase of € 555,500, with the issue of 10,100 shares with a nominal value of € 55, with a non-proportional allotment to other shareholders pursuant to Article 6 of corporate by-laws. On the same date, the increase was subscribed and paid up in full.

On March 30, 2007, the Group resolved to distribute dividends for € 3,161 thousand. Payments were made on March 30 and 31, 2007.

15. Bond loans

The € 5,423 current bond loan "DI BV 2002-2007" expiring on December 31, 2006, was issued in multiple tranches on October 15, 2002, expiring on December 31, 2007, by the Dutch subsidiary Damiani International BV, at an annual interest rate of 5%, and was subscribed by related parties. This bond loan was paid in advance in February 2007.

16. Loans and other financial liabilities: current and long-term

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows

(€ in thousands)	**March 31, 2007**	**December 31, 2006**	**Notes**
Non-current portion			
Unicredit n.509606 (1st tranche), in Euro	6,000	6,500	**a)**
Unicredit n.509606 (2nd tranche), in Euro	5,000	5,357	**b)**
Banco di Lugano, in Euro	-	1,917	**c)**
Interbanca n.50910/301, in Euro	6,000	6,000	**d)**
Medio Credito Centrale, in Euro	7,035	7,640	**e)**
Banca di Roma No. 02-01322432	5,000	5,000	**f)**
Interbanca 34116/30	-	-	**g)**
Financial leases on buildings	8,983	5,145	**h)**
Loans from Immobiliare Miralto	775	775	**i)**
Total non-current portion of long-term debt	**38,793**	**38,334**	
Current portion			
Unicredit n.509606 (1st tranche), in Euro	2,000	2,000	**a)**
Unicredit n.509606 (2nd tranche), in Euro	1,429	1,429	**b)**
Banco di Lugano CHF	118	124	**c)**
Interbanca n.50910/301, in Euro	2,000	2,000	**d)**
Medio Credito Centrale, in Euro	2,383	2,360	**e)**
Banca di Roma No. 02-01322432	-	-	**f)**
Interbanca 34116/30		273	**g)**
Financial leases on buildings	456	452	**h)**
Total current portion of long-term debt	**8,386**	**8,638**	
Total long-term debt	**47,179**	**46,972**	

Notes on loans granted by banks to Group companies were as follows:

- **a)** Unicredit loan no. 509606 (1st tranche) issued in January 2004 for an amount of € 14,000,000 with a reimbursement plan of 28 quarterly postponed fixed installments from March 31, 2004 to March 31, 2011; a three month Euribor plus annual spread of 1.375% interest rate has been paid on the loan;
- **b)** Unicredit loan 509606 (2nd tranche) issued in June 2004 for an amount of € 10,000,000 with a reimbursement plan of 28 fixed quarterly postponed installments from September 30, 2004 to September 30, 2011; a three month Euribor plus annual spread of 1.375% interest rate has been paid on the loan;
- **c)** line of credit to finance buildings issued for an amount of CHF 4,000,000; with a reimbursement plan of 100 fixed quarterly postponed installments from June 30, 2002 to March 31, 2027; a three month Euribor plus annual spread of 1.375% interest rate has been paid on the loan;
- **d)** Interbanca loan 50910/301 issued in June 2005 for an amount of € 10,000,000 with a reimbursement plan with fixed half year installments from December 28, 2005 to December 31, 2010; an annual fixed interest rate of 3.87% has been paid on the loan;
- **e)** Medio Credito Italiano loan issued in October 2005 for an amount of € 10,000,000 with a reimbursement plan with fixed installments from November 28, 2005 to November 30, 2010; an annual fixed interest rate of 3.68% has been paid on the loan;
- **f)** Banca di Roma loan 02-01322432 issued in 2006 for an amount of € 5,000 thousand with a lump sum reimbursement on August 21, 2008; a three month Euribor plus annual spread of 0.6% interest rate has been paid on the loan;
- **g)** Interbanca loan 34116/30 issued in March 2007 for an amount of € 2,582,285 with a reimbursement plan that foresees 19 half year fixed installments of € 137 thousand for the period from September 12, 1997 to August 31, 2007; three month Euribor plus a spread of 0.50% annual interest rate has been paid on the loan;
- **h)** financial leases on buildings include contract payables, recognized as a sale and lease back contract as per IAS 17, towards related parties for the Bliss store located in via Montanapoleone; it also includes the contract payables related to contract recognized as a sale and lease back contract with the real estate company Miralto for the building located in via Montenapoleone 10, and other minor rental payables;
- **i)** loan from Immobiliare Miralto of A 775 thousand issued in 1992 by the related party Immobiliare Miralto; the loan does not have a determined expiry date; six month Euribor interest rate is paid on loan.

In regards to the loans described in notes a) and b) issued to the Company by Unicredit (No. 509606 1st and 2nd tranches), it should be noted that the above are bound to covenants and other agreement terms, primarily relating to: i) mandatory early reimbursement; ii) dividend distribution, iii) negative pledge; iv) company transactions; and v) subscription of other loans. The loans also stipulate the following financial covenants:

	Leverage (Net Debt/Equity)	**Debt Cover (Net Debt/Ebitda)**	**Interest Cover (Ebitda/Financial Expenses, Net)**
December 31, 2006	<=2.2	<=3.8	>=4.5

As of December 31, 2006, the above covenants have been met. The covenants are not applicable for the period ended March 31, 2007.

17. Termination indemnities

The roll forward of the termination indemnities (or "TFR") for the three months ended March 31, 2007 and the year ended December 31, 2006 was as follows:

(€ in thousands)	
Termination indemnities as of December 31, 2005	**4,064**
Costs related to current work performed	537
Financial expenses	162
Paid benefits	-365
Actuarial loss	6
Termination indemnities as of December 31, 2006	**4,404**
Costs related to current work performed	181
Financial expenses	73
Paid benefits	-110
Actuarial loss	-
Termination indemnities as of March 31, 2007	**4,548**

Period changes reflect accruals and their utilizations, including advance payments as of March 31, 2007 and December 31, 2006.

Termination indemnities (TFR) are considered defined benefit plans.

Termination indemnity obligation has been determined based on the Projected Unit Cost method, as follows:

- Estimated future compensations related to retirement, mortality, invalidity, and leaving were projected on the basis of certain financial assumptions, such as increase in cost of life and salary increase. The estimate of future compensations includes incremental rate of compensation to employees on the basis of years of service and salary increase at the date of assessment;
- Future actual average compensations have been determined on the basis of a specific interest rate and the probability of the distribution of compensations at financial statement closing;
- The liability has been determined on the basis of discounted average compensation for future services referring to the service already accrued by an employee at the date of valuation;
- It has been identified on the basis of the above liability and of the liability accrued as per Italian Regulations, the liability determined in compliance with IFRS.

Actuarial assumptions used were as follows:

	March 31, 2007	December 31, 2006
Discount rate at the beginning of the period	4%	4%
Expected incremental rate of compensation to employees	3%	3%
Expected personnel turnover	3%	3%
Mortality expectancy	Tables IPS55	Tables IPS55
Invalidity expectancy	Tables INPS-2000	Tables INPS-2000

The Group did not adopt the IAS 19 corridor approach, therefore gains and losses from actuarial calculations are accounted for in the statement of income as personnel cost and financial income.

As of January 1, 2007, the Italian financial law and its implementing decrees have significantly modified the "TFR" regulations, including allowing for choice of "TFR" allotment. Specifically, the newly accrued "TFR" may be allotted to third-party pension funds or may be held by the employer; in the latter case, the employer will further transfer the contribution to the Social Security Institution. The implementation of this new regulation did not have significant effects for the Group.

18. Other non-current liabilities

The breakdown of this item at March 31, 2007 and December 31, 2006 is as follows:

(€ in thousands)	March 31, 2007	December 31, 2006
Other liabilities due after one year	276	260
Total other non-current liabilities	**276**	**260**

19. Trade payables

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows:

(€ in thousands)	March 31, 2007	December 31, 2006
Trade payables within one year	60,365	68,055
Advance payments	717	302
Total	**61,082**	**68,357**

20. Short-term borrowings

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows:

(€ in thousands)	March 31, 2007	December 31, 2006
Use of credit lines and short-term loans	8,389	9,542
Factoring payables	5,942	3,254
Fair value of financial derivatives	493	-649
Interest on bond loans	-	1,289
Other borrowings		2
Total short-term borrowings from banks and other lenders	**14,824**	**13,438**

Short-term credit lines were used to meet working capital requirements.

Average interest rate on bank overdrafts was 2.79% as of March 31, 2007 and 3.39% as of December 31, 2006. The decrease in the average interest rate is due to group a new line of credit negotiated during 2007.

Factoring payables refer to Damiani S.p.A. factoring payables for receivables sold and not yet collected that do not comply with the de-recognition criteria of IAS 39.

The item "Fair value of financial derivatives" refers to the fair value of the financial liabilities at the end of each period related to the Company's interest rate risk coverage.

Interest on both bond loans must be paid upon their expiry.

21. Income tax payables

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows:

(€ in thousands)	March 31, 2007	December 31, 2006
VAT payables	1,985	1,190
Taxes withheld from employees (IRPEF)	388	406
Current income tax payables ("IRES" and "IRAP")	1,403	2,773
Other tax payables	1081	146
Total income tax payables	**4,857**	**4,515**

22. Other current liabilities

The breakdown of this item at March 31, 2007 and December 31, 2006 was as follows:

(€ in thousands)	**March 31, 2007**	**December 31, 2006**
Payables to social security institutions	734	778
Payables to employees	2,895	1,642
Other liabilities	1,235	1,258
Accrued expenses	210	81
Deferred income	53	77
Other	-	2
Total other current liabilities	**5,127**	**3,838**

"Payables to social security institutions" includes certain contribution costs related to salaries and wages.

"Payables to employees" includes payables to employees for vacation and leaves not taken and accrued 13th and 14th month salaries.

23. Revenues

The following table provides a breakdown of revenues from sales by channel for the three months ended March 31, 2007 and the year ended December 31, 2006.

(€ in thousands) ***Sales channel***	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Wholesale	**16,078**	**146,064**
Ratio % to total revenues	*81,1%*	*87,4%*
Retail	**2,004**	**8,907**
Ratio % to total revenues	*10,1%*	*5,3%*
Total wholesale and retail sales	**18,082**	**154,971**
Ratio % to total revenues	*91,2%*	*92,7%*
Other channels/Other revenues	**1,740**	**12,195**
Ratio % to total revenues	*8,8%*	*7,3%*
Total revenues	**19,822**	**167,166**

The three months ended March 31, 2007 were significantly impacted by the low seasonality of sales, which is typical of the period immediately following Christmas. Based on historical data, sales for the three months ended March 31, 2007 were 15% lower than consolidated sales for the year.

The breakdown of other revenues for the three-month period ended March 31, 2007 and for the twelve-month period ended December 31, 2006 was as follows:

(€ in thousands)	Three months ended March 31, 2007	Year ended December 31, 2006
Lease and rentals	63	453
Costs recharged to third parties	57	-
Franchising	5	232
Revenue from sale of advertising material	-	14
Other revenue	**125**	**699**

Leasing and rentals for the year 2006 represents rentals to an affiliate Rocca S.p.A. for € 250 thousand for the lease of a store located in Milan on via Montenapoleone, 16. The remainder of leasing revenue is from third parties.

Franchising represents royalties on franchising of the Company-branded boutiques.

24. Cost of raw materials and consumables

The breakdown of this item for the three-month period ended March 31, 2007 and for the twelve-month period ended December 31, 2006 was as follows:

(€ in thousands)	Three months ended March 31, 2007	Year ended December 31, 2006
Purchases	14,498	72,190
Changes in inventory of finished products	-5,231	-6,325
Changes in inventory of raw materials and consumables	703	525
Total cost of raw materials and consumables	**8,564**	**66,390**

25. Cost of services

The breakdown of this item for the three months ended March 31, 2007 and for the year ended December 31, 2006 was as follows:

(€ in thousands)	Three months ended March 31, 2007	Year ended December 31, 2006
Working expenses	1, 418	9,258
Advertising expenses	1,579	12,710
Other sales costs	1,195	4,561
Operating costs	1,106	5,038
Consulting	1,170	2,905
Transport and travel expenses	1,229	4,820
Directors remuneration	1,513	2,793

Use of third-party assets	1,636	5,127
Other	100	373
Total cost of services	**10,946**	**47,585**

26. Personnel costs

The breakdown of this item for the three months ended March 31, 2007 and for the year ended December 31, 2006 was as follows

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Salary and wages	3,831	14,086
Social security costs	1,213	4,252
Termination indemnity	254	721
Other personnel costs	191	803
Total personnel costs	**5,489**	**19,862**

27. Other operating expenses

The breakdown of this item for the three months ended March 31, 2007 and for the year ended December 31, 2006 was as follows:

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Write-down of receivables	743	529
Other operating expenses	410	1,514
Taxes from previous periods	-	175
Other charges	168	480
Total other operating expenses	**1,321**	**2,698**
Customer contribution	-	-47
Other revenues	-	-340
Other income	-180	-998
Net gains/losses	-18	-8
Total other financial income	**-198**	**-1,393**
Net exchange rate differences	**288**	**1,753**
Other operating expenses, net	**1,411**	**3,058**

28. Amortization and depreciation

The breakdown of this item for the three months ended March 31, 2007 and for the year ended December 31, 2006 was as follows

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Amortization of intangible assets	100	881
Depreciation of tangible assets	647	2,076
Total amortization and depreciation	**747**	**2,957**

29. Financial expenses

The breakdown of this item for the three months ended March 31, 2007 and for the year ended December 31, 2006 was as follows

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Exchange losses, net	-	730
Bank interest	440	1,091
Interest for long-term debt and loans	430	2,030
Fair value of financial instruments	803	-
Interest on bond loans	81	345
Other financial expense	-	551
Total financial expense	**1,754**	**4,747**

30. Financial income

The breakdown of this item for the three months ended March 31, 2007 and for the year ended December 31, 2006 was as follows

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Exchange gains, net	152	-
Fair value of financial instruments	-	684
Dividends	-	901
Financial income from exchange	769	652

Other financial income	233	203
Total financial income	**1,154**	**2,440**

31. Income Taxes

The breakdown of this item for the three months ended March 31, 2007 and for the year ended December 31, 2006 is as follows

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Current taxes	946	8,045
Deferred tax (assets)/Liabilities	-3,330	855
Total income taxes	**-2,384**	**8,900**

Income taxes include both statutory tax on income (primarily "IRES"), and regional Italian income tax ("IRAP").

In addition to the deferred taxes accounted for by Damiani S.p.A. and the other companies included in the consolidation area, in each separate statutory financial statements the deferred tax effects arising from the consolidation entries were also recognized, where applicable, including those entries recorded to adjust the statutory local accounting principles to IFRS.

The reconciliations between the consolidated tax rate and the theoretical tax rate based on IRES applicable to Damiani S.p.A. respectively for the three months ended March 31, 2007 and for the year ended December 31, 2006 is as follows:

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Income before taxes	-7,935	25,007
Italian IRES rate	33%	33%
Theoretical tax burden	**2,619**	**-8,252**
Non recoverable subsidiary losses	-937	-550
IRAP effect	-360	-1,665
Effect of foreign companies	470	2,536
Other non deductible costs	411	-937
Other lesser differences	-181	-32
Total differences	**-235**	**-648**
Total taxes as per statement of income	**2,384**	**-8,900**
Effective tax rate	*30%*	*36%*

The parent company's tax rate was 37.25% in both periods, given by 33% in IRES and 4.25% in IRAP.

32. Additional information

Earnings per Share

Basic earnings per share were computed by dividing income available for ordinary shareholders of Damiani S.p.A. by the weighted average number of outstanding ordinary shares in the financial period. On June 26, 2007, the General Shareholders' Meeting decided to split the company's outstanding ordinary shares, replacing them with ordinary shares amounting to € 0.44 each. The splitting of shares was considered retrospectively when calculating the basic earnings per share at March 31, 2007 and December 31, 2006.
The diluted earnings per share was calculated in accordance with paragraph 64 of IAS 33 for the three months ended March 31, 2007 and for the year ended December 31, 2006, taking account of the increase in the number of shares ensuing from the increase in capital following the listing of the Parent Company on the regulated market, STAR segment, managed by Borsa Italiana;
Net income and information on shares used to calculate earnings per share are give below:

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Net income	(5,551)	16,107

Basic Earnings per Share

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Number of ordinary shares at the beginning of the period	64,137,500	62,875,000
Number of treasury stock	-	-
Share capital increase on September 14, 2006	-	1,262,500
Number of ordinary shares at the end of the period	64,137,500	64,137,500
Average weighted number of ordinary shares used to calculated basic and diluted earnings per share	64,137,500	63,248,500
Basic and diluted net income per share (in euros)	(0.09)	0.25

Diluted Earnings per Share

(€ in thousands)	**Three months ended March 31, 2007**	**Year ended December 31, 2006**
Number of ordinary shares after the listing	82,600,000	82,600,000

Basic and diluted net income per share (in euros)	(0.07)	0.20

33. Related parties

The following presents payable and receivable balances, sales and purchases with related parties for the year ended December 31, 2006

(€ in thousands)	Sales	Purchases	Financial Income/(expenses)	Financial receivables:	Trade receivables	Financial payables (including leases)	Trade payables	Assets leased back
Year ended December 31, 2006								
Immobiliare Miralto	-	-1,015	-216	-	-	6,162	901	5,453
Rocca S.p.A.	5,400	-	-	-	1,959	-	2,019	-
Grassi-Damiani family	-	-208	-	-	-	-	122	-
Idea Rocca S.p.A.	3,547	-	-	-	4,257	-	-	-
Total	**8,947**	**- 1,233**	**-216**	**-**	**6,216**	**6,162**	**3,042**	**5,453**

The following describes transactions with each related party:

- Immobiliare Miralto S.r.l.: costs relate to rentals for offices (primarily those located in Corso Magenta, 82, Milan), while financial expenses relate to interest on the financial debt (including the aforementioned lease back);

- Rocca S.p.A. revenues relate to sale of jewellery products of the different Group brands, and for the rent of firms (stores Damiani located in Verona and Portofino and the multi brand store in Via Montenapoleone, 16, Milan). Trade payables to Rocca S.p.A. includes the remaining liability of € 400 thousand recognized for the purchase of the Calderoni brand, paid during 2007;

- Grassi-Damiani Family: costs relate to rentals for building offices located in Valenza (AL);

- Idea Rocca S.r.l.: Idea Rocca S.p.A.: revenues (and corresponding trade receivables) relate to sale of jewellery products by Damiani brand for the beginning of its commercial activity

The following presents payable and receivable balances, sales and purchases with related parties for the three months ended March 31, 2007.

(€ in thousands)	Sales	Purchases	Financial income/(ex penses)	Financial receivables :	Trade receivables	Financial payables (including leases)	Trade payables	Assets leased back
Three months ended March 31, 2007								
Immobiliare Miralto	-	-257	-53	-	-	10,205	520	9,264
Rocca S.p.A.	829	-	-	-	840	-	1,611	-
Grassi-Damiani family	-	-	-	-	-	-	62	-
Idea Rocca S.p.A.	709	-	-	-	5,053	-	-	-
Jewels Manufacturing S.A.	-	-	-	1,531	-	-	-	-
Rocca International S.A.	11	-	-					
Damiani Suisse S.A.	-	-	-	2,405	-	-	-	-
Total	**1,549**	**-257**	**-53**	**3,936**	**5,893**	**10,205**	**2,193**	**9,264**

The following describes transactions with each related party transactions:

- Immobiliare Miralto S.r.l.: costs include rentals for offices (primarily those located in Corso Magenta 82, Milan); financial debt increased following the lease-back transaction arranged with Damiani S.p.A., occurring on March 27, 2007, for the building located in Milan, Via Montenapoleone 10 for € 5,500 thousand that was later leased to Damiani S.p.A. for an annual leasing contract fee of € 350 thousand for the first year, € 500 thousand for the second year, and € 700 thousand for the following years. The gain of € 1,769 thousand on this transaction was recognized directly in equity as a reorganization transaction among entities under common control;

- Rocca S.p.A. revenues and trade receivables relate to sale of jewellery products of the different Group brands, and for the rent of firms (stores Damiani located in Verona and Portofino and the multibrand store in Via Montenapoleone, 16, Milan). Trade payables to Rocca S.p.A. includes the remaining liability of € 400 thousand recognized for the purchase of the Calderoni brand, paid in the three months ended June 30, 2007.

- Grassi-Damiani Family: costs relate to rentals for building offices located in Valenza (AL);

- Idea Rocca S.r.l.: revenues (and corresponding trade receivables) relate to sale of Damiani branded jewellery products for the development of its commercial activity which, since the end of March 2007, after the five year long cooperation agreement entered into with Damiani S.p.A., includes also the management of the store located in Venice This contract calls for a royalty of 8% of sales, but with minimum guaranteed compensation of € 250 thousand for the first two years and € 330 thousand for the following years. These royalties were determined between the parties based on the average percentage applied in the industry, without third-party appraisals;

- Jewels Manufacturing S.A. this company, previously entirely controlled by Damiani International B.V. was sold in March 2007 to Jewellery Investment S.A. (now D. Holding S.A.) for € 2,900 thousand, paid on March 29, 2007. The sale, entailing the deconsolidation of the subsidiary from the Group's consolidated financial statements, generated a € 1,531 thousand financial receivable due from the previously consolidated company. The receivable was entirely paid back on September 14, 2007.

- Damiani Suisse S.A. (now Immobiliare Pessina S.A.): this company, previously 100% controlled by Damiani International B.V. was sold in March 2007 to Jewellery Investment S.A. for € 350 thousand, paid on March 30, 2007. The sale, entailing the deconsolidation of the subsidiary from the Group's financial statements, generated a € 2,405 thousand financial receivable due from the previously consolidated company. The receivable was entirely paid back on July 23, 2007.

Concerning financial flows from transactions executed with related parties (i) flows from recurring trade and leasing transactions are regulated by contracts and trade conditions agreed to by the parties; (ii) for non-recurring and Group restructuring transactions (acquisition of Calderoni brand and sales of investments), financial flows between the Group and related parties are reported in the following table.

Group company	Related party	Transaction	Date of transaction	Amount	Date of collection of payment
Damiani International B.V.	Rocca S.p.A.	Purchase of the Calderoni brand	December 2006	500	1° € 100 installment in December 2006, 2° € 100 installment in April 2007, € 300 balance at June 2007
Damiani International B.V.	Jewellery Investment S.A (attualmente D. Holding S.A.)	Sale of 100% stake in Jewels Manufacturing S.A.	March 2007	2,900	March 2007
Damiani International B.V.	Jewellery Investment S.A (currently D. Holding S.A.)	Sale of 100% stake in Damiani Suisse S.A. (now Immobiliare Pessina S.A.)	March 2007	350	March 2007
Damiani International B.V.	Jewellery Investment S.A (attualmente D. Holding S.A.)	Sale of 16% stale in Pomellato S.p.A.	March 2007	11,500	March 2007
Damiani International B.V.	Jewellery Investment S.A (attualmente D. Holding S.A.)	Sale of 45% in Idea Rocca S.r.l.	March 2007	405	March 2007

The sales of Jewels Manufacturing S.A. and Damiani Suisse S.A. occurred at shareholders' equity and did not generate capital gains or capital losses. The sale of Pomellato S.p.A. generated a €5,372 thousand capital gain that was recognized as a change in shareholders' equity since it was generated with an entity subject to common control and so classifiable as a paid-in capital by the shareholder since it was a restructuring transaction.

Sales transactions with affiliates were made at arms' length terms. The amounts involved in these transactions were not material.

Furthermore loans are in place between the Parent Company and some subsidiaries. These contracts were negotiated at normal market conditions.

34. Contingencies and commitments

Contingencies and commitments include pledges, mortgages, and obligations. In regards to obligations:

- A lien exists on inventory in relation to a loan granted to Damiani in 2004 by Unicredit S.p.A. (two loans for a total amount of € 24 million); The guarantee is proportionally reduced on the basis of the residual amount of loan due;
- There are also guarantees from related parties in favor of Damiani. Up to 2005, Miralto S.r.l. and Immobiliare Montenapo 13 S.r.l. granted mortgages on their real estate as a guarantee for Damiani loans.

During the three months ended March 31, 2007 and the year ended December 31, 2006 Damiani did not charge any cost to related parties.

35. Unusual and non-recurring transactions/ Non-recurring charges and income

There are no unusual transactions to report, as defined by CONSOB resolution number 15519, dated July 27, 2006.

For a description of non-recurring transactions with related parties see the note 33 “Related Parties”.

36. Subsequent events

On April 3, 2007, the wholly-owned subsidiary Laboratorio Damiani S.r.l. was incorporated, with a share capital of € 200 thousand, that produces and prototypes jewelry for the Group.

On June 15, 2007, the shareholders’ meeting approved a dividend distribution in the amount of € 1,847 thousand.

As of November 8, 2007, shares of the parent company, Damiani S.p.A., are traded on the STAR segment of the electronic market managed by Borsa Italiana S.p.A.

No significant events occurred after the end of the financial period that may have an impact on the balance sheet, statement of income and financial position of the Group or the parent company Damiani S.p.A. worthy of mention in these notes.

ATTACHMENT 4

Adoption of principles IAS/IFRS – Notes and reconciliation tables settled by paragraph number 39 and 40 of principle IFRS1 "First adoption of International Financial Reporting Standard"

On 8 November 2007, Damiani S.p.A. has been admitted to list on the market organized and managed by Borsa Italiana S.p.A., STAR segment.

In compliance with the EU Regulation number 1606/2002 on 19 July 2002, the Financial Statements ended 31 March 2008 will be therefore the first Financial Statements of Damiani S.p.A. drafted in accordance with International Financial Reporting Standards ("IFRS"), adopted by the European Union for annual financial statements. The starting balance sheet as of 1 January 2007 has been prepared.

Due to the change of the closing date of Financial Statements from 31 December to 31 March, ruled by the Shareholders' Meeting on 14 December 2006, the financial statements ending 31 March 2007 was shorter, with financial year during 3 months only.
The hereby document describes the effects due to the adoption of IFRS on the shorter financial statements ended 31 March 2007 of Damiani S.p.a., as settled by the Communication by Consob (Italian SEC) number DEM/60643113 on 28 July 2006.

Reconciliation and description of effects due to transition from financial statements drafted in accordance with Italian rules and Italian accounting principles (ITA GaaP) to IFRS relating to equity and profit and loss account for financial year ending 31 March 2007 (3 months long) are indicated below. Notes and reconciliations include:

- Note relating to the optional exemptions established by IFRS 1

- Accounting principles to refer to;

- Reconciliation table of Damiani S.p.A. equity between ITA Gaap and IFRS as of 1 January 2007, 31 March 2007 and relating to profit and loss account ended 31 March 2007 (three months) together with comments on the most significant differences due to the adoption of IFRS respect to the adoption of Italian accounting principles.

- Damiani S.p.A. equity as of 1 January 2007 and 31 March 2007 with evidence, for each account, of differences due to the adoption of IFRS respect to financial accounts draft in accordance with ITA GaaP.

- Damiani S.p.A. statement of income account ended 31 March 2007 (3 months) with evidence, for each account, of differences due to the adoption of IFRS respect to financial accounts draft in accordance with ITA GaaP.

The reconciliation and accounting tables of balance sheet and statement of income accounts have been drafted only to pass to the first completed Financial Statement in accordance with IFRS (Financial Statement ended 31 March 2008), so for that reason they don't indicate comparative data and explanation notes which would be required to represent in a complete way Balance sheet and Profit and loss account of Damiani S.p.A. in accordance with IFRS.

According to what settled by the Communication by Consob (Italian SEC) number DEM/60643113 on 15 April 2005, the reconciliation tables have been audited by "*Reconta Ernst & Young"*

OPTIONAL FACULTATIVE EXEMPTION SETTLED BY IFRS 1 ADOPTED BY THE COMPANY

The main options adopted by the Company have regarded :

Business combination: IFRS 3 settles that business combination should be recorded using the "Purchase method", by recording assets and liabilities at its fair value at the date of acquisition. The Company, in accordance with IFRS 1, has not applied IFRS 3 with retroactive effects to business combination realized before the date of transition to IAS/IFRS which have been recorded to the same values calculated in accordance with the previous accounting principles (ITA GaaP).

ACCOUNTING POLICIES

Goodwill

Goodwill on acquisitions is the excess of the business combination's purchase price over the acquirer's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently in case of events or changes in circumstances indicating that the carrying value may be impaired.

For this recoverability analysis, at the acquisition date the goodwill of a business combination is allocated to cash generating units (or groups of units) that are deemed to benefit from the synergic effects of the acquisition, regardless of the allocation of the acquired assets or liabilities. Each unit or group of units to which the goodwill is allocated:

– represents the lowest level within the Company in which the goodwill is monitored for internal management purposes;

– is not higher in a primary or secondary segment of the Company as defined in the segment classification as per IAS 14.

Impairment is determined by measuring the recoverable amount of the cash-generating company (or group of units) to which the goodwill is allocated. When the impaired value of the cash generating unit (or group of units) is lower than the accounting value, an impairment loss is recognized. If the goodwill is attributed to a cash-generating unit (or group of units) whose assets are partially sold, the goodwill associated with the sold asset is recognized for the purposes of determining any capital gain or loss deriving from the transaction. In such circumstances, the goodwill transferred is measured on the basis of the amount of the sold asset in proportion to the asset still held by the same unit.

Intangible assets

Intangible assets acquired separately are recognized at cost, while those acquired through transactions involving business combinations are recognized at fair value at the acquisition date. After initial recognition, intangible assets are measured at cost, net of accumulated amortization and any accumulated impairment losses. Intangible assets internally produced are not capitalized and they are recognized in the statement of income for the period in which they were produced.

All intangible assets have either definite or indefinite useful lives. Intangible assets with definite useful lives are amortized over their estimated useful life, and are tested for impairment each time there is any indications of impairment. The amortization period and method are reviewed at least once at each financial year-end, or more frequently if necessary. Changes in expected useful life or the methods through which the Company obtains future economic rewards associated with the intangible assets are recognized by recording the amortization period or method, as required, and treating them as changes in accounting estimates. Amortization rates for intangible assets with a defined life are recognized in the statement of income in the cost category consistent with the intangible asset's function.

Intangible assets with an indefinite useful life are subject tested annually for impairment at the individual level or at the cash-generation unit level. No amortization is recognized for such assets. The useful life of an intangible asset with indefinite useful life is reviewed annually to ascertain the persistence of the conditions justifying such classification. In the opposite case, the change from definite to indefinite useful life is done prospectively.

Gains or losses from the sale of an intangible asset are measured as the difference between the net revenue from the sale and the asset's accounting value and they are recognized in the statement of income at the time of sale.

Depreciation rates adopted for intangible assets with definite life are as follows:

Category	**Rates**
Licenses	From 10% to 20%
Software	From 20% to 33%
Key money (lump sum paid to sign or renew store lease contracts)	Duration of contract
Other intangible assets	From 14% to 20%

Cost for research and development

Research costs are directly expensed in the financial year they are incurred.

Development costs related to specific projects are recognized if the Company can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset and use or sell it; its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefit; the availability of adequate technical, financial and other resources to complete the development; its ability to measure reliably the expenditure attributable to the intangible asset during its development; and the existence of a market for the output of the intangible asset or the intangible asset itself; or, if it is to be used internally, the usefulness of the intangible asset. Capitalized development costs include all costs incurred directly in connection with the development process.

After initial recognition, development costs are recorded net of depreciation and any impairment losses recognized using the above-mentioned methods for intangible assets with a finite useful life.

Property, plant and equipment, net

Property, plant and equipment acquired separately, based on purchase or lease agreements, are recognized at purchase cost. Those acquired through business combination transactions are recognized based on the fair value measured at the acquisition date.

Property, plant and equipment is stated at the purchase cost, including directly related transaction costs and costs necessary to make the asset ready for use. The value is subsequently increased to take account of the expected cash outflows required to dismantle and remove such asset, if such amount is significant and current obligations exist to dismantle or remove the asset. If significant portions of property, plant and equipment have different useful lives, these items are accounted for separately. Land both acquired separately and apportioned to buildings, which has an unlimited life, is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable based on the amortization plan. If any of such indicators exist and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units to which the assets are allocated are written down to their recoverable amount.

The residual value of the assets, their useful lives and the methods applied are reviewed annually and, if necessary, they are adjusted at the end of each period.

The main technical-economic lives used are as follows:

Category	**Rates**
Buildings	From 2% to 3%
Plant and Machinery	From 12 % to 25%
Commercial and industrial equipment	From 7% to 35%
Other Assets	From 12% to 25%

Leased assets

Assets held under finance leases, which provide the Company with substantially all the risks and rewards of ownership, are recognized as assets and liabilities at their fair value or, if lower, at the present value of the minimum lease payments. The finance expense is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The finance expense is directly charged to the statement of income.

Capitalized leased assets are depreciated over the shorter period represented by their expected useful lives or the duration of the relevant contracts, if there is not the reasonable certainty that the Company will obtain the ownership of the asset at the end of the contract.

Operating lease expenditures are charged to the statement of income over the lease term.

Impairment

The carrying values of Company's tangible assets and intangible assets with definite useful lives and leased assets are reviewed for impairment at the closing date of each period. The assets are tested for impairment if there are any such indicators.

Goodwill and other intangible assets with indefinite useful lives are reviewed for impairment annually, regardless of circumstances that indicate that the carrying value may be impaired. Property, plant, equipment and intangible assets with definite useful life are tested for impairment when there are any indicators that their carrying value may be impaired.

To review for impairment, the Company estimates the assets' relative carrying values, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount is the greater of net selling price and value in use. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset has been allocated. Impairment test on goodwill is based on the cash flows generated by the cash- generating units to which it has been allocated.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The future cash flows are derived from the Company plans approved by the Board of Directors, which normally cover a period of three years The plan's projections usually cover a three-year period; the long-term growth rate used to estimate the terminal value of the cash-generating unit is estimated not higher than the average long-term growth rate of the segment, country or market in which the cash-generating unit operates. Future cash flows are estimated with reference to the current operating conditions of the cash-generating unit and, therefore, do not include benefits expected from any future restructurings to which the Company has not yet committed, nor future investments for the improvement or optimization of the cash-generating unit.

If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in the statement of income.

Impairment losses of continuing operations are recognized in the income statement in the cost categories consistent with the function of the impaired asset. If there are indicators that any previously recognized impairment losses are reduced, the Company determines the recoverable amount of assets to quantify the reversal. Impairment losses (except for goodwill impairments) are reversed if there are changes in the original estimates used to determine an asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying value of the asset is written up to the recoverable value, which cannot however exceed the carrying value that would have been recognized, net of any depreciation, if no impairment losses had been recognized in previous years. A reversal of an impairment loss is recognized as gain in the statement of income. After a reversal, the adjusted carrying value of the asset is depreciated on a straight-line basis over the remaining useful life, net of any remaining values.

Previously recognized impairment losses on goodwill are never reversed.

Investments

Investments in affiliates are accounted for under the equity method. The paragraph *Consolidation* provides a description of the equity method.

Equity investments other than those in subsidiaries and affiliates (i.e. normally below 20%) are classified upon acquisition as “assets available for sale” or “assets valued at fair value through profit or loss” and included in current or non-current assets. In accordance with IAS 39, such investments are valued at fair value or, for investments in non-public companies or whose fair value cannot be determined reliably, at cost adjusted for impairment losses.

Changes in value of investments included in available-for-sale assets are recognized in equity, in a reserve which will be charged to the statement of income at the time the investment is sold or impaired. Changes in the value of investments included in Assets valued at fair value through profit and loss are directly recognized in the statement of income.

Other current assets

Receivables and assets included in non-current assets are valued using the amortized cost method. Receivables after one year or receivables that do not accrue interest or accrue interest at a below market rate are discounted at market interest rate.

Inventories

Inventories are valued at the lower of the purchase or manufacturing cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business. The cost model used for inventories is the weighted average cost method. The weighted average cost method includes relevant accessory charges for the period. Inventories include direct costs of materials and personnel and in direct production costs. Provision is made for obsolete and slow-moving raw materials, finished products, spare parts and other supplies based on their expected future use and realizable value.

inventories include estimated manufacturing costs of sales returns expected to be received in future years calculated by deducting the average profit from the original sale price.

Trade receivables and other current assets

Trade receivables and other current assets are recognized at fair value, being the nominal value and are subsequently reduced to take into account any impairment or allowance for doubtful accounts to adjust the carrying value. Trade receivables are recognized net of the allowance for sale returns. This allowance refers to invoiced amounts upon shipment, and it is estimated, based on historical experiences, for products for which risks and rewards are reasonably forecast not to be transferred to the buyer at the balance sheet date.

Trade receivables and other current assets for which the collection due dates exceed collection times in the normal course of business are accounted for at present value.

Financial instruments

IAS 39 applies to the following types of financial instruments: 1) financial assets with the fair value adjusted via statement of income at each reporting period end; 2) loans and receivables; 3) held-to-maturity investments; 4) available-for-sale financial investments.

Financial assets are initially recognized at fair value, subsequently increased with accessory charges, for financial assets other than those at fair value through profit and loss. The

Company determines the classification of its financial assets after initial recognition and, where applicable and allowed, it reviews this classification at each balance sheet date.

All regular purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset.

- Financial assets with the fair value adjusted via the statement of income

These assets include financial assets held for trading. i.e. all those financial assets that have been purchased in order to be sold in the short term. Derivatives other than those designated as effective hedging instruments are classified as financial assets held for trading. Gains or losses on investments held for trading are recognized in profit and loss.

- Loans and receivables

Loans and receivables represent non-derivative financial assets with no fixed or readily determinable payments, which are not listed on an active market. They are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, or through the amortization method.

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Company has the positive intention and ability to hold to maturity. The financial assets that the Company decides to hold for an indefinite period are not included in held-to-maturity investments. After initial measurement, held-to-maturity investments, such as bonds, are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments adjusted for the cumulative amortization using the effective interest method of premium or discount upon initial issue. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of income when investments valued at amortized cost are derecognized or impaired, as well as through the amortization process.

- Assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-or-sale financial assets are measured at fair value with gains or losses being recognized directly in equity until such investment is derecognized or impaired. Gains or losses recognized in equity are then transferred to the statement of income.

If investments are traded on regulated markets, their fair value is measured based on their quotation on the stock exchange at the close of trading at the balance sheet date. The fair value of investments for which there is no active market is measured using pricing techniques based on recent transaction prices between independent parties, the current value of a substantially similar instrument, the analysis of the present value of financial flows, and option pricing models.

- Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or parts of a company of a similar financial asset) is derecognized when:

– the rights to receive the financial flows expire;

– the Company maintains the right to receive the asset's financial flows, but it has the contractual obligation to transfer them without delay to a third party;

– The Company has transferred the right to receive the asset's financial flows and (i) it has transferred substantially all the risks and rewards of owning the financial assets, or (ii) it has not substantially transferred nor withheld all the risks and rewards of the asset, but it has transferred control of the asset.

In cases where the Company has transferred the rights to an asset's financial flows and it has neither substantially transferred nor withheld all the risks and rewards or it has not lost control of it, the asset is recognized in the Company's financial statements to the extent of its remaining involvement in the asset. Remaining involvement that takes the form of a guarantee on the transferred asset is measured at the lesser of the asset's initial book value and the maximum transfer value that the Company may have to pay.

A financial liability is derecognized when the liability's underlying obligation expires, is annulled, or is fulfilled.

In cases where an existing financial liability is replaced by another of the same lender but at substantially different conditions, or an existing financial liability's conditions are substantially modified, such replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the recognition in the statement of income of any differences in accounting value.

Hedge accounting

Instruments that follow hedge accounting are classified as:

- Fair value hedging when hedging the exposure to changes in the fair value of the underlying asset or liability; or an irrevocable commitment (except for a currency risk); or
- Cash flow hedges when hedging exposure to variability in exchange rates, which is attributable to a specific risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk related to an irrevocable commitment;
- A net investment hedge in a foreign operation.

Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The fair value change of hedging derivatives is recognized in the statement of income. The fair value change in the hedged item and attributable to the hedged risk is recorded as part of the carrying value of the hedged item and is also recognized in profit or loss.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the statement of income over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument to which the effective interest rate method applies is amortized through the statement of income.
Any gains or loss ensuing from fair value changes of derivatives to which hedge accounting does not apply are directly recognized in the statement of income for the period.

Cash and cash equivalents

Cash and cash equivalents are recorded at the nominal value or amortized cost, based on their nature.

Financial liabilities

Financial liabilities include financial debt and financial liabilities associated with derivatives. Financial liabilities other than derivatives are initially recognized at fair value plus transaction costs; they are subsequently valued at amortized cost, i.e. at the initial cost net of principal repayments made, adjusted (increased or decreased) based on the amortization (using the effective rate method) of any differences between the initial value and value at maturity.

Employee benefits

Employee benefits issued during or after the employment relationship through defined-benefit programs (for Italian companies, termination indemnities) are recognized during the period in which the rights are accrued.

Liabilities from defined-benefit programs, net of any assets to service the plan, are determined on the basis of actuarial assumptions and recognized on an accrual basis consistent with the employment services necessary to obtain the benefits; independent actuarials measure such liabilities.

Trade payables and other current liabilities

Trade payables and other current liabilities whose terms are consistent with market conditions are recognized and carried at the nominal amount and are not discounted.

Revenues from sales and services

Revenues from sales and services are reported at fair value net of discounts, other sales inducements and returns and are recognized to the extent that it is probable that the economic benefits will flow to the Company and the fair value of the revenues can be reliably measured.

Revenues from the sale of goods are recognized when all the following conditions are met:

f) the significant risks and rewards connected with the property of the goods are sold to the buyer;
g) the usual continuing activities and control associated with the property of the goods are not exercised;
h) the amount of revenue can be reasonably determined;
i) it is probable that the economic benefits will flow to the company;
j) the costs incurred or to be incurred can be reasonably estimated.

The Company in certain circumstances accepts, for commercial reasons and consistent with the industry, practice, returns from customers related to goods delivered in prior periods. In accordance with this practice, the allowance refers to invoiced amounts upon shipment, and it is estimated, based on historical experiences, for products for which risks and rewards are reasonably forecast not to be transferred to the buyer at the balance sheet date . Sales returns are recorded as a reduction in sales in the statements of income, and in an allowance against accounts receivable in the balance sheet, while the related manufacturing costs are included in inventories.

Barter transactions

Barter transactions for which the Company sell goods in exchange for promotion and advertising services are recorded separately, respectively, in revenues and in the costs of services. Revenues from sales of goods are recorded at the fair value of advertising services received, adjusted for any cash payment or equivalent, at the time of delivery of the goods.

Other revenue

Other revenues include the flows of economic benefits attained during the period deriving from the company's ordinary operations.
The revenues received from the early rescission of commercial property leasing contracts are recognized among other revenues at the time they were received, corresponding with the signing date of the agreement to rescind the original leasing contract.

Purchases

Purchases are recognized on an accrual basis. In detail:

- Costs for advertising campaigns and spokespersons

Fees to our advertising agency and the costs of the advertising campaign (commercials and photographs) are recognized in the statement of income when they are incurred.

Costs related to advertising campaigns and promotions are recognized in the statement of income in each period for the services received (advertisements launched, published or broadcasts, spokespersons' services received).

Any advance payment of services to be received are recognized using the accrual method.

Fees to be paid to the advertising agency and the cost of commercials and photographs are recognized in the statement of income in the period these services are received.

The cost of advertising services purchased are recognized on an accruals basis, in the period they are rendered.

- Financial income and expense

Financial income and expenses are recognized when the relevant interest income is ascertained, using the effective interest method represented by the actuarial rate used to measure expected cash flows based on the remaining useful life of the financial instrument.

Financial expenses are recognized, based on the effective interest rate, in the statement of income on an accruals basis.

Dividends

Dividends are accounted for when the shareholders' right to receive payment has occurred, coinciding with when they are approved. Dividends from other companies are classified in the statement of income among other operating income since they are related to long-term investments pertaining to the segment in which the company operates. Dividends from other investments held for financial purposes are classified as financial income.

Income Taxes

- Current taxes

Current income taxes are calculated based on the expected taxable income for the period. Taxable income differs from the result of the statement of income as it excludes positive and negative items that will become taxable or deductible in future years, and the items that will never become taxable or deductible. The liability for current taxes is calculated based on applicable tax rates or rates approved at the balance sheet date.

- Deferred tax assets and liabilities

Deferred tax assets and liabilities are accounted for based on the temporary differences between the statutory and tax values of the assets and liabilities presented in the balance sheet. Deferred tax assets are recognized for all taxable temporary differences except for the following cases:

- deferred tax liabilities arise on the initial recognition of goodwill or an asset or liability related to a transaction other than a business combination, and when at the time of transaction there were no effects on statutory net income for the period or on the net income or loss calculated for tax purposes;
- with reference to taxable temporary differences related to investments in subsidiaries, affiliates and joint ventures, the reversal of such temporary differences can be controlled and it is probable that such temporary differences will reverse in the foreseeable future.

Deferred tax assets (liabilities) are recognized to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences can be utilized, with the following exceptions:

- deferred tax liabilities arise on the initial recognition of an asset or liability related to a transaction other than a business combination, and when at the time of transaction there were no effects on statutory net income for the period or on the net income or loss calculated for tax purposes;

Deferred tax assets are reviewed at each balance sheet date and their value is reduced to the extent that it is not probable that the taxable profit will be available against which the deductible temporary differences can be utilized in the year they are expected to be reversed. Unrecognized deferred tax assets are reviewed annually at the balance sheet date and are recognized based on the probability of reversal.

Deferred tax assets and liabilities are calculated based on the tax rates that pursuant to applicable laws are expected to be applied at the time the asset is realized or the liability is derecognized.

Deferred tax assets and liabilities are recognized directly in the statement of income, except for assets and liabilities related to items recognized directly in equity. In this case, the relevant deferred tax assets and liabilities are also consistently recognized without a counter-entry in the statement of income.

Deferred tax assets and liabilities are offset, if there is a legal right to offset these items and deferred tax liabilities refer to the same taxable entity and the same tax authority.

Deferred tax assets and liabilities are recognized among non-current assets and liabilities.

Foreign currency conversion

The functional and presentation currency of the Damiani Company is the euro.

Transactions in foreign currencies are initially recorded in the functional currency rate applicable at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are reconverted at the functional currency rate of exchange applicable at the relevant balance sheet date. Non-monetary differences are recognized in the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value are reconverted using the exchange rate as at the date of designation of fair value.

Treasury stock

Treasury stock is classified as a reduction to shareholders' equity. Original cost of treasury stock and gains from sale of treasury stock are recorded directly in shareholders' equity.

Earnings per Share

Earnings per share are calculated by dividing the net income attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period. For the purposes determining earnings per share for the three months ended March 31, 2007 and the year ended December 31, 2006, we took the average number of outstanding shares for each period as measured by the change in share capital during each period, with particular reference to the capital increase. In measuring the average number of shares, we also took into account any Shareholders' Meeting decisions to split and/or combine shares. The Company's diluted earnings per share is computed taking account of the shares issued for the capital increase as part of the listing process.

Statement of movements in Shareholder's equity and operating income in compliance with ITA GAAP and Statement of movements in Shareholder's equity and operating income in compliance with IAS/IFRS principles.

Differences resulting from the first application of IAS/IFRS and ITA GAAP on opening financial position at January, 1st 2007 and on the financial statement of three months closed at March, 31 , 2007, Damiani S.p.A. are reported in the statement above.
The single items are reported in scheme gross of taxes while tax effects are shown in two adjusted items (deferred taxes and accrued taxes).

(in Euro thousands)	**Disclosure**	**Shareholder's equity** **31-dic-06**	**Income Statement as of March, 31, 2007** **31-mar-07**	**Shareholder's equity** **31-mar-07**
ITA GAAP compliant		**63.320**	**4.410**	**64.650**
IAS 16				
Separation of land's value	1	15	-15	0
IAS 38				
Write off amortization of intangible assets	2	-412	138	-274
IAS 36				
Goodwill	3	244	16	260
IAS 18				
Sales return	4	-6.861	-66	-6.927
IAS 19				
Termination indemnities	5	282	-17	265
IAS 1				
- Write off surplus with related parties	6	0	-1.769	
- Write off fiscal impact on surplus with related parties	6		659	
IAS 17				
Recognition of finance lease	6	0	0	0
IAS 32-39				
Financial instruments: recognition at fair value	7	78	-232	-131
IAS 18				
Actualization of trade receivables and other receivables	8	-769	11	-758
IAS 8				
Investment depreciation		-375	0	-375
IAS 12				
- Deferred taxes on adj.	9	-140	50	-99
- Prepaid taxes on adj.	9	3.135	18	3.153
IFRS compliant		**58.517**	**3.203**	**59.765**
Variation		**4.803**	**1.207**	**4.885**

Disclosures

(1) IAS 16 Property, plant and equipment: amortization reversal for land value spin-off

According to ITA GAAP , lands had an amortization together with buildings, but according to IAS/IFRS principles they should be separated and no more depreciated. This new accounting method has effects on equity as of January, 1st, 2007 and as of March, 31, 2007 and on income statement of three months closed at March, 31, 2007are reported in the previous reconciliation.

(2) IAS 38 Intangible assets

Some items booked as intangible assets for ITA GAAP should be booked in the income of statement in compliance with IAS/IFRS. In particular adjustments have regarded:

- Leasehold Improvements
- Concessions, licenses, trademarks and similar rights booked in Balance Sheet in compliance with ITA GAAP.

These intangible assets are not in compliance with IAS 8 and so should be written off from Balance Sheet. This new accounting method involves these effects:

Euro/thousands	**Shareholder's equity 01/01/2007**	**Operating income 2007**	**Shareholder's equity 31/03/2007**
Write off rights	-69	2	-67
Write off concessions, licenses, trademarks	-166	117	-49
Write off other intangible assets	-177	19	-158
Total	**-412**	**138**	**-274**

(3) IAS 36 Goodwill and impairment test.

According to IAS/IFRS principles, Goodwill could not be depreciated but it is reviewed for impairment annually, or more frequently in case of events or changes in circumstances indicating that that the carrying value may be impaired.
In IAS/IFRS first time adoption, Damiani S.p.A. has chosen not to apply with a retroactive effect IFRS 3 "*Business Combination*", for operation occurred before IAS Transition date. Because of this, goodwill has been recognized according to ITA GAAP, after recoverability analysis. Impairment test establishes that the goodwill carrying amount doesn't exceeds its recoverable amount and so no adjustments should be done.
Effects on the application of this accounting policy has involved on shareholder's equity as of January, 1st 2007 and as of March, 31, 2007 and on income statement of three months closed at March, 31, 2007 are reported in the previous reconciliation.

(4) IAS 18 Revenues

Damiani S.p.A. in certain circumstances accepts, for commercial reasons and consistent with the industry, practice returns from customers related to goods delivered in prior periods.
Damiani S.p.A. booked returns in the statement of income only when they accepted the return from the customers because they compared returns to rebates or discounts in accordance with their commercial policy .
This accounting method is not in compliance with IAS/IFRS principles because IAS 18 states that when it is possible to relate returns with revenues an allowance must be created.

(Amounts in thousands of Euros unless indicated differently)

In accordance with this practice, the allowance refers to invoiced amounts upon shipment, and it is estimated, based on historical experiences, for products for which risks and rewards are reasonably forecast not to be transferred to the buyer at the Balance sheet date. Sales returns are recorded as a reduction in sales in the statement of income, and in an allowance against accounts receivable in the Balance sheet, while the related manufacturing costs are included in inventories.

Effects of this different accounting method are so detailed:

Euro/thousands	**Shareholder's equity 01/01/2007**	**Operating Income as of March, 31, 2007**	**Shareholder's equity 31/12/2007**
Return provision	- 14.333	-139	-14.472
Inventory	6.899	68	6.967
Commissions	573	5	578
Net effect	**-6.861**	**-66**	**-6.927**

(5) IAS 19 Employee benefits

Employee benefits issued during or after the employment relationship through defined-benefit programs (for Italian companies, termination indemnities) are recognized during the period in which the right are accrued.
Liabilities from defined-benefit programs, net of any assets to service the plan, are determined on the basis of actuarial assumptions and recognized on an accrual basis consistent with the employment services necessary to obtain the benefits.

In compliance with IAS/IFRS, actuarial gain or losses as of January, 1st 2007 and as od March, 31, 2007 are booked at the IAS transition date. Effects of the application of this accounting method are reported in the reconciliation above

(6) Lease and surplus with "under common control" companies

In compliance with IAS 17 finance lease are recognized as assets and liabilities at their fair value, or if lower, at the present value of the minimum lease payments. The finance expense is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The finance expense is directly charged to the statement of income.

According to ITA GAAP such lease were identified as operating lease and they were charged to the statement of income over the lease term.

For IAS first time adoption these leasing are financial lease. In particular, Damini S.p.A. on March, 27, 2007 sold to Immobiliare Miralto (an "under common control company" the building located in Milan, via Montenapoleone 10. Then, Immobiliare Miralto rent to Damiani S.p.A. this same building.

In accordance with IAS 17 principle this transaction is a sale and lease back transaction and so booked as a finance lease above mentioned.

From this transaction comes out a surplus for Damiani S.p.A. for an amount of 1.769 Euro thousands.

International accounting standards state that surplus coming out among under common control companies should be booked in shareholder’s equity and not in statement of income as Italian GAAP state.

So, in order to be compliant with IAS/IFRS this surplus has been written off from Damiani S.p.A. statement of income as of March, 31, 2007 by booking it directly as a shareholder’s equity reserve.

This written off operations had a fiscal impact in statement of income as of March, 31, 2007 for an amount of 659 Euro thousands with counterpart shareholder’s equity reserve.

(7) IAS 39 Financial Instruments

In order to minimize the risk in fluctuations tax interest Damiani S.p.A. has come in derivates agreement by choosing instruments offered by market.

In particular, in order to minimize the risk on financing Damiani S.p.A. has underwritten agreements of “interest rate swap” on these financing.

These instruments, considered as covering for Italian GAAP, were booked as capital losses as of financial statement closing date, without consider hidden surplus.

IFRS state that these instruments should be tested in order to be defined as hedging instruments.

So, instruments that get trough this text should be booked in shareholder’s equity (cash flow hedge reserve), while the ones that don’t get trough the text should be considered by booking the fair value change of hedging derivates directly to the statement of income..

Damiani S.p.A. also has forward agreements that are not in compliance with IAS 39.
Effects of the application of this accounting method are reported in the reconciliation above.

(8) IAS 18 Commercial receivables and other activities.

In compliance with IAS 18, all revenues should be evaluated at fair value. So, when the company allows a delay to customers without interest or with lower interest as regards to market, this amount should be actualized in order to obtain the true value of the sale, while the difference is a financial income that should be booked for competence and eventually it should be deferred for delay higher than one year.

Actualization and the deferred transactions on financial income has effects which are reported in the reconciliation above.

(9) IAS 12 Income taxes

Adjustments regards fiscal impacts related to differences above remarked.

(10) IAS 12 Investments in controlled, associated companies and other investments

In compliance with IAS 27 and IAS 28 historical cost of controlled, associated and other investments has been rebuilt and impairment test has confirmed the same value of the carrying value booked in balance sheet.

Furthermore, the depreciation of investments in the controlled company Damiani Espana has been confirmed.

Concerning other investments comes out the need to depreciate 375 Euro thousand for a minority participation.

Balance sheet IAS/IFRS as of January, 1st, 2007 and as of March, 31, 2007; statement of income for three months as of March, 31, 2007.

In order to integrate the statement of movements in Shareholder's equity and operating income in compliance with ITA GAAP, balance sheet as of January, 1st, 2007 and as of March, 31, 2007 and income of statement for three months closed as of March, 31, 2007 has been attached by indicating this breakdown:

- values in compliance with ITA GAAP but IAS/IFRS schemes reclassified.
- Reclassifications in compliance with IAS/IFRS.
- Adjustments in compliance with IAS/IFRS.
- Final value in compliance with IAS/IFRS.

Adjustments remarks are reported in the paragraph "Reconciliation of ITA GAAP and IAS/IFRS" .

(Amounts in thousands of Euros unless indicated differently)

Balance sheet as of March, 31, 2007.

Balance sheet (in euro/thousands)	**ITA GAAP**	**Variations** Reclass.	Adjustments	**IFRS**
Non Current assets				
Goodwill	467		260	727
Intangible assets	357		(274)	83
Property, plant and equipment net	3.317		3.941	7.258
Investments in affiliated companies	17.875			17.875
Other investments	527		(375)	152
Financial receivables and other non current assets	565	(401)		164
Deferred tax assets	748		3.153	3.901
Total non current assets	**23.856**	**(401)**	**6.705**	**30.160**
Current assets				
Inventories	39.968		6.967	46.935
Trade receivables	86.625	8.266	(15.231)	79.660
Tax receivables	119			119
Other current assets	9.199			9.199
Cash and cash equivalents	11.189	(2.324)		8.865
Total current assets	**147.100**	**5.942**	**(8.264)**	**144.778**
Total assets	**170.956**	**5.541**	**(1.559)**	**174.938**
Shareholder's equity				
Share Capital	28.221		0	28.221
Reserves	32.019		(3.678)	28.341
Net Income (loss) for the period	4.410		(1.207)	3.203
Total shareholder's equity	**64.650**	**0**	**(4.885)**	**59.765**
Non current liabilities				
Long term debt	29.811		3.941	33.752
Termination indemnities	4.147	(401)	(265)	3.481
Deferred tax liabilities	2.296		99	2.395
Other non current liabilities	1			1
Total non current liabilities	**36.255**	**(401)**	**3.775**	**39.629**
Current liabilities				
Current portion of bond loan	7.948			7.948
Trade payables	52.675		(578)	52.097
Financial payables	39	5.942		5.981
Income tax payables	5.228			5.228
Other current liabilities	4.161		129	4.290
Total current liabilities	**70.051**	**5.942**	**(449)**	**75.544**
Total liabilities	**106.306**	**5.541**	**3.326**	**115.173**
Total shareholder's equity and liabilities	**170.956**	**5.541**	**(1.559)**	**174.938**

(Amounts in thousands of Euros unless indicated differently)

Statement of income for three months as of March, 31, 2007

Statement of income (in euro thousands)	**ITA GAAP**	**Variations**		**IFRS**
		Reclass.	**Adjustments**	
Revenues from sales and services	18.580	(5.665)	(139)	12.776
Other revenue	11.613	(360)	(1.769)	9.484
Total revenues	**30.193**	**(6.025)**	**(1.908)**	**22.260**
Cost of raw materials and consumables	(11.475)	4.907	68	(6.500)
Cost of services	(7.216)		115	(7.101)
Personnel costs	(2.942)		(17)	(2.959)
Other operating expenses	(190)	1.675	0	1.485
Amortization and depreciation	(1.039)		29	(1.010)
Total operating expenses	**(22.862)**	**6.582**	**195**	**(16.085)**
Operating income (loss)	**7.331**	**557**	**(1.713)**	**6.175**
Financial expenses	(1.259)	(1.315)		(2.574)
Financial income	780	758	(220)	1.318
Income (loss) before income taxes	**6.852**	**0**	**(1.933)**	**4.919**
Income taxes	(2.442)		726	(1.716)
Net income (loss) for the period	**4.410**	**0**	**(1.207)**	**3.203**

(Amounts in thousands of Euros unless indicated differently)

Balance sheet as of March, 31, 2007

Balance sheet (in euro/thousands)	ITA GAAP	Variations Reclass.	Adjustments	IFRS
Non Current assets				
Goodwill	150		244	394
Intangible assets	475		(412)	63
Property, plant and equipment net	7.205		218	7.423
Investments in affiliated companies	16.365			16.365
Other investments	527		(375)	152
Financial receivables and other non current assets	541	(383)		158
Deferred tax assets	521		3.135	3.656
Total non current assets	**25.784**	**(383)**	**2.810**	**28.211**
Current assets				
Inventories	37.512		6.899	44.411
Trade receivables	96.309	4.854	(15.103)	86.060
Tax receivables	119			119
Other current assets	10.253			10.253
Cash and cash equivalents	1.380	(1.380)		0
Total current assets	**145.573**	**3.474**	**(8.204)**	**140.843**
Total assets	**171.357**	**3.091**	**(5.394)**	**169.054**
Shareholder's equity				
Share Capital	28.221		0	28.221
Reserves	27.861		(5.044)	22.817
Net Income (loss) for the period	7.238		241	7.479
Total shareholder's equity	**63.320**	**0**	**(4.803)**	**58.517**
Non current liabilities				
Long term debt	30.820		202	31.022
Termination indemnities	4.073	(383)	(282)	3.408
Deferred tax liabilities	261		140	401
Other non current liabilities	1			1
Total non current liabilities	**35.155**	**(383)**	**60**	**34.832**
Current liabilities				
Current portion of bond loan	8.514			8.514
Trade payables	56.647		(573)	56.074
Financial payables	12	3.474		3.486
Income tax payables	2.344			2.344
Other current liabilities	5.365		(78)	5.287
Total current liabilities	**72.882**	**3.474**	**(651)**	**75.705**
Total liabilities	**108.037**	**3.091**	**(591)**	**110.537**
Total shareholder's equity and liabilities	**171.357**	**3.091**	**(5.394)**	**169.054**

Reclassifications

The most important reclassifications from IAS/IFRS adoption on opening balance sheet as of January, 1st, 2007 and on statement of income of three months as of March, 31, 2007 are so reported:

- The inscription of trade receivables ceded to factor with counterpart financial liabilities. In particular an amount of 5.942 Euro thousands for the balance sheet as of March, 31, 2007 and an amount of 3.254 Euro thousands for the balance sheet as of January, 1st, 2007 were recognized because the factor agreements doesn’t have all the requirements in compliance with IAS 39, paragraph 20 and 21 for the derecognition of financial receivables from financial statements.
- The reclassification from cash and cash equivalents of unsettled notes discounted at the transition date and as of January, 1st, 2007.
- Termination indemnities advances directly reclassified from non current financial receivables in decreasing of termination indemnities liabilities.

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