DAMIANI

2007/08 Annual Report

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Guido Grassi Damiani, Chairman & CEO

Shareholders letter

Dear Shareholders,

As you know, 2007 was a very important year in the history of Damiani Group. The decision to list the company on the Italian Stock Exchange last November both sums up and represents my vision, hard work and commitment to this company, shared with my family and with Management.

In an international market scenario, where more than ever luxury products are universally recognized as being synonymous with Made in Italy, our Group stands out as one of the few players in the sector, strong with over 80 years of history and an activity which has marked the company's success with several awards and worldwide recognitions. The decision to open Damiani to the market and investors through taking it public represents for our company a fundamental step forward in our growth and affirmation process as one of the most important brands of high-end jewelry worldwide, a strategic choice in accelerating the international development of our brands.

Less than a year after Damiani's arrival on the Italian Stock Exchange I can confirm that the decision that we made has been a good one, confident that the future and the market will bring success and moments of great satisfaction, both personal and professional, to all Group employees and investors.

The business year 2007-2008 concluded with positive sales results for the Group thanks to constant creative and research work as well as to the successful launches of our collections. Consolidated revenues stand at €174.1 million, a growth of 4.8% at constant rates and 3.7% at current rates compared to €168 million as of March 31, 2007. EBITDA for the Group has also been positive at €28.6 million with an increase equal to 3.0% compared to last year and a margin of 16.4%. Operating results are €26.1 million, a percentage growth of 5.2% compared to March 31, 2007 while net profit has reached €15.1 million, signaling a growth of 7.9% from March 31, 2007.

The Group has also continued with the expansion strategy for the Damiani and Bliss brands in foreign markets by reinforcing our wholesale channel and by opening new points of sale. Over the course of twelve months the Group has inaugurated one Damiani DOS in Bologna, one DOS in Tokyo (Ginza), and another DOS in Paris (Place Vendôme) as well as monobrand boutique franchises in Taipei, Dubai, Macao, Kuwait City, and a second such boutique in Hong Kong. As far as Bliss is concerned, a DOS has been opened in Rome (Piazza di Spagna), as well as a new monobrand boutique in Mexico City, and the second monobrand boutique in Milan.

In terms of communications, 2007-2008 has been particularly intense with activities which have contributed yet again to promoting our brands throughout the entire world. Two new celebrity endorsements have started over the course of this year, further enriching the family album of our Group: the Italian actor Raoul Bova, new male face of Salvini and Paris Hilton as the new female face of Bliss.

In line with the innovative spirit that also distinguishes us in the field of communications, 2007 saw Damiani work closely with Ferrari for the worldwide celebration of its 60th anniversary, in an international relay race around the world which touched every continent. For this special occasion we created together with Ferrari an all-new version of its racing symbol, featuring the Pricing Horse in platinum and diamonds.


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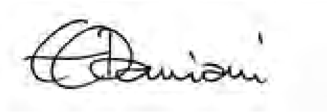
We started off the year 2008 in a new and interesting way with the inauguration in January of D Diamond, a Hong Kong lounge bar and restaurant, thanks to our partnership with a Chinese entrepreneur. We are particularly proud of this project, which clearly demonstrates just how popular our brand is all over the world. We are convinced that this event, together with future ones, will allow us to promote our brand even more in a market which has a great potential.

Coming back to our international market vision, it is well-known how the beginning of 2008 was characterized by a crisis whose arrival was announced in the final months of 2007 and which generated a lack of consumer confidence that also hit the luxury sector, traditionally considered immune to the ups and downs of market cycles. Our efforts in a period which was for our Group the fourth quarter of the year, that is to say January-March, led to satisfactory business results at year's end, as we stay mindful of the fact that our will is to grow even more, taking advantage of the wide-open spaces that the jewelry sector can offer.

Our objective is to become a global player, reinforcing our leadership position in the field of high-end fine jewelry through expanding our brands into foreign markets and consolidating in the domestic one.

And it is with this commitment that I leave you, dear Shareholders, announcing that the year 2008-2009 will see us involved once again with passion and determination in new international challenges which will attest to how our Group will be able to transform its tradition of quality, style, and creativity into a constant source of inspiration for new collections, supporting our business and creating solid and highly interesting international relationships for all the brands which make up our portfolio, creating value for both our company and our shareholders.



1924 The Group is established.

1976 The Group wins the first of eighteen Diamonds International Awards.

1986 The product portfolio expands with the creation of the Salvini brand.

1996 Control of the company passes to the third generation of the Damiani family.

1997 The internalization process starts with the construction of foreign subsidiaries.

1998 Acquisition of Alfieri & St. John S.p.A.

2000 Creation of the Bliss brand.

2001 The group begins voluntary balance sheet auditing and implements the ERP SAP system.

2006 The brand portfolio extends further with the acquisition of the Calderoni brand.

2007 Damiani at the Milan Stock Exchange.

Our history

Our Beginnings

The Damiani Group was founded in 1924, in Valenza, Italy, in the heart of the goldsmith district, world-renowned for its jewelry production. Founder and master goldsmith Enrico Damiani quickly became the jeweler to the most important families both within and outside Italy, creating one-of-a-kind pieces and masterworks of highly refined craftsmanship.

The 1960s to 1990s

Between the 1960s and 1990s Damiano, Enrico's son, started the process of industrial and commercial expansion through the promotion of design research and technical innovation, two elements which strongly impacted future production in which single pieces enjoyed both exclusive design and high level production techniques. Thanks to these activities Damiani brand products gained an ever-increasing presence in the high-end fine jewelry market both in Italy and abroad, featuring an ideal combination of tradition and innovation which characterized the wholly-Italian aesthetics and production of the jewelry.

The 1980s

Between the end of the 1980s and the 1990s, the Damiani Group successfully started a new style of communication which connected the Group's product image to well-known personalities. Damiani became one of the first jewelry companies in the world to use celebrity endorsements. With portraits done by photographers of worldwide renown, the movie stars hand-picked by Damiani gave life to advertising campaigns which had a great impact, winning prizes and recognition for their innovative style of communication.

International Recognition

In 1976, the Group won its first Diamonds International Awards. The most prestigious prize in the sector given to the best design in diamond jewelry, it was awarded for the first time to Shark, a bracelet in yellow gold and platinum illuminated by over 41 karats of pavè-set white diamonds. Damiani has won this award another seventeen times, as well as Calderoni, who has won this "Oscar of the Jewelry World" four times.

Our Brands

Over the years, other prestigious brands were added to Damiani: Salvini in 1986, and in 1998, Alfieri & St. John, a brand dating back in Italy from 1977. 2000 saw the creation of Bliss, promoted through an ad hoc company, New Mood S.p.A., controlled by Damiani Group. In 2006 the Group acquired Calderoni, a historical Milanese brand of high-end fine jewelry.

International Expansion

At the end of the 1990s Damiani Group opened its first international subsidiaries in Switzerland, the United States, and Japan with the goals of starting distribution in the main foreign markets, safegarding its territory and establishing profitable relationships for business development. In 1997 Damiani International BV was set up with headquarters in Amsterdam, as well as an operative branch in Switzerland with control over Damiani Japan K.K. in Tokyo, which was then started in 1998. Damiani USA Corp. was established in New York two years later. Today each subsidiary represents a real and true operative headquarters with the typical functions of a structured Group with a worldwide presence.

The Business Network

In addition to its foreign subsidiaries, the Group has also opened many points of sale which are in line with both the communication style and image of the various brands. Currently the Group is present throughout the world with 58 monobrand points of sale which are located in the most important streets of both Italian and international fashion, including boutiques in Milan (Via Montenapoleone), Rome (Via Condotti), Paris (Place Vendôme), New York (Madison Avenue), and Tokyo (Ginza).

From a Family Business to a Managerial Entity

Starting from the end of the 1990s the Damiani Group accelerated its transformation from a family-run company to an organized entrepreneurial reality thanks to the insertion of managerial figures of high standing in key directional roles. In 2001, with the goal of maximizing business processes to sustain the development of the Group, the informational system ERP SAP was put into place. This same year the Group also began voluntary auditing of its balance sheet.

November 2007: Listing on the Italian Stock Exchange

2007 brought a new challenge for the Group-being listed on the Italian Stock Exchange, an important step in our growth process and an affirmation of Damiani as one of the main operators in the international jewelry market. This was a project which was highly desired by the family and one for which the entire top management of the company worked with great commitment. Today Damiani is one of the very few high-end jewelry companies in all the world to have reached this ambitious milestone.

Guido Grassi Damiani, Chairman & CEO

Silvia Grassi Damiani, Vice Chairman

Giorgio Grassi Damiani, Vice Chairman

The Third Generation

Gabriella Colombo Damiani, Honorary Chairman

Creativity, design, and entrepreneurship are the elements which make up the professional DNA of the Damiani family, together with a great passion for the work they do, which has been passed down the generations and which still today characterizes the third generation of the family, currently at the helm of the Group.

Guido Damiani is the President and C.E.O., while his brother Giorgio and sister Silvia are both Vice Presidents. Honorary President of the Group is their mother, Gabriella, a solid link between the second and third generation not to mention a person of great charisma.

Having literally grown up amongst jewels and work tools which sometimes replaced toys for them, the Damiani brothers were in their grandfather's company from a very early age. Over the years they acquired experience in the craftsmanship of jewelry as well as in the purchase of gold, diamonds, and pearls.

After the premature death of their father in 1996, the three siblings went ahead in their running of the company covering various responsibilities in a harmonious and synergetic way, placing their trust in the guidance of the current President and C.E.O.. Under this management, the Group went from about €58 million in turnover as of December 31, 1995 to about €174,1 million as of March 31, 2008.

As united in their private life as much as they are in their business dealings, the third generation continues the tradition of development and entrepreneurial spirit which characterizes the company in the design of collections and production techniques, as well as in distribution and communication strategy.

The Damiani Group

Damiani S.p.A., the head company of the Damiani group, is a historic leading company in the Italian market of the production and commercialization of high-end designer jewelry, with brands of absolute prestige-Damiani, Salvini, Alfieri & St. John, Bliss and the recently-acquired Calderoni.

Today the Damiani Group is present in Italy and in the most important countries in the world through a wide distribution network, organized through controlled companies which preside over the European, American, and Asian markets: Damiani International BV, Damiani USA Corp. and Damiani Japan K.K.

Damiani Group has more than 500 employees and has a production structure located in two establishments situated in Valenza, Italy.

The strategy of the Damiani Group is to reinforce its leadership in the jewelry sector through international market expansion, consolidating its position in the Italian market by developing the brand identity of its portfolio.

The distinctive characteristics of the Damiani Group are:

• An almost century-old tradition in jewelry making, developed in the heart of the gold district of Valenza with which the Damiani Group has always maintained an extremely strong bond.

• The very well-known Damiani brand, present in the most exclusive and important main streets in the world, through a network of monobrand stores.

• The strong complementary mix of the five brands in our portfolio - Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni - which allow us to be present in most market segments, thus satisfying the demands of different kinds of consumers.

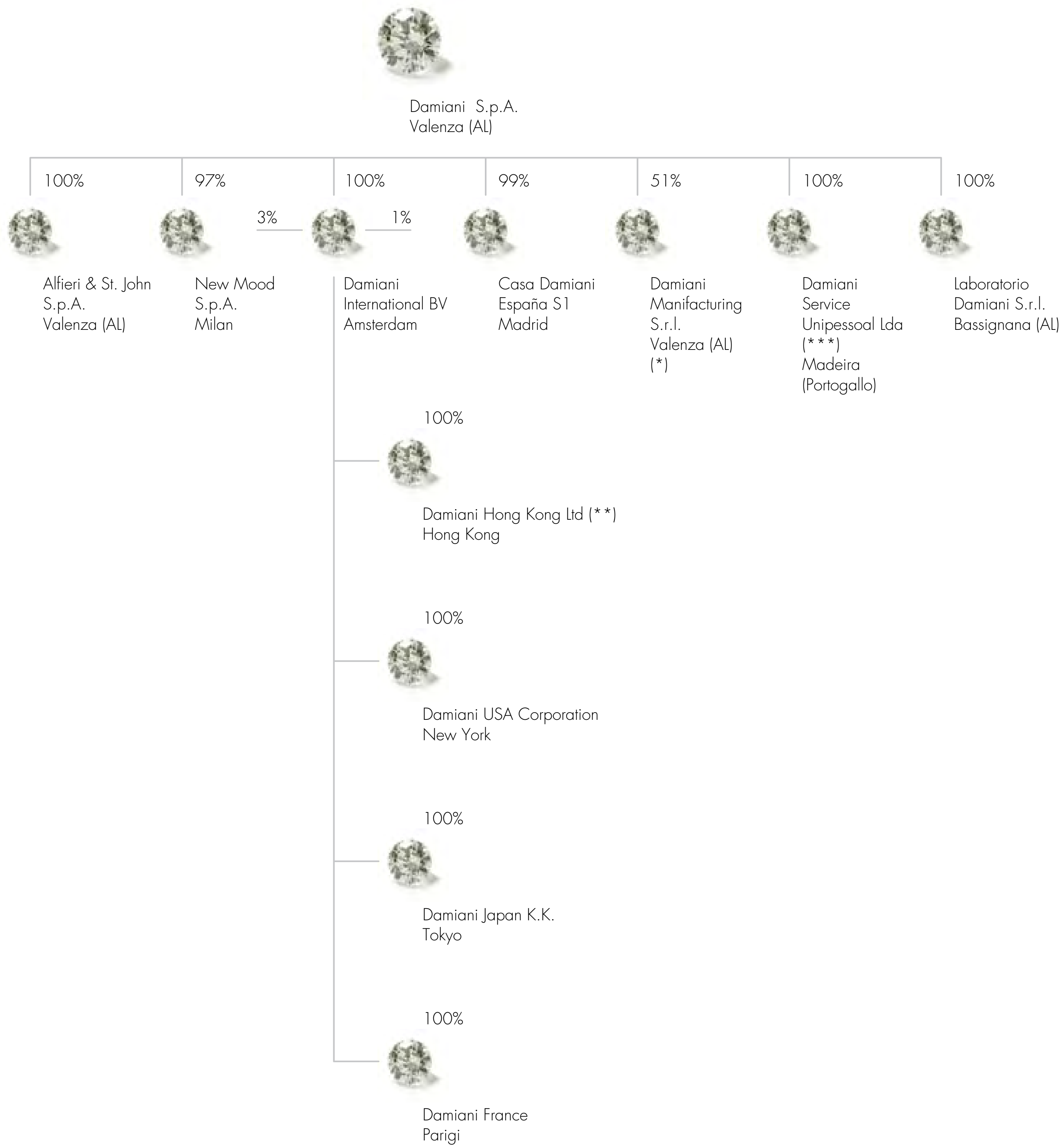
• The recognized quality of products and raw materials used-quality which has historical origins in the world of jewelry.

• The recognizable and exclusive design of our collections.

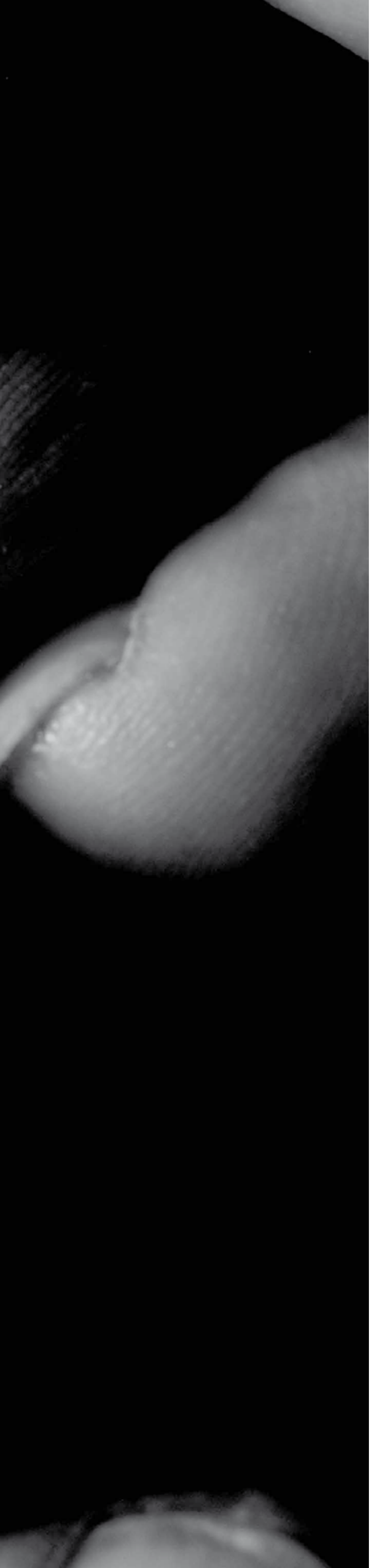
• The innovative strategy of marketing and communication.

• The proven experience of our management.

The Group's offerings are focused on jewelry and cover most market segments, in order to provide our clientele with an ever-more complete range of jewelry at various price levels.



(*) 49% is held by Christian and Simone Rizzetto, both currently Damiani Manufacturing S.r.l. directors, with control over production, administration and finance.
(**) The company, previously known as Super High Holding Ltd., has assumed its current name via Act of Registration No. 1026433 dated April 21, 2008 in the Companies Registry of Hong Kong.
(***) The company, previously known as Magic World Lda, has, following the General Assembly Deliberations of March 2008, undertaken the procedures as per local law to change its name. This procedure is now pending.

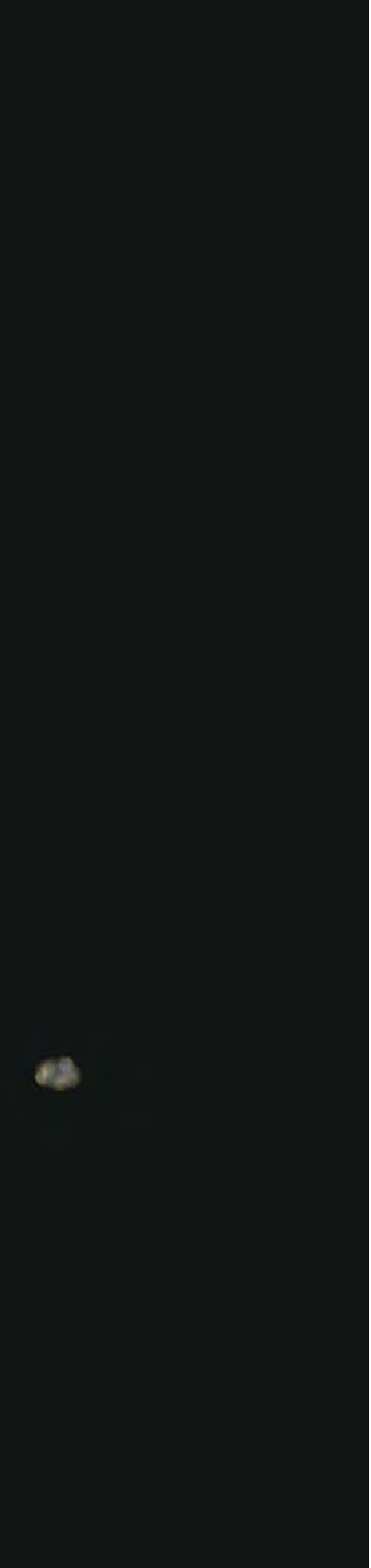


Each Damiani creation represents the highest expression of the Italian tradition of high-end jewelry. Realized entirely by hand with maximum attention paid to detail, Damiani jewelry interprets tradition with an innovative spirit which has always characterized our Group.

Damiani has always been synonymous with high-end tradition and "Made in Italy". Its classic style, always up-to-date, is built around the quality of the gems as well as on the precision and preciousness of the workmanship. Damiani jewelry are the expression of this balance which renders them eternal in all collections.

Master Italian goldsmiths since 1924.
Each piece of Damiani jewelry,
even the most seemingly simple one,
springs from the deeply passionate work
of artisans who are masters in making the
most of the quality of gems, purity of line
and the uniqueness of precious jewels,
transforming them into eternal objects,
capable of transmitting the emotion,
history, and passion which animate
each and every piece.

The high level of design which characterizes each piece of Damiani jewelry is the result of the Group creative team work, which expertly puts together the masterly technique of the artisan, innovation and aesthetic taste which renders each creation unique.



All suppliers chosen by Damiani Group belong to a strict nucleus of accredited companies which, in compliance with the Kimberly Process, respect UN resolutions for the certification of the provenance of diamonds exclusively from legitimate sources which are not involved in the financing of conflicts.

Group Brands

Damiani Group produces refined jewelry prevalently in gold, platinum, and diamonds, using linear stylistic lines and interpreting a contemporary style which combines the classic and the modern.

For Damiani, design is a distinctive factor and is developed within the Group by a team of designers who, through continuous research, respect stylistic tradition.

The Damiani Group is active on the market through five brands with different market positions, thus covering most of the needs of final consumers at various price levels.

DAMIANI

Damiani is our original brand, to which the other brands which today make up our portfolio were added over time.

Started in 1924, it has made its mark on the Italian and international markets with a brand which is synonymous with the high tradition of Made in Italy.

Each piece of Damiani jewelry is the result of deeply creative work, exclusive design, and careful attention paid to form, the quality of the gems used and the precision of the workmanship.
The Damiani brand's product range can be divided into four categories: Masterpieces, truly one-of-a-kind pieces characterized by prices which place them in the very highest market category; Musts, iconic products with a significant design component, highly distinctive of the brand and instantly recognizable, available in a limited number of collections; Collections, a range of jewelry boasting innovative design that often are inspired by one-of-a-kind pieces; and Classics, traditional jewelry such as diamond solitaires, engagement and wedding rings.

Salvini

The Salvini brand dates from 1986 and is active in luxury jewelry through the production and commercialization of quality jewelry with a constant attention to details.

Salvini jewelry unites the values and forms of tradition with modern features such as such as three-dimensionality, geometric forms and mirrored gold surfaces.

Its product range is divided into three categories: Musts, iconic products which identify the brand and enjoy an elevated design component, making up a limited number of collections, such as Crosses, Hearts, Butterflies, and Snowflakes; Collections, jewelry which features highly innovative design and have highly distinctive brand lines such as Diva, Jasmine, and Code, destined for a unisex target; and Classics, which re-propose jewelry from traditional lines.

The brand Alfieri & St. John, launched in 1977 thanks to the intuition of Carlo Ciarli (the creative and advertising man and founder of Giò Caroli) was acquired by the Damiani Group in 1998 with the goal of enlarging the brand portfolio.

In recent years Alfieri & St. John has followed a strategy of completion of the range, putting the more classic range of products next to models of design, while maintaining the recognizability and the style which makes the brand stand out.

Its product range includes Tradition, products from the goldsmith tradition which are universal and versatile, such as diamond solitaires, multiple-stone diamond rings and tennis bracelets; Tendency, trend-setting jewelry made for fast-changing market and public preferences; and Glamour, top collections of the range which feature an elevated design content.

The Bliss brand, launched by the Group in 2000, is meant for a mostly younger target, proposing modern and elegant jewelry which interpret current trends and design with particular attention paid to men's collections.

The jewelry, realized with not only precious materials but also steel and other innovative materials, is distinguished by forms which respond to current trends.

Bliss products have two complementary "souls"-one modern line, for which steel and innovative materials (for example, carbon and ebony) are used together with diamonds, and another more precious line, which uses gold, diamonds, and other stones, with the objective of reaching a diverse and highly-sought-after group of consumers.

Bliss uses endorsements by celebrities from the sports and entertainment worlds such as the singer Vasco Rossi, Alessandro Del Piero and, more recently, Paris Hilton.

Calderoni Gioielli was founded in 1840 in the heart of Milan. The store, founded by Adone Calderoni under the arches of Duomo Square, was for decades the only real jewellery shop in Milan and supplied the British Royal Family, nobility, maharagas, sultans and high society.

Since 1943 it has been located in Via Montenapoleone, the internationally prestigious fashion area. Calderoni creations are special for their impeccable balance between novelty and tradition, classic and modern, experimental touches and the exhaltation of more consolidated values.

In 2006 the Damiani Group purchased the brand aiming to re-launch it, using its great tradition and taking advantage of the experience gained in the re-launch of the Alfieri & St. John brand.

Calderoni continues to interpret the role of refined jewels, strong in tradition with renowned craftsmanship, positioned on the high end of the market, where the classical sense knows how to be surprisingly actual.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The Organisational Model

Damiani Group products are conceived, realized, and commercialized according to an organizational model common to all Group companies characterized-in line with the big companies operating in the luxury goods sector-by a rigorous control of the value chain. For each brand the organizational model can be subdivided in the following phases:

Market Analysis and Product Creation

Market analysis is the preliminary activity carried out by the Group to identify product needs; on the basis of what emerges from such research the creation and development of given pieces begin. With this phase, which is carried out with the help of our Marketing Department, the creative activity becomes concrete in the realization of designs which are then transformed in prototypes. After careful selection and revision the CEO is called upon to approve the prototypes which, if they are approved, are then put into production and into the market, At this point, the Marketing function then works to define the sales price and the definitive prototype, complete with technical and cost parameters, is then given over to production and logistics for its passage to the productive cycle. To support these activities the company has created software which allows for the management and monitoring of all phases, from the prototype to its introduction to the collection.

Purchasing raw materials

The Damiani Group is proud of its history of selecting raw materials, which are mostly precious stones (61%), gold (33%) and pearls (5%).

Precious stones

The Group purchases rubies, emeralds, sapphires and mostly diamonds, which represent practically the majority of precious stones used.

Gold

The purchase of precious metals is mostly in gold through banking institutions, which cover approximately 90% of the Group's needs; the remaining 10% is handled through the so-called "metal banks."

Pearls

The main markets that produce pearls are in Australia, Japan and Polynesia. The Damiani Group buys mainly from Japanese suppliers who cultivate them and with whom there has been a business relationship spanning decades.

Production

The Group uses both foreign production entities and its own plants in Valenza. For jewels with the Damiani, Salvini and Alfieri & St. John brands, the production is domestic in the goldsmith district of Valenza, while for Bliss, a part of the jewelry and steel is produced in Asia.

Quality control

The Damiani Group pays particular attention to the quality of its jewels during the entire production cycle thanks to the work of a specialized team that continuously checks to guaranty a uniform standard of quality on all the product lines.

Distribution

The Damiani Group distributes its products mainly through two channels: retail, represented by 15 mono-brand points of sale managed directly by the Group, and wholesale, which includes independent, multi-brand jewelry chains, department stores, franchises and distributors. The Group distributes its products worldwide through over 2,500 re-sellers.

Communication

Pioneers and innovators

The Damiani Group has been a pioneer in the jewelry sector in pursuing, among the first jewelers in the world, with a brand policy that employs innovative marketing and communication tools that over time have contributed to its fame.

Starting at the end of the 1980s, a communication style was researched and implemented with the use of famous personalities.

These endorsements were photographed by the best photographers and associated with Damiani Group products.

Most endorsements came from the world of cinema and entertainment in general, which is consistent with the strategic vision of the Group and respects the affinity certain stars have with the brand.

Among those endorsing the brand are personalities such as Isabella Rossellini, Brad Pitt, Nastassja Kinski, Milla Jovovich, Gwyneth Paltrow, Francesca Neri, Sharon Stone, Sophia Loren, Alessandro Del Piero and Vasco Rossi.

As a consequence of the innovative style of Group communication, the quality and appeal of products and the personal relationships the Damiani family maintains with famous people, the jewels are frequently worn at public events by endorsers in the international star system.

Lifestyle, art, sport and society

Damiani has made communication a special aspect inside the Group, working as pioneers in the field without fear of facing new realities.

The current Group communications activity is large and well-defined and utilizes interventions to engage the consumer and support the points of sale to give the Group a coordinated image internationally which helps the consumer find that atmosphere of dreams and emotions that the brand conveys.

Our communications is both brand and product oriented and is connected to each Group brand in a coherent way, with the status and positioning that makes it special.

What best characterizes Group communication is the ability to develop creative and winning Group communication synergies that find consensus in the public and with consumers and workers as well.

The institutional communication emphasizes activity directed at specific targets with the brand of reference: an example is our sponsorship of the maxi yacht Damiani Ourdream, which for years has entered important Mediterranean regattas and, with its success, marks a perfect marriage between Damiani and the world of sailing.

The Group also has for years embraced artistic and cultural projects in Italy. In the year just past, Damiani was proud to help with the restoration of the Santa Maria della Grazie church, a landmark in Milan known world over for hosting the famous *L'Ultima Cena*, which is admired worldwide.

As an ambassador of Italy in the world, the Group also has allied itself with Ferrari, one of the world's most distinguished car companies, on the occasion of the prestigious company from Maranello celebrating their 60th anniversary.

This unique event found Damiani central to the relay, which, starting from Abu Dhabi, circled the globe, reaching every continent and over 50 countries, ending up at Maranello with the participation of thousands of Ferrari clients.

For this special occasion, Damiani created, with Ferrari's collaboration, the symbol of the relay, the renowned Ferrari Pricing Horse in a platinum and diamond special edition.

The innovative spirit of the Group is also marked by aligning the Damiani brand to the world of fashion food in early 2008 with the opening in Hong Kong, of D Diamond, the first Restaurant e Lounge Bar wholly inspired by brand values.

It has a refined atmosphere that re-creates the concepts of the Damiani boutiques throughout the world and whose specialty is to connect fusion cuisine immersed among scintillating jewelry showcases.


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As for the relationship that the Damiani family has had with many international stars over the years, it has marked a distinctive form of group communication at a time when no one used endorsers. There are many celebrities who decides to wear our jewels because they love them.

Sophia Loren, the Italian actress most respected worldwide, has been our muse, to the point that we have dedicated a collection of jewels in a special tone of pink gold named after her.

Damiani friends are varied and international, ranging from great and award-winning actresses to famous information and entertainment figures.

Thanks also to their help, it has been possible to organize and create charity events in favor of humanitarian needs.

We recall, as an example, the event in 2007 in New York with the extraordinary presence of international star Gwyneth Paltrow to collect funds for the American Cancer Society, an organization founded to sustain the families of the terminally ill.

Many are the occasions like these in which Damiani donates jewels won in auctions in which the proceeds are all given to needy causes.


DAMIANI

An important part is the product communication, something that a company living on its own product cannot do without.

Each year on two main occasions Damiani opens its doors to the national and foreign media to present new collections in a theme of newness that prompts dozens of journalists to celebrate the exclusivity of Damiani in Italy and the world.

Many visits to the Damiani Manufacturing are organized, where journalists from all over the world can witness our jewelry production in a special moment especially loved by the international press that sends entire delegations.

International recognition

The Group has won prestigious awards and recognition in Italy and abroad for its product design, its communication and its entrepreneurship.

In product design, in 1976, the Group won a prestigious international recognition from Diamonds International Award, considered the most important world jewelry award for a jewel designed by Gabriella Colombo Grassi Damiani, the current Honorary President.

The same award was later won by the Group another seventeen times over the years. To this, we can add four Diamond International Awards attributed in the past to the Calderoni brand, recently purchased by the Group.









Some winners of Diamonds International awards
Bracelet Shark - Necklace Bloody Mary - Necklace Spaziale - Bracelet Piovra - Earings Blow Balls - Ring Fireworks - Bracelet Sahara - Bracelet The Wheel - Earings Blue Moon - Bracelet Eden (on the left page).

Damiani Worldwide

Headquarters

From a business point of view, to initiate the structured development of distribution in the main foreign markets where the Group is focused, branches were opened at the end of the 1990s in various countries, including the United States, Japan and Switzerland. Specifically, in 1997 Damiani International B.V. was founded, with headquarters in Amsterdam and an operating branch in Switzerland. Nel 1998 Damiani Japan KK was founded with headquarters in Tokyo, wholly controlled by the holding through Damiani International B.V. In 2000 the Damiani U.S.A. Corp. was founded with headquarters in New York, wholly controlled by holding through Damiani International B.V..

The distribution network

The Damiani Group distributes its products mainly through two distribution channels:
- the retail channel made up of 15 mono-brand stores managed directly by the Group. Starting in 1996 (with the opening of the boutique in Florence on Via de Tornabuoni, followed in 1997 with the opening of the

Milan boutique on Via Montenapoleone), the Group, so as to raise and consolidate its brand image started to create an international network of flagship stores and mono-brand stores known for stylistic aspects precisely coherent with the brands and communication style of the Group. The actual concept applied to implement the Damiani points of sale was conceived by an architect and designer of international fame, Antonio Citterio. At July 2008 the Group has 58 monobrand stores in the world, of which 15 are managed directly (DOS) and third parties manage 43. These stores are centered on the main fashion streets in Italy and in the world. Among these are the boutiques in Milan (Via Montenapoleone), Rome (Via Condotti), Paris (Place Vendôme), New York (Madison Avenue) and Tokyo (Ginza).

- The wholesale network includes independent, multi-brand jewelry, chains of jewelry shops, department stores, franchises and distributors. The Group distributes its products throughout the world through over 2,500 resellers.

Damiani offices
Milano
Lugano
Tokyo
New York
Monobrand stores


DAMIANI

Damiani Boutiques in the world

Almaty
Bari
Bologna
Busan
Cancan
Daegu
Dubai
Florence
Fukuoka
Hiroshima
Hong Kong
Honolulu
Kagoshima
Kiew
Kuwait
Los Angeles
Macao
Matsuyama
Milan
Monterrey
Moscow
Naples
New York
Osaka
Paris
Philadelphia
Portocervo
Portofino
Rome
Seul
Taipei
Tokyo
Turin
Venice
Verona

From the left on top:
Italy, Milan - Russian, Moscow - France, Paris - Japan, Fukuoka - Emirates, Dubai - US, Los Angeles.
On the left page: inside the Tokyo boutique.

Corporate Boards

Board of Directors

Chairman & Ceo	Guido Grassi Damiani
Vice President	Giorgio Grassi Damiani
Vice President	Silvia Grassi Damiani
Board Director	Giulia De Luca
Board Director	Stefano Graidi
Board Director	Giancarlo Malerba
Board Director	Lorenzo Pozza
Board Director	Fabrizio Redaelli

Board of Statutory Auditors

Chairman	Gianluca Bolelli
Statutory Auditor	Simone Cavalli
Statutory Auditor	Fabio Massimo Micaludi
Alternate Auditor	Pietro Sportelli
Alternate Auditor	Pietro Michele Villa

External Auditors	Reconta Ernst & Young S.p.A.

Internal Control and Corporate Governance Commettee

Chairman	Giancarlo Malerba
	Lorenzo Pozza
	Fabrizio Redaelli

Remuneration Commettee

Chairman	Giancarlo Malerba
	Lorenzo Pozza
	Fabrizio Redaelli

At March 31,
2008 Damiani Group reached total revenues of
174.1 million euro, EBITDA of 28.6 million euro,
Operating Profit (EBIT) of 26.1 million euro,
Net Profit of 15.1 million euro.

Revenues breakdown by distribution channel at March 31, 2008:
Wholesale: 84.9%,
Retail: 5.7%,
Other channels: 9.4%.

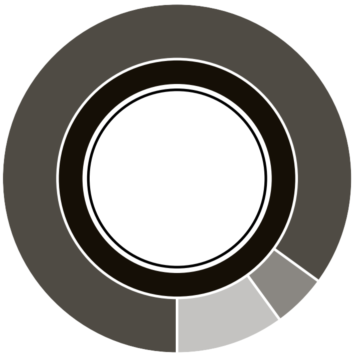
Revenues breakdown by regions
at March 31, 2008:
Italy 70,1%, Japan 6,8%, Americas 4.5%
Rest of world 18.6%

Half of the Damiani revenues
comes from foreign markets

92% of Salvini, Alfieri&St John and Bliss revenues
comes from Italy.

Revenues breakdown by distribution channel

FY 2007/08 at March 31, 2008



- Wholesale 84,9%
- Retail 5,7%
- Other channels 9,4%

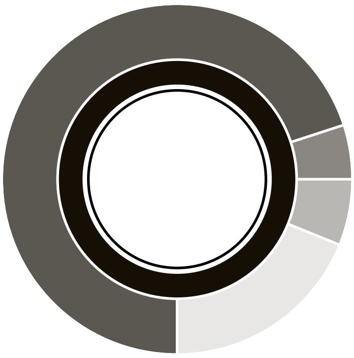
Total revenues: 174,1 mln €
Wholesale: 147,8 mln €
Retail: 9,9 mln €
Other channels: 16,4 mln €

Consolidated Revenues (mln €)

Consolidated Ebitda (mln €)

Revenues breakdown by regions

FY 2007/08 at March 31, 2008



- Italy 70,1%
- Americas 4,5%
- Japan 6,8%
- Rest of World 18,6% (Far East, Rest of Europe)

Total revenues: 174,1 mln €
Italy: 122,1 mln €
Americas: 7,7 mln €
Japan: 11,8 mln €
Rest of World: 32,4 mln €

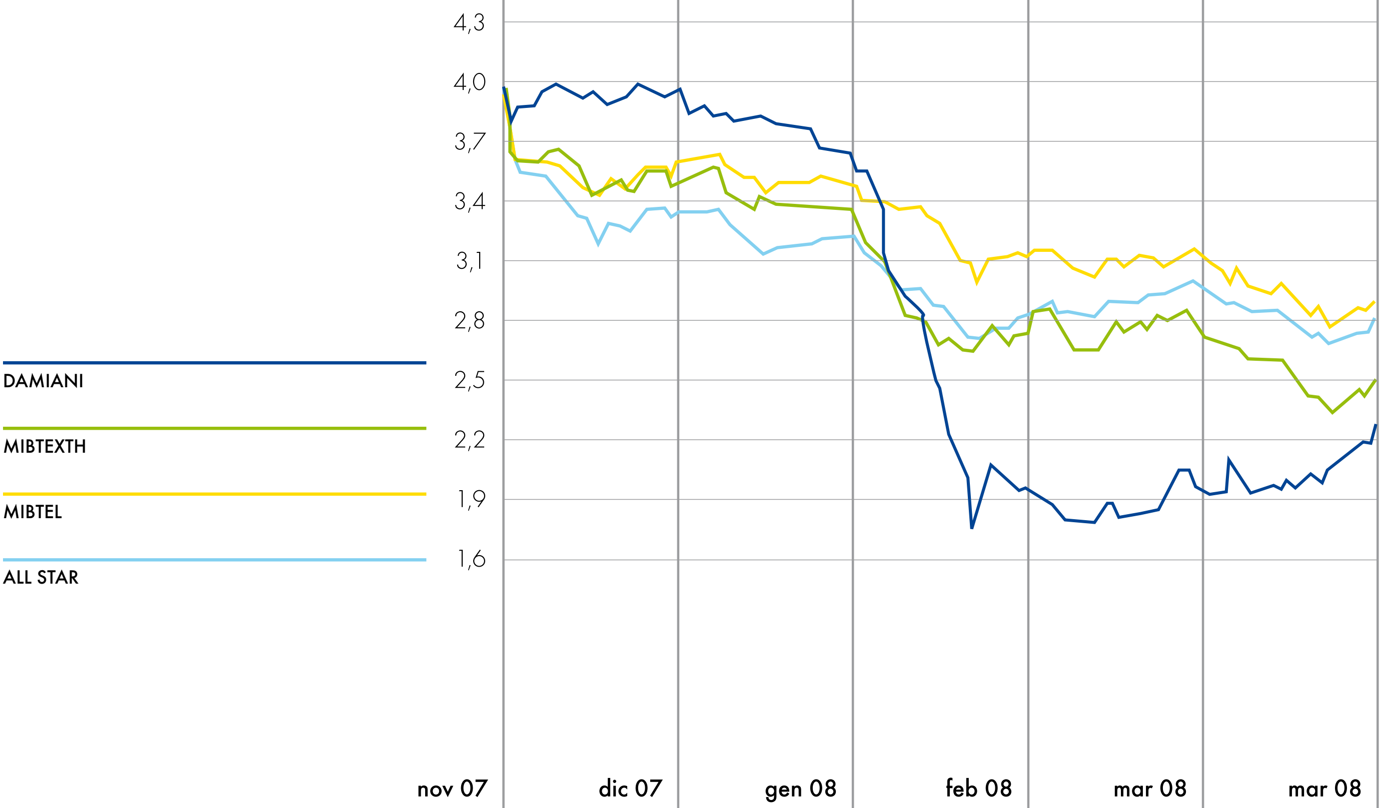
Net Profit (mln €)

Stock Exchange Listing and Share Price Trends

Damiani Group began trading on 8 November 2007 with a starting price of €4.00 per share.

The accompanying illustration depicts the Damiani SpA share price trends since that date through 31 March 2008, compared with movements of the main Italian market indexes MIBTEL and All Stars as well as the MIBTEXTH index for companies operating in the luxury goods sector in Italy.

Damiani's share price registered a loss of 42.4% over this period (Mibtel -20.6%, All Stars -22%, MIBTEXTH -31.6%).



Damiani on the Stock Market*

Initial price - November 8, 2007	4
Price on March 31, 2008	2,29
Maximum price (euro)	4,01 (il 16 novembre 2007)
Minimum price (euro)	1,76 (il 23 gennaio 2008)
Average volume	595.880
Maximum volume	6.864.687 (8 novembre 2007)
Minimum volume	10.137 (28 dicembre 2007)
N. shares Company capital	82.600.000
Market capitalization on 3/31/2008 (millions/euro)	182,7

Shareholders**

Leading Jewels S.A. 52.5%

Guido Grassi Damiani 51.0%

Giorgio Grassi Damiani 24.5%

Silvia Grassi Damiani 24.5%

Silvia Damiani 5.7%

Giorgio Damiani 6.1%

Guido Damiani 5.0%

Market 29.3%

Buyback* 1.4%**

Notes
**The above table recapitulates the most important dates in terms of both market and share price trends for the business year ending 31 March 2008.*

***shareholding as of 31 March 2008*
As of the IPO, Guido, Giorgio and Silvia Damiani respectively hold, both directly and indirectly, 31.8%, 18.9% and 18.5% of Damiani S.p.A.

****Includes the acquisition of 1,170,536 of Damiani shares*

Factors Influencing Share Price Trends

2007 was characterized by a general slowdown in the most important global economies, particularly in the US and the UK, as a result of the subprime mortgage and real estate sector crisis.

Italy and other European countries, even if to a lesser extent, were also influenced by this crisis.

The exacerbation of the macroeconomic situation had a clearly negative effect on the major stock markets in both Europe and the US.

The sectors hit the hardest were, among others, low-cap companies and consumer/luxury goods stocks, since they are seen by investors as having a strong link to economic cycles.

Looking specifically at Damiani, some additional factors particularly influenced share price trends, most markedly in the end of 2007 and the beginning of 2008:
• The Italian economy, characterized by both a moderate increase in industrial production and stagnant consumer spending, had evident negative repercussions in luxury goods spending.
• Uncertainties at the macroeconomic level that have hit the already-weak economies of Japan and the USA further penalized consumer confidence, negatively influencing two of the most important foreign markets for the Damiani Group.

As of 31 March 2008 (the last day of trading before the closing of the business year) Damiani stood at €2.296 per share, and market capitalization at €182.7 million.

DAMIANI

2007/08 Annual Report

Notice of convocation of the General Shareholders' Meeting

The Shareholders will hold an ordinary shareholders' meeting on July 22, 2008 at 10 AM in the meeting room of the Hotel IANUA, Centro Orafo "Coinor", on 4 Via Luigi Stanchi in Valenza (AL) on first call and, if necessary, on second call on July 23, 2008 at the same time and place to discuss and resolve the following:

AGENDA

1. Presentation of the Consolidated Financial Statements and the Yearly Financial Statements as at March 31, 2008. Report of the Board of Directors on management, of the Board of Statutory Auditors and the External Auditors Company, allocation of the profit for the period; resolutions relative and consequent to the foregoing.

With the right to intervene at the meeting, the Shareholders have requested an intermediary deposit of the shares and the release of the appropriate communication of such, as per the laws and statutes.

As per laws in force documentation regarding the items on the agenda will be made available to the public at company headquarters and at the BORSA ITALIANA S.P.A. (Italian Bourse S.p.A.) under legal requirements and will be posted on an internet site at www.damiani.com. The Shareholders have the right to obtain copies of the deposited documentation.

You are reminded that as per art. 126 bis of the D. Lgs. n. 58/98 the shareholders who, also jointly, represent at least a 40th of the share capital can ask, within five days of the publication of the notice of the meeting, to add items to the list for discussion, indicating in the request the additional issues they propose. Furthermore we remind you that the inclusion of material on the agenda for discussion is not admitted on the list that the Shareholders will make resolutions upon, as per the law, this regarding proposals by the directors, or based on a document, or on a report that they are proposing. The final integrated list will be published in the same manner as the current notice.

The Shareholders are courteously asked to come to the meeting before it is slated to begin so as to make the registration process easier.

Valenza, June 13, 2008

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

Board of Directors report on operations Damiani S.p.A. as per art. 3 d.m. november 5, 1998, n. 437

Dear Shareholders,

As per art. 3 D.M. November 5, 1998, n. 437, and Consob Regulation n. 11971/99 (as later modified and integrated), the Board of Directors of Damiani S.p.A. (hereinafter the "Company" or "Issuer") makes available to you an illustrated report on the items listed for the agenda of the Shareholders' meeting fixed in an ordinary session with a notice published in the daily newspaper "La Repubblica" on June 18, 2008 in the meeting room of the Hotel IANUA, Centro Orafo "Coinor", on 4 via Luigi Stanchi in Valenza (AL), on first call for July 22, 2008 at 10 AM and, if necessary, on second call on July 23, 2008 at the same time and place.

Specifically, the agenda for the meeting is as follows:

1. Presentation of the Consolidated Financial Statements and the Yearly Financial Statements as at March 31, 2008. Report of the Board of Directors on management, of the Board of Statutory Auditors and the External Auditors Company; the allocation of profit for the period; resolutions relative and consequent to the foregoing.

Each comment relating to the sole item on the agenda is thoroughly explained in the Board of Directors report on Operations, deposited together with a copy of the Yearly and Consolidated Financial Statements, made available to the public starting today, along with the Report of the Statutory Auditors and the External Auditors Company.

Valenza, July 7, 2008

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

Consolidated Financial Statements of Damiani Group at 31 March 2008

Drawn up under IAS/IFRS

Report on operations of Consolidated financial statements

Report
on operations (1).

Structure of the Damiani Group

Apart from directly carrying out commercial activities, Damiani S.p.A. is also a holding company that is responsible for carrying out strategic and coordination activities for the Group and for the production and commercial operations carried out by directly and indirectly controlled subsidiary companies. The consolidated financial statements for the financial year ended 31 March 2008 include the financial statements of the parent company, Damiani S.p.A. and of those companies which it controls, either directly or indirectly, as per article 2359 of the Civil Code.
The subsidiary companies included in the consolidation area at 31 March 2008, and therefore consolidated using the line-by-line method, are listed below:

Company Name	Registered office	Currency	Share capital	Held by	% Direct	% of Group
Alfieri & St. John S.p.A.	Valenza (AL), Italia	EUR	1,462,000	Damiani S.p.A.	100,00%	100,00%
New Mood S.p.A.	Milano, Italia	EUR	1,040,000	Damiani S.p.A.	97,00%	100,00%
Damiani Manufacturing S.r.l	Valenza (AL), Italia	EUR	850,000	Damiani S.p.A.	51,00%	51,00%
Laboratorio Damiani S.r.l.	Bassignana (AL), Italia	EUR	200,000	Damiani S.p.A.	100,00%	100,00%
Damiani International BV	Amsterdam, Olanda	EUR	193,850	Damiani S.p.A.	100,00%	100,00%
Damiani Japan KK	Tokio, Giappone	JPY	280,000,000	Damiani International BV	100,00%	100,00%
Damiani USA, Corp.	New York, Stati Uniti d'America	USD	55,000	Damiani International BV	100,00%	100,00%
Casa Damiani Espana SL	Madrid, Spagna	EUR	721,200	Damiani S.p.A.	99,00%	100,00%
Damiani Hong Kong Ltd	Hong Kong, Hong Kong	HKD	2,500,000	Damiani International BV	100,00%	100,00%
Damiani France SA	Parigi, Francia	EUR	38,500	Damiani International BV	100,00%	100,00%
Damiani Service Unipessoal Lda	Madeira, Portogallo	EUR	5,000	Damiani S.p.A.	100,00%	100,00%

The following changes were applied to the consolidation area at 31 March 2008 compared with the situation at 31 March 2007:
• in April 2007 the parent company, Damiani S.p.A., set up Laboratorio Damiani S.r.l. with a wholly owned share capital of €200,000. The main objective of the new company, which is currently in the start-up phase, is to produce jewellery for the Group;
• on 21 November 2007 the parent company, Damiani S.p.A, purchased 100% of the share capital of Magic Word – Servicos e marketing Lda (now renamed Damiani Service Unipessoal Lda), whose head office is in Madeira (Portugal), for a total of €30,000. Currently the company is dormant;
• on 15 January 2008, the subsidiary Damiani International B.V. purchased from the "Eurostar" multinational Group 100% of the share capital of Eurostar France for a total of €2,854,000 (including accessory expenses). This company, which was subsequently re-named Damiani France, held the franchise for the Damiani boutique in Paris which, following the purchase, is now directly run by the Damiani Group.

The Group, which concentrates on producing and distributing top quality jewellery both in Italy and abroad, offers wide coverage of the main market segments and thanks to its different brands provides customers with a large range of variously priced jewellery. The Group's portfolio is made up of five brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni.
The Group's products are marketed in Italy and abroad through two main distribution channels:
• the wholesale channel, consisting of independent multi-brand jewellers, department stores, franchisees, single-brand sales outlets run by third parties and distributors;
• the retail channel, consisting of individual sales outlets run directly by the Group. As of 31 March 2008, there were 11 directly run single-brand sales outlets: six in Italy and five abroad, with nine trading under the Damiani name and the remaining two under the Bliss brand.

The parent company, Damiani S.p.A., is responsible for coordinating Group companies and offering them economic, administrative and technical assistance of a commercial and financial nature, which are based on normal market conditions.
The notes to the parent company's financial statements contain details of the intragroup transactions.
Intragroup transactions have been eliminated from the consolidated financial statements.

( ) The Damiani Group closes its financial year on 31 March, therefore the income statement in the consolidated financial statements at 31 March 2008 covers the twelve-month period from 1 April 2007 – 31 March 2008 (henceforth referred to as "Financial year of twelve-month at 31 March 2008"). For comparative purposes, the present consolidated financial statements also include data relating to the period 1 April 2006-31 March 2007 (henceforth referred to as "twelve-month period at 31 March 2007"), in order to present it in the "Prospetto Informativo" (November 2007 edition) for the stock market listing of Damiani S.p.A.

Corporate Governance

On 26 June 2007, the extraordinary Shareholders' Meeting of Damiani S.p.A. adopted a company statute conforming to the legislative dispositions and regulations applicable to listed companies contained in the dispositions introduced by Law 262/2005 (Savings Law) and by Legislative Decree 303/2006 (Pinza Decree), as implemented by CONSOB with a resolution adopted in May 2007.
The resolution was added to the company Register in Alessandria on 27 June 2007. On the same day, a Shareholders' Meeting nominated a new Board of Directors which, with three non-executive members two of whom are also independent, respects both the relative laws (presence of at least two independent Directors in the case of a Board of Directors containing more than seven members, as per article 148, paragraph three, of Legislative Decree 58/98) and the principles of corporate governance contained in the Self-regulation Code for Listed Companies. It should be noted that the evaluation of the "independence" and "non-executive" status of some of the board members was renewed during the meeting of the Board of Directors on 13 June 2008.
In conformity with articles 5, 7 and 8 of the Code, the Board of Directors resolved to set up an Internal Control and Corporate Governance Committee and a Remuneration Committee.
The three non-executive members of the Board of Directors, two of whom are also independent directors, were nominated as members of the above committees, after it had been established by the administrative body that they satisfied the requisites contained in articles 2.C.1 (with reference to their "non-executive" status) and 3.C.1 (with reference to their "independent" status) of the Self-regulation Code.
As for the subject of internal control, the Board of Directors nominated an executive Director responsible for supervising the internal control system, after receiving the favourable opinion of the members of the Internal Control and Corporate Governance Committee.
With reference to legislative laws and regulations governing market abuse, on 12 September 2007 the Board of Directors approved a procedure that guarantees full respect of the advertising obligations pertaining to operations carried out by "relevant individuals", as per article 152 sexies on issuing regulations for shares issued by Damiani S.p.A., prohibits "operations of a significant importance", as defined by the Self-regulation Code, being carried out during certain periods, and sets up a register of individuals who have access to sensitive information, as per article 115 bis of Legislative Decree 58/98.These operations include all operations carried out, including those carried out by subsidiary companies with related parties, that must be agreed on and/or carried out in respect of procedural and substantial correctness criteria.
On 27 March 2008, the Board of Directors of Damiani S.p.A. approved a code of ethics and an organisational model, as per Legislative Decree 231/2001. The Code of Ethics refers to the values the Damiani Group adheres to when carrying out its business activities, and contains the ethical principles and regulations that the individuals it deals with must respect. The Code of Ethics is applicable to all directors, employees, suppliers, consultants and in general all individuals who operate in the name of or on account of the company.

The Organisational Model approved by Damiani S.p.A. is a collection of specific regulations dealing with conduct and operational procedures and is designed to prevent illegitimate conduct within those areas of business activities where there is a potential risk.
At the same time, provision was made for the nomination of a Control Body, whose mandate expires when the Board of Directors mandate expires, to be nominated by the Shareholders' Meeting. The current Control Body is composed of the Internal Auditor of Damiani S.p.A. and two external individuals, who are partners in prestigious legal studios.
This structure guarantees that the Control Body is composed of individuals who represent all the professional expertise necessary for controlling company management and, at the same time, satisfy the criteria of autonomy and independence required by law.
The Control Body has been assigned all the powers necessary for ensuring that the Organisational Model adopted by the company is effectively implemented and observed, and that it is efficient and effective in preventing and impeding the commission of offences currently provided for in Legislative Decree 231/2001. The Control Body can also make recommendations to the Board of Directors about updating or making any adjustments that may be necessary to the Organisational Model.
Further details about the corporate governance system of the parent company and the Damiani Group, together with the information concerning the company structure required by article 123 – bis of Legislative decree 58/1998, can be found in the annual report on corporate governance published at the same time as the financial statements and also available for consultation in the investor relations sector of the website at www.damiani.com.

Stock market listing of Damiani S.p.A.

On 8 November 2007, shares of the parent company, Damiani S.p.A., were admitted for trading on the Borsa Italiana in the automated stock market, STAR segment, in conclusion of the listing process that began with the resolution by the Board of Directors of Damiani S.p.A. on 30 MArch 2007 that authorised the Chairman to initiate the preliminary stage of the process, and continued with the resolution of the Shareholders' Meeting of 15 June 2007 to submit a request to be admitted to trading.
The IPO covered 26,355,500 ordinary shares of Damiani S.p.A., 18,462,500 of which came from the increase in the share capital while the remaining 7,893,00 were put on sale by shareholders. After the increase in the share capital, Damiani S.p.A. had a share capital of €36,344,000 made up of 82,600,000 ordinary shares with a par value of €0.44 each, and the subscription by new investors to the increase in the share capital at the placement price of €4.00 per share resulted in Damiani S.p.A. receiving a gross amount of €73,850 thousand.

Stock Options

On 26 September 2007 the ordinary Shareholders' Meeting passed resolution on a stock option plan in favour of employees, directors, agents and consultants of the company and its subsidiaries who hold important positions or functions in Group companies. The plan involves the allocation of up to a maximum of 1,600,000 options, each one of which gives the right to purchase or subscribe to 1 share at the offer price in case of assignment before the beginning of trading on the stock market. In the case of allocations after the beginning of trading, the price will be equal to an average of the official reference prices for the shares in the period between the allocation date and the same calendar date of the previous month, in conformity with current fiscal regulations.
On 5 November 2007 the Board of Directors implemented the stock option plan and, with the help of the Remuneration Committee, identified the

beneficiaries from among the directors, employees, agents and consultants who work for the Group, allocating them 1,543,000 options at a price of €4.00 per option. The Board of Directors also established the general objective which must be reached before the option rights can be exercised by each beneficiary, and mandated the Chairman to establish the individual objectives which must be reached before each beneficiary can exercise their rights. In particular, the option rights can be exercised on condition that a general objective has been reached, which was established as being a specific EBITDA consolidated for the Group at the end of the 2008-2010 three-year period that is in line with the Group Industrial Plan, and individual objectives that will be assigned for each of the three years involved.
In the financial year that closed on 31 March 2008, the impact on the consolidated income statement of a fair value evaluation of the options on the date of allocation, and distributed throughout the period during which the options will mature in accordance with the plan (the evaluation was carried out by an external actuary in line with the criteria established in IFRS 2 accounting principles), amounted to €58,000 thousand.

Share buy back Program

The ordinary Shareholders' Meeting of Damiani S.p.A. on 22 February 2008 authorised a Group's share buy back program in an operation that was structured in the following way:

• Damiani S.p.A. was authorised to purchase a maximum of 8,250,000 ordinary shares with a par value of €0.44 each, and in any case up to a limit of 10% of the share capital, over a period of 18 months from the date of the Shareholders' Meeting.

• The purchase price of each share must not be either 20% less or 20% more than the official stock exchange price on the day before each individual purchase operation. Each operation must fully respect current regulations in order to ensure parity of treatment between the shareholders.

At 31 March 2008, the total number of ordinary shares purchased amounted to 1,170,536, equal to 1.42% of the share capital of Damiani S.p.A., for a total amount of €2,337 thousand at an average purchase price of €2.00 per share.

Research and development

The products offered by the Group, together with the reputation and image of the brands, has always represented the key to the Group's success, which over the years has always been able to provide innovations in style and design that have characterised the collections offered to customers. In order to continue to satisfy its customers with new lines, the Group has increased the number of staff responsible for product development.
Research and development of new products is carried out directly by the parent company, Damiani S.p.A., and also by its subsidiary companies.

Financial risk management

You are referred to note 38, Financial Risk Management and Other Information Required by the Application of IFRS 7 Standard, in the consolidated financial statements.

Security procedural document (privacy)

In compliance with enclosure B, point 26, of Legislative Decree 196/2003 referring to the protection of privacy, the Directors declare that the company has adapted all necessary measures concerning the protection of personal data, in regard to the provisions introduced by Legislative Decree 196/2003 and according to the terms and procedures laid out in the Decree. In particular, it should be noted that the Security Procedural Document, which has been deposited at the registered office, can be freely consulted.

Remuneration for Company bodies

Remuneration for the period in question in favour of the members of the administrative and control bodies, the general manager and managers with strategic responsibilities, as required by Enclosure 3C, paragraph 1 of Issuing Regulations, is shown in note 37. Remuneration for Company Bodies of the consolidated financial statements.

Key data

Share capital	31 March 2008 (1)	31 March 2007
Number of shares	82,600,000	513,100
Par value of individual shares	0.44	55
Share capital	36,344,000	28,220,500

Ownership

Leading Jewels S.A. (2)	52.49%	39.70%
Guido Grassi Damiani	5.01%	19.45%
Silvia Grassi Damiani	5.68%	19.45%
Giorgio Grassi Damiani	6.11%	19.45%
Damiani S.p.A. (buy back) (3)	1.42%	-
Colombo Damiani Gabriella (4)	0.15%	-
Giulia De Luca	0.49%	1.95%
Market	28.65%	-

Table according to article 79 Decree Legislative n.58/98

Individual	Office	Number of shares
Guido Grassi Damiani	Director	4,140,808
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,687,371
Giulia De Luca	Director	407,000
Strategic managers		9,000

(1) On 26 June 2007 a Shareholders' Meeting passed resolution on splitting 513,100 ordinary shares with a par value of €55 each into 64,137,500 shares with a par value of €0.44 each. On 8 November 2007, following the admission of Damiani S.p.A. shares onto the MTA (automated stock market), in the STAR segment, the increase in share capital decided on by the Extraordinary Shareholders' Meeting of 26 June 2007 was implemented with the issue of 18,462,500 ordinary shares with a par value of €0.44 each, underwritten by the Market together with 7,893,000 shares put up for sale by various Shareholders.
(2) On 18 July 2007 Jewellery Investment S.A., which at 31 March 2007 held 39.70% of Damiani S.p.A., changed its name to D.Holding SA and transferred its stake in Damiani S.p.A. to the newly set up Leading Jewels SA.
(3) The Shareholders' Meeting of 22 February 2008 authorised the purchase of company shares (buy back program), within a period of 18 months after the resolution, up to a maximum of 8,250,000 ordinary shares in Damiani S.p.A. At 31 March 2008, the number of shares purchased amounted to 1,170,536, equal to 1.42% of the share capital.
(4) Usufructuary of 943,125 shares corresponding to 1.14% of the share capital.

Main economic data

in thousands of Euros	FY of 12 months closed at 31 March 2008	Period of 12 months closed at 31 March 2008*	Change %
Total Revenues	**174,108**	167,955	**3.7%**
Revenues from sales and services	164,919	167,320	-1.4%
Cost of production	(145,469)	(140,145)	3.8%
EBITDA **	**28,639**	27,810	**3.0%**
EBITDA %	***16.4%***	*16,6%*	
Depreciation and amortization	(2,503)	(2,969)	-15.7%
Operating income	**26,136**	24,841	**5.2%**
Operating income %	***15.0%***	*14.8%*	
Net Financial incomes (losses)	(1,159)	(2,953)	-60.8%
Profit before taxes	24,977	21,888	14.1%
Net result of the Group	15,127	14,024	7.9%
Basic Earnings per Share	0.21	0.22	
Personnel Costs	(24,249)	(20,383)	19.0%
Average numbers of employees	512	466	9.9%

(*) The consolidated income statement for the twelve-month period April 2006-March 2007, which is included here exclusively for comparative purposes, was prepared in accordance with IFRS principles in order to present it in the "Prospetto Informativo" (November 2007 edition) for the stock market listing of Damiani S.p.A.
(**) EBITDA represents the operating result intended as Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is used by the company's management to monitor and evaluate the company's operational performance and is not an IFRS accounting instrument, therefore it must not be considered as an alternative measure for evaluating the Group's results. Since EBITDA is not regulated by the accounting principles in question, the criteria employed by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

Balance sheet Data

in thousands of Euros	**Situation at March, 31 2008**	Situation at March, 31 2007	**change**	Situation at December, 31 2007	**change**
Fixed Assets	41,817	37,526	4,291	36,757	5,060
Net working capital	94,987	94,418	568	107,931	(12,944)
Non current Liabilities	(9,272)	(7,609)	(1,664)	(7,158)	(2,114)
Net Capital Invested	**127,532**	**124,336**	**3,196**	**137,530**	**(9,998)**
Net Equity	155,959	76,430	79,529	163,424	(7,465)
Net financial position*	(28,427)	47,906	(76,333)	(25,894)	(2,533)
Sources of Financing	**127,532**	**124,336**	**3,196**	**137,530**	**(9,998)**

(*)As from the financial statements at 31 March 2007, and therefore also for the financial statements at 31 March 2008, the net financial position was calculated on the basis of indications contained in CONSOB (Italian SEC) communication DEM/6064923 of 28.07.06.

The following table shows the result of the financial year at 31 March 2008 and the shareholders' equity of the parent company at 31 March 2008, with the corresponding consolidation values:

Description	**Net Equity**	**Net Result**
Net equity of Damiani S.p.A.	**135,873**	**10,970**
1. Elimination of the book value of of consolidated investments:		
- Difference between book value and shareholders's equity	25,049	5,035
Total	**25,049**	**5,035**
2. Elimination of the transaction between consolidated companies:		
Infra-group profits included in the value of inventories		
- Gross Value	(12,800)	(1,032)
+ Deferred Taxes	3,409	943
Total	**(9,391)**	**(89)**
3. Other transactions		
Consolidation differences	2,683	(789)
Total	**2,683**	**(789)**
Net Equity and net Profit belonging to the Group	**154,213**	**15,127**
Net Equity and net Profit belonging to the Minorities	**1,746**	**175**
Net Equity and net Profit belonging to the Shareholders	**155,959**	**15,302**

Comments on the main economic and financial data for the Group.

Data referring to the total revenues and profitability of the Damiani Group for the financial year of twelvemonths closed at 31 March 2008 is shown in the following table, which for comparative purposes also includes data for the twelve-month period at 31 March 2007:

Profit & Loss

in thousands of Euros	FY of 12 months closed at 31 March 2008	Period of 12 months closed at 31 March 2007*	Change	Change %
Total Revenues	**174,108**	*167,955*	**6,153**	**3.7%**
Revenues from sales and services	164,919	167,320	(2,401)	-1.4%
Other recurring revenues	683	635	48	7.6%
Other not recurring revenues	8,506	0	8,506	
Operating expenses	(145,469)	(140,145)	(5,324)	3.8%
EBITDA **	**28,639**	**27,810**	**829**	**3.0%**
EBITDA %	*16.4%*	*16.6%*		
Depreciation and amortization	(2,503)	(2,969)	466	-15.7%
Operating income	**26,136**	**24,841**	**1,295**	**5.2%**
Operating income %	*15.0%*	*14.8%*		
Net Financial incomes (losses)	(1,159)	(2,953)	1,794	-60.8%
Profit before taxes	**24,977**	**21,888**	**3,089**	**14.1%**
Profit before taxes %	*14.3%*	*13.0%*		
Taxes	(9,675)	(7,650)	(2,025)	26.5%
Net result	**15,302**	**14,238**	**1,064**	**7.5%**
Net result %	**8.8%**	*8.5%*		
Minorities Interests	175	214	(39)	-18.2%
Net result of the Group	**15,127**	**14,024**	**1,103**	**7.9%**
Net result of the Group %	8.7%	8,3%		

(*)The consolidated income statement for the twelve-month period April 2006-March 2007, which is included here exclusively for comparative purposes, was prepared in accordance with IFRS principles in order to present it in the "Prospetto Informativo" (November 2007 edition) for the stock market listing of Damiani S.p.A.
(**)EBITDA represents the operating result intended as Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is used by the company's management to monitor and evaluate the company's operational performance and is not an IFRS accounting instrument, therefore it must not be considered as an alternative measure for evaluating the Group's results. Since EBITDA is not regulated by the accounting principles in question, the criteria employed by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

Revenues

Total consolidated revenues increased by € 6,153 thousand, changing from €167,955 thousand for the 12-month period up to 31 March 2007 to €174,108 thousand for the financial year at 31 March 2008, a 3.7% increase compared with the previous period (+4.8% at a constant exchange rate). The following table shows revenues from the different distribution channels.

Revenues by Sales Channel

in Thousands of Euros	FY of 12 months closed at 31 March 2008	Period of 12 months closed at 31 March 2007*	Change	Change %
Wholesale	**147,852**	145,038	**2,814**	**1.9%**
Percentage on total sales	*84.9%*	*86.4%*		
Retail	**9,856**	9,169	**687**	**7.5%**
Percentage on total sales	*5.7%*	*5.5%*		
Total revenues wholesale and retail	**157,708**	154,207	**3,501**	**2.3%**
Percentage on total sales	90.6%	*91.8%*		
Other channel/ other recurring revenues	7,894	13,748	(5,854)	-42.6%
Other channel/ other non recurring revenues	8,506			
Other channel/ other revenues	**16,400**	13,748	2,652	19.3%
Percentage on total sales	9.4%	*8.2%*		
Total revenues	**174,108**	167,955	**6,153**	**3.7%**

(*) The consolidated income statement for the twelve-month period April 2006-March 2007, which is included here exclusively for comparative purposes, was prepared in accordance with IFRS principles in order to present it in the "Prospetto Informativo" (November 2007 edition) for the stock market listing of Damiani S.p.A.

• The Group's core channels are wholesale and retail, which generate over 90% of total consolidated income. For the financial year that closed on 31 March 2008 total core revenues amounted to €157,708 thousand, an increase of 2.3% compared with the previous twelve-month period at 31 March 2007. In particular, revenues from the wholesale channel amounted to €147,852 thousand, +1.9% at current exchange rates (+3.1% at constant exchange rates), with the increases registered in some foreign markets where the Group operates compensating for the contraction in Italy (further details are contained in the paragraph, "Main Financial Data by Geographical Area). In the retail channel revenues amounted to €9,856 thousand, a 7.5% increase compared with the previous twelve-month period (+9.2 at constant exchange rates), thanks to the improved performance of the Italian and foreign boutiques active in both periods in question (+8.7% on organic change) and to the contribution from the new boutiques that were opened during the financial year that closed on 31 March 2008, the revenues from which amounted to €1,085 thousand.
• In the financial year that closed on 31 March 2008, revenues from the Group's core channels was augmented by other revenues amounting to €7,894 thousand (-42.6% compared with the previous financial year), mainly from the sale of jewellery products through other distribution channels by third parties with whom the Group does not have continuous business relations.
• In addition, in the financial year that closed on 31 March 2008 the Group received key money, booked under non-recurring revenues, for a total of €8,506 thousand for the advanced disposal to third parties of leasing contracts for three shops that were considered to be no longer strategic for the Group.

Operating expenses

The net cost of production for the financial year that closed on 31 March 2008 amounted to €145,469 thousand, an increase of €5,324 thousand (+3.8%) compared with the previous twelve-month period at 31 March 2007 (€140,145 thousand), and in line with total revenues trend. Net production costs also include the loss suffered as a result of the robbery that took place at the Damiani Sp.A. showroom on 24 February 2008 (the value of the stolen jewelry was adequately covered by the insurance policies taken out with important insurance companies), and the amounts received from the insurance cover for the same incident. The overall margins for the financial year that closed on 31 March 2008 were not significantly influenced by this event.
Details of the production costs for the financial year that closed on 31 March were as follows:
• Cost of raw materials and other materials, including the purchase of finished products, amounted to €69,898 thousand, an increase of 4.7% compared with the previous year (€66,761 thousand).
• Cost of personnel amounted to €24,249 thousand, an increase of 19.0% compared with the pervious year (€20,383 thousand) that was mainly due to an increase in the average number of staff employed by the Group, which amounted to around 10% compared with the twelve-month period closed at 31 March 2007 (as a result of an increase in the internal production capacity, expansion of the retail chain and the hiring of new personnel to deal with the stock exchange listing process).
• Other costs for services amounted to €53,719 thousand, an increase of approximately 10.6% compared with the previous year (€49,493 thousand) that was mainly due to increases in leasing contracts linked to the development of the retail chain and increased advertising costs in various forms of media.
• Other net operating costs for the financial year that closed on 31 March 2008 registered a surplus of €2,397 thousand.

EBITDA

The revenues and production costs referred to above produced an EBITDA for the financial year that closed on 31 March 2008 of €28,639 thousand, representing 16.4% of turnover and an increase compared with the gross operating result for the previous twelve-month period in absolute terms (€829 thousand) and a slight decrease in terms of margins (16.6% for the yearly period that closed on 31 March 2007).

Depreciation and amortization

Depreciation and amortization at 31 March 2008 amounted to €2,503 thousand, a reduction of €466 thousand compared with the previous twelve-month period that was due to the impairment loss for €500 thousand made in the period that closed on 31 March 2007 for the Calderoni brand. The brand in question was purchased from Damiani International B. V. by related parties in December 2006 but up to 31 March 2007 it had not been utilised, although it is planned to commercially re-launch the brand during the current financial year 2008/2009.

Operating income

In the twelve-month period at 31 March 2008 the operating result amounted to €26,136 thousand, which represents an increase of €1,295 thousand compared with the previous twelve-month period and 15% of turnover compared with a figure of 14.8% for the period that closed on 31 March 2007.

Net financial income (Losses)

The overall financial position for the twelve-month period at 31 March 2008 showed a deficit of €1,159 thousand, an improvement of €1,794 thousand compared with the previous twelve-month period (a deficit of €2,953 thousand). This significant reduction in net financial expenses is linked to the benefits of the Group's net financial position deriving from the cash flow produced by operating activitiesand, more significantly, from the conclusion of the listing of Damiani S.p.A. on 8 November 2007.

Profit before taxes

Profit before taxation for the twelve-month period at 31 March 2008 amounted to €24,977 thousand, representing 14.3% of turnover and showing an improvement compared with the previous twelve-month period both in absolute terms (€3,089 thousand) and in percentage terms (13.0% for the period at 31 March 2007).

Current and deferred taxes

Income taxes for the financial year that closed on 31 March 2008 amounted to €9,675 thousand, an increase of €2,025 thousand compared with the previous twelve-month period.
The effective tax rate for the financial year at 31 March 2008 was 38.8%, 3.8 percentage points more than for the previous period due to the adjustment of credits for deferredtaxes to the new tax rate introduced by 2008 Italian Financial Provision Act (which will be applied with effect from financial year 2008/2009) and to the increased impact of the losses from foreign subsidiaries (for which deferred taxes are not calculated) on the consolidated pre-tax result.

Net Result

The Group's consolidate net income for the financial year that closed on 31 March 2008 amounted to €15,127 thousand, an increase of €1,103 thousand (+7.9%) compared with the previous twelve-month period and representing 8.7% of turnover, a slight improvement compared with the previous financial year (8.3%).

Financial situation

The following table illustrates the consolidated financial situation of the Damiani Group at 31 March 2008 compared with the financial situation at 31 March 2007 and 31 December 2007.

Balance sheet *in thousands of Euros*	**Situation at March, 31 2008**	Situation at March, 31 2007	**change**	Situation at December, 31 2007	**change**
Fixed Assets	41,817	37,526	4,291	36,757	5,060
Net working capital	94,987	94,418	568	107,931	(12,944)
Non current Liabilities	(9,272)	(7,609)	(1,664)	(7,158)	(2,114)
Net Capital Invested	**127,532**	**124,336**	**3,196**	**137,530**	**(9,998)**
Shareholders equity	155,959	76,430	79,529	163,424	(7,465)
Net Financial position *	(28,427)	47,906	(76,333)	(25,894)	(2,533)
Sources of Financing	**127,532**	**124,336**	**3,196**	**137,530**	**(9,998)**

(*) As from the financial statements at 31 March 2007, and therefore also for the intermediate quarterly financial statements at 31 December 2007 and the financial statements at 31 March 2008, the net financial position was calculated on the basis of indications contained in Consob communication DEM/6064923 of 28.07.06.

Fixed assets

At 31 March 2008 locked-up capital amounted to €41,817 thousand, an increase of € 4,291 thousand compared with the amount at 31 March 2007 that was mainly due to the effects of investments linked to the opening of new directly-managed sales outlets, including the payment of key money, and to advanced tax credits related to IPO costs, directly booked to shareholders' equity as a reduction of the gross positive effects deriving from the increase in share capital.

Net working capital

At 31 March 2008 net circulating capital amounted to €94,987 thousand, an increase of €568 thousand compared with 31 March 2007. This increase was mainly due to a different break down of trade receivables and payables, both of which increased, and to booking under other current assets the receivables from insurance companies for compensation linked to the robbery suffered by Damiani S.p.A. on 28 February 2008, which has already been formally liquidated and will be paid during financial year 2008/2009.

Non-current liabilities

At 31 March 2008 non-current liabilities amounted to €9,272 thousand, an increase of €1,664 thousand compared with 31 March 2007 that was mainly due to the booking of the residual debt to the previous shareholders of Damiani France (for €2,100 thousand), which at the time of the acquisition agreed to a instalment payment that will be completed on 15 June 2010.

Shareholders' equity

At 31 March 2008 shareholders' equity amounted to €155,959 thousand, an increase of € 79,529 thousand compared with 31 March 2007. The variation is mainly due, apart from the net result for the financial year, to the following:
- capital contributions from new shareholders as a result of the IPO process, for a total of € 73,850 thousand (including share capital and share premium reserve),
- the cost of the stock exchange listing process that was booked as a decrease in the Group's shareholders' equity reserve for an amount, net of the corresponding fiscal effects, of €4,701 thousand,
- the purchase of treasury stock that took place after the resolution of the Shareholders' Meeting of 22 February 2008 authorised the buy-back plan. At 31 March 2008 a total of 1,170,536 ordinary shares had been bought for an overall cost of € 2,337 thousand.

Net financial position

The following table illustrates the net **financial position** at 31 March 2008 and the differences from the situation at 31 March 2007 and 31 December 2007.

Net Financial Position *

in thouasnds of euros	**31 March 2008**	31 March 2007	**change**	31 December 2007	**change**
Medium-long term loans - Current share	5,162	8,386	(3,224)	1,845	3,317
Current financial debts to banks and other financila institutes	2,593	14,824	(12,231)	8,473	(5,880)
Current financial debt	**7,755**	**23,210**	**(15,455)**	**10,318**	**(2,563)**
Medium-long term loans - Non-current share	16,631	38,793	(22,162)	32,479	(15,848)
Non-current financial debt	**16,631**	**38,793**	**(22,162)**	**32,479**	**(15,848)**
Total gross financial debt	**24,386**	**62,003**	**(37,617)**	**42,797**	**(18,411)**
Liquid assets and similar	(52,813)	(14,097)	(38,716)	(68,691)	15,878
Net Financial Position *	**(28,427)**	**47,906**	**(76,333)**	**(25,894)**	**(2,533)**

(*)As from the financial statements at 31 March 2007, and therefore also for the intermediate quarterly financial statements at 31 December 2007 and the financial statements at 31 March 2008, the net financial position was calculated on the basis of indications contained in Consob communication DEM/6064923 of 28.07.06.

At 31 March 2008 the Group's liquid assets amounted to €28,427 thousand compared with a net financial debt of €47,906 thousand at 31 march 2007, representing an improvement of €76,333 thousand. This improvement was mainly due to the cash flow generated during the operational period (€16,277 thousand) and to the new capital that arrived at the conclusion of the stock exchange listing process on 8 November 2007 and referred to above. Based on the placement price (€4.00 per share), the increase in the share capital produced a return of €73,850 thousand, gross of costs, for Damiani S.p.A. on 8 November 2008, which was reflected in the improved consolidated net financial position.
Following resolution by the Shareholders' Meeting of 22 February 2008, the parent company, Damiani S.p.A., launched an operation to purchase company shares in accordance with the method and limits authorised by the Shareholders' Meeting. At 31 March 2008, the company had bought 1,170,536 ordinary shares in Damiani S.p.A. at an average price of €2.00 each for a total of €2,337 thousand.

Main economic data by geographical area

The geographical areas were identified on the basis of the contents of IAS 14 international accounting principles and correspond to "Italy", "the Americas", "Japan" and the "Rest of the World". The four areas are composed as follows:
i) the Italian area includes revenues and EBITDA for the parent company, Damiani S.p.A., and its direct subsidiaries that operate in Italy;
ii) the Americas area includes revenues and EBITDA for the subsidiary Damiani USA, which operates in the United States of America and markets Group products throughout the American continent;
iii) the Japan area includes revenues and EBITDA for the subsidiary Samiani Japan, which operates in Japan;
iv) the Rest of the World area includes revenues and EBITDA for the other subsidiary companies that operate and sell in those countries not included in the above areas.
The following table provides a break down of income for each geographical area for the twelve-month period at 31 March 2008 and the twelve-month period at 31 March 2007.

Revenues by Geographical Area *in thousands of euros*	**FY of 12 months closed at 31 March 2008**	**% of total**	Period of 12 months closed at 31 March 2007*	**% of total**	**% change**
Italy	**122,100**	**70.1%**	127,676	**76.0%**	**-4.4%**
Revenues from sales and services	121,467		127,381		-4,6%
- Other recurring revenues	633		295		
Americas	**7,756**	**4.5%**	6,778	**4.0%**	**14,4%**
Revenues from sales and services	7,756		6,730		15,2%
- Other recurring revenues			48		
Japan	**11,794**	**6.8%**	13,372	**8.0%**	**-11,8%**
Revenues from sales and services	10,882		13,356		-18,5%
- Other recurring revenues	18		16		
- Other non-recurring revenues	894				
Rest of the World	**32,458**	**18.6%**	20,129	**12.0%**	**61,2%**
Revenues from sales and services	24,814		19,852		25,0%
- Other recurring revenues	32		277		
- Other non-recurring revenues	7,612				
Total Income	**174,108**	**100.0%**	167,955	**100.0%**	**3,7%**

(*) Revenues by geographical area relative to the twelve-month period April 2006-March 2007, which are included here exclusively for comparative purposes, was prepared in accordance with IFRS principles in order to present it in the Tables (November 2007 edition) for the stock market listing of Damiani S.p.A.

The increase in the **Rest of the world** area (approximately +61.2% compared with the twelve-month period at 31 March 2007) also benefited from key money received. Net of this, the increase in revenues from core sales would have amounted to 25%, thanks to the Damiani brand that accounts for around 79% of the entire revenues for the geographical area, although there was also an increase in sales of other brands. This area is also benefiting from increased penetration in countries that are acquiring a growing importance in the world luxury goods market, in particular Russia, the former Soviet Republic and Arab markets such as the United Emirates and Kuwait. Revenues in the **Americas** area (+14.4% compared with the twelve-month period at 31 March 2007, and +28.7% at constant exchange rates) also increased, with the retail channel growing in importance and good results registered in the wholesale channel.
Sales in the **Italy** area registered a 4.4% decrease as a result of a reduction in revenues from the wholesale channel (mainly due to the Damiani client selection process), which was partly compensated for by an increase in revenues from the retail channel (an overall increase of around 7.7% in sales in Damiani and Bliss boutiques situated in Italy), where the Group is concentrating a significant proportion of its investments in order to increase its direct presence in the domestic market. Revenues in the **Japan** area decreased by 11.8% (around -4% at constant exchange rates) compared with the previous twelve-month period, a reflection of the decrease in consumer spending in the luxury goods market in Japan and unfavourable exchange rates. However, results for the last quarter showed a recovery compared with the first nine months of the period.

The following table provides a break down of EBITDA for each geographical area for the twelve-month period at 31 March 2008 and the twelve-month period at 31 March 2007.

EBITDA by Geographical Area(*) *in thousands of Euros*	**FY of 12 months closed at 31 March 2008**	**% of total**	Period of 12 months closed at 31 March 2007(**)	**% of total**	**% change**
Italy	**23,587**	82.4%	19,530	70.2%	20.8%
Americas	**(5,443)**	-19.0%	(2,255)	-8.1%	n.s.
Japan	**(1,338)**	-4.7%	5	0.0%	n.s.
Rest of the World	**11,833**	41.3%	10,530	37.9%	12.4%
Consolidated EBITDA	**28,639**	100.0%	27,810	100.0%	3.0%
% of turnover	*16.4%*		*16.6%*		

(*)EBITDA represents the operating result intended as Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is used by the company's management to monitor and evaluate the company's operational performance and is not an IFRS accounting instrument, therefore it must not be considered as an alternative measure for evaluating the Group's results. Since EBITDA is not regulated by the accounting principles in question, the criteria employed by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.
(**) EBITDA by geographical area for the twelve-month period April 2006-March 2007, which is included here exclusively for comparative purposes, was prepared in accordance with IFRS principles in order to present it in the Tables (November 2007 edition) for the stock market listing of Damiani S.p.A.

In terms of EBITDA, the **Italy** area is the one that contributed the most to the Group's results (82.4% of consolidated EBITDA), with an increase also in absolute terms compared with the previous twelve-month period (+20.8%).
The 12.4% increase in EBITDA in the **Rest of the World** area was the result of growth in the area and also of the effects of non-recurring operations. There was a decrease in the **Americas** area for the financial year that closed on 31 March 2008 as a result of a further increase in the territory covered and of the development of the retail channel (highlighted by an increase in revenues), while the return in terms of revenues will only be seen in the middle term.
The **Japan** area registered a €1,343 thousand decrease for the financial year that closed on 31 March 2009 compared with the previous twelve-month period, which was due to a decrease in sales (approximately -12%, equal to €1,578 thousand).

Related parties transactions

The operations carried out by Damiani S.p.A. with related parties are mainly of either a commercial nature (sale of the Group's various brands of jewellery products), linked to its core business, or connected to real estate (property leasing for offices and shops).
The following table provides a break down of the data concerning related party transactions for the financial year that closed on 31 March 2008 and for the twelve-month period at 31 March 2007.

	FY of 12 months closed at 31 March 2008			**situation at 31 March 2008**				
in thousands of euros	**Revenues**	Operating Costs	**Financial expenses/ incomes**	**Financial Receivables**	Trade receivables	**Financial Payables (including leasing)**	Trade payables	**Lease back property**
Total with related parties	7,956	(2,370)	(549)	0	3,846	(8,757)	(746)	8,710
Total for Group	174,108	(147,972)	(1,159)		65,794	(21,793)	(65,305)	
% of turnover	5%	2%	47%		6%	40%	1%	

	Period of 12 months closed at 31 March 2007			**situation at 31 March 2007**				
in thousands of euros	**Revenues**	Operating Costs	**Financial expenses/ incomes**	**Financial Receivables**	Trade receivables	**Financial Payables (including leasing)**	Trade payables	**Lease back property**
Total with related parties	9,935	(1,248)	(1)	3,936	5,893	(10,205)	(2,193)	9,264
Total for Group	167,955	(143,114)	(2,953)	4,653	60,979	(47,179)	(61,082)	
% of turnover	6%	1%	0%	85%	10%	22%	4%	

Atypical and/or unusual and non recurring transactions

There were no positions or transactions deriving from atypical and/or unusual operations as defined by CONSOB deliberation 15519 of 27/0/2006.
The non-recurring operations can be summarised as follows:
- compensation paid by third parties to Damiani Group companies for vacating in advance three locations that were not strategic for the Group. The amount collected came to €7,946 thousand (€8,506 thousand gross and €560 thousand related costs).

Significant events after the end of the financial year

- On 22 April 2008 the subsidiary, New Mood, opened in Brescia, in a prestigious shopping centre, the third directly managed, single-brand Bliss boutique, after those in Milan and Rome.
- After 31 March 2008, Damiani S.p.A. continued with the operation to purchase company shares, in accordance with the resolution by the Shareholders' Meeting of 22 February 2008. As of 28 May 2008, Damiani S.p.A. had purchased a total of 2,200,000 ordinary shares, equal to 2.633% of the share capital, at an average price of €2.12 each for a total of €4,659 thousand. The shares that were purchased were not the subject of alienation for the entire duration of the operation.
- On 21 May 2008, Damiani S.p.A. announced that Giulia De Luca had resigned from her positions as General Manager and CFO of the Group for personal reasons although she continues to serve as a member of the Board of Directors of Damiani S.p.A. and her handing over is settled within the month of August 2008.
- The Board of Directors is negotiating the renewal of the rent of building located in Milan (Corso Magenta 82), commercial office of Damiani S.p.A.; the owner of the building is Immobiliare Miralto S.r.l.that is a correlated party .

Business outlook

Over the last few months, demand in Italy for jewellery products has shown significant signs of slowing down and as a consequence this has induced wholesale clients to hold back from making new purchases, while on the other hand encouraging signs from the retail sector have confirmed our clients' appreciation of the most recent collections and make it possible to hypothesise that there will be a recovery in both the retail and wholesale sectors, particularly in the second half of financial year 2008/2009.
The international scenario is more conflicting with markets that are traditionally important showing signs of stagnation in the luxury goods sector while some emerging markets continue to register encouraging levels of growth, with the Damiani Group's products gaining more and more success.
In addition, the development of the Group's retail network both in Italy and abroad will continue in the next few months with new outlets in prestigious locations in line with strategic objectives, despite the uncertain macroeconomic climate.

Milan, 13 June 2008

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

Consolidated financial statements at 31 March 2008

Consolidated balance sheet

in thousands of Euros	Note	31 March 2008	31 March 2007 (*)
NON-CURRENT ASSETS			
Goodwill	4	5,002	5,622
Other Intangible Fixed Assets	5	7,056	1,725
Tangible Fixed Assets	6	14,698	15,193
Investments	7	169	545
Financial receivables and other non current assets	8	2,663	4,653
Deferred tax assets	9	12,229	9,788
TOTAL NON-CURRENT ASSETS		**41,817**	**37,526**
CURRENT ASSETS			
Inventories	10	94,713	94,720
Trade receivables	11	65,794	60,979
Tax receivables	12	394	144
Other current assets	13	14,718	9,641
Cash and cash equivalents	14	52,813	14,097
TOTAL CURRENT ASSETS		**228,432**	**179,581**
TOTAL ASSETS		**270,249**	**217,107**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	28,221
Reserves		102,742	52,101
Group net income (loss) for the period		15,127	(5,553)
TOTAL GROUP SHAREHOLDERS' EQUITY		**154,213**	**74,769**
MINORITY SHAREHOLDERS' EQUITY			
Minority share capital and reserves		1,571	1,659
Minority net income (loss) for the period		175	2
TOTAL MINORITY SHAREHOLDERS' EQUITY		**1,746**	**1,661**
TOTAL SHAREHOLDERS' EQUITY	15	**155,959**	**76,430**
NON CURRENT LIABILITIES			
Long term financial debt	16	16,631	38,793
Termination Indemnities	17	4,223	4,548
Deferred Tax liabilities	9	2,608	2,784
Other non current liabilities	18	2,441	276
TOTAL NON CURRENT LIABILITIES		**25,903**	**46,401**
CURRENT LIABILITIES			
Current portion of long term financial debt	16	5,162	8,386
Trade payables	19	65,305	61,082
Short term borrowings	20	2,593	14,824
Income tax payables	21	8,977	4,857
Other current liabilities	22	6.350	5,127
TOTAL CURRENT LIABILITIES		**88,387**	**94,276**
TOTAL LIABILITIES		**114,290**	**140,677**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**270,249**	**217,107**

(*) Consolidated financial statements under IFRS for the financial year of three months closed at 31 March 2007, approved with the resolution of the Board of Damiani S.p.A. held on 14 November 2007.

Consolidated income statement

in thousands of Euros	Note	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007*
Revenues from sales and services		164,919	19,697
Other recurring revenues		683	125
Other non-recurring revenues		8,506	-
TOTAL REVENUES	23	**174,108**	**19,822**
Costs of raw materials and consumables	24	(69,898)	(8,564)
Costs of services	25	(53,719)	(10,946)
Personnel cost	26	(24,249)	(5,489)
Other net operating (charges) incomes	27	2,397	(1,411)
Amortization and depreciation	28	(2,503)	(747)
TOTAL OPERATING EXPENSES		**(147,972)**	**(27,157)**
OPERATING INCOME (LOSS)		**26,136**	**(7,335)**
Financial Expenses	29	(3,312)	(1,754)
Financial Incomes	29	2,153	1,154
INCOME (LOSS) BEFORE INCOME TAXES		**24,977**	**(7,935)**
Income Taxes	30	(9,675)	2,384
NET INCOME (LOSS) FOR THE PERIOD		**15,302**	**(5,551)**
Attibutable to:			
Group		15,127	(5,553)
Minorities		175	2
Basic Earnings per Share(**)		0.21	(0.09)
Diluted Earnings per Share(***)		0.21	(0.07)

(*) Consolidated incore statements under IFRS for the financial year of three months closed at 31 March 2007, approved with the resolution of the Board of Damiani S.p.A. held on 14 November 2007.

(**) Basic EPS has been calculated in accordance with IAS 33 (par. 64), taking into account the increase in the number of the shares following the capital increase connected with the listing of the Parent Company in a regulated market – the STAR segment of the Italian stock market run by Borsa Italiana. The effects of a purchase of treasury shares on March 2008 following the resolution of the Shareholders'Meeting on 22 February 2008 have also been taken into account.

(***) The calculation of Diluted EPS differs from that of Basic EPS in taking into account the diluting effect of the staff stock option plan of 5 November 2007, on the basis of the actuarial evaluations required by IFRS 2.

Table of changes in consolidated shareholders' equity

in thousands of Euros	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging reserve	Sharehol. payment reserve	Stock option reserve	Own Shares	Other reserves	Net income for the period	Group sharehol. equity	Minorities sharehol. equity	Total sharehol. equity
Balances at 31 December 2006	**28,221**	4,131	**1,266**	64	**2,531**	-	**-**	24,622	**15,955**	76,790	**1,672**	78,462
Allocation of the profit for the period			362					15,593	(15,955)	-		-
Adjustment to fair value of the cash flow hedging				(9)						(9)		(9)
Distribution of Dividends								(3,081)		(3,081)		(3,081)
Payments in by shareholders					6,087			765		6,852		6,852
Other movements								(230)		(230)	(13)	(243)
Net income (loss) for the period									(5,553)	(5,553)	2	(5,551)
Balances at 31 March 2007	**28,221**	4,131	**1,628**	55	**8,618**	-	**-**	37,669	**(5,553)**	74,769	**1,661**	76,430
Increase in the Share Capital from the IPO	8,123	65,727								73,850		73,850
Costs of the IPO net of the tax impact								(4,701)		(4,701)		(4,701)
Allocation of the result for the period								(5,553)	5,553	-		-
Adjustment to fair value of the cash flow hedging				(55)						(55)		(55)
Distribution of Dividends								(1,847)		(1,847)	(49)	(1,896)
Other movements								(6)		(6)	(41)	(47)
Stock options						58				58		58
Purchase of own shares							(2,337)			(2,337)		(2,337)
New Mood goodwill (parties subject to common control)								(645)		(645)		(645)
Net income (loss) for the period									15,127	15,127	175	15,302
Balances at 31 March 2008	**36,344**	69,858	**1,628**	-	**8,618**	58	**(2,337)**	24,917	**15,127**	154,213	**1,746**	155,959

Consolidated funds flow statement

in thousands of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007*
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Net Income (loss) for the period	15,302	(5,551)
Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:		
Amortization, depreciation and write-downs	2,503	747
Costs for stock options	58	-
Provisions to Bad Debts Reserve	1,058	743
Changes in the Fair value of Financial Instruments	(109)	803
Provisions for termination Indemnity and actuarial valuation of ELI Fund	109	254
Termination Indemnity payments	(434)	(110)
Changes in the deferred tax assets and liabilities	(2,499)	(737)
	15,988	(3,851)
Changes on operational assets and liabilities		
Trade receivables	(5,873)	19,384
Inventories	7	(5,021)
Trade payables	4,223	(7,275)
Tax receivables	(250)	(92)
Income Tax payables	4,120	342
Other current and non current assets and liabilities	(1,580)	1,086
NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)	**16,634**	**4,573**
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of Intangible and tangible Fixed Assets	90	1,962
Tangible Fixed Assets purchased	(1,762)	(174)
Intangible Fixed Assets purchased	(5,692)	(372)
(Purchase)/sale of investments	-	10,292
Net change in the other non current assets	1,990	(3,950)
NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)	(5,374)	**7,758**
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of bond loan	-	(5,423)
Long term borrowing	-	3,858
Payment of long-term debt	(25,386)	(3,635)
Net change in short-term financial liabilities	(12,231)	1,386
Purchase of own shares	(2,337)	-
Dividends paid	(1,896)	(3,081)
Increase in share capital and payments in by shareholders	69,149	6,852
Other changes in Net Equity	(242)	-
NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)	**27,057**	**(43)**
TOTAL CASH FLOW (D=A+B+C)	**38,318**	**12,288**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)	**14,097**	**2,044**
Net effect of conversion of foreign currencies on cash and cash equivalents (F)	399	(235)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**52,813**	**14,097**

(*) Funds Flow Statement on the basis of the Consolidated Financial Statement under IFRS for the financial year of three months closed at 31 March 2007, approved by resolution of the Board of Damiani SpA dated 14 November 2007

Explanatory notes.

1. COMPANY INFORMATION AND STRUCTURE OF THE FINANCIAL STATEMENTS

Company Information

The Group has been engaged for many years in the production and distribution of jewellery products through both wholesale and retail channels. It conducts its business under various brand names with a high reputation in the jewellery industry, such as Damiani, Salvini, Alfieri & St. John and Bliss. The registered office of the Group's holding company, Damiani SpA, is in Valenza (AL), Italy Viale Santuario, 46.

Statement of compliance

Damiani Group has prepared its financial statements in accordance with international accounting standards (International Accounting Standards –IAS or International Financial Reporting Standards-IFRS) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) as adopted by the European Commission and with the provisions issued implementing article 9 of Legislative Decree n.38/2005.

Structure of the Financial Statements

The present Consolidated Financial Statements of the Damiani Group at 31 March 2008 for the financial year of twelvemonths from 1 April 2007 – 31 March 2008, consisting of the Consolidated Balance Sheet, of the Consolidated Income Statement, of the Consolidated Funds Flow Statement, of the Table of Changes in Consolidated Shareholders' Equity and of the Explanatory Notes (afterwards "the Consolidated Financial Statement"), were approved by the company's Board of Directors that was held on 13 June 2008. The structure of the Balance Sheet has been put in place with the classification between "Current Assets " and "Not current Assets" , while with reference to the Income Statement there has been maintained the classification by the nature of the items, since this format that is believed to be most representative in relation to the so-called "presentation by destination" (also known as "cost of sales method"). Pursuant to the Resolution of CONSOB (Italian SEC) number 15519 dated 27 July 2006, the effects of transactions with "related parties" on the Balance Sheet assets and liabilities and on the Income Statement for the financial period of twelve months closed at 31 March 2008 are shown in separate tables provided as an Annex to these Notes so as not to interfere with a clear reading of the main Financial Statement. Transactions with Related Parties are identified in accordance with the extended definition laid down by the IAS 24, which means including the relationships with the administrative and governance bodies of the company, as well as with those company executives who have strategic responsibilities. Reference should also be made to what has been specified in note 31 "Transactions with correlated parties" and in note 33 "Atypical and/or unusual and non-recurring transactions". The Funds Flow Statement was drawn up using the indirect method. The Consolidated Financial Statement have been drawn up in thousands of € (€000s). All amounts included in the tables contained in the following notes below are all expressed in thousands of €, except where otherwise indicated. For comparison purposes the Consolidated financial statements are presented for the financial year of three months closed at 31 March 2007, which have been drawn up in conformity with the IFRS (International Financial Reporting Standards). Consequently the financial statements for the twelve months of the financial year closed at 31 March 2008 are not directly comparable with those that are relative to the financial year of only three months closed at 31 March 2007, specifically for the components of the Income Statement and of the Funds Flow Statement.

Date of transition to the IFRS

Shares of the Damiani Group got their first listing in a market organised and managed by Borsa Italiana – the Italian stock market segment known as "STAR" – on 8 November 2007. The closing date of the financial year of Damiani Group is 31 March, following the decision to shift it that was taken with the resolution passed by the Shareholders' Meeting of the Company on 14 September 2006. Until the financial year 2006 the closing date of the financial year was 31 December. The accounting period closed at 31 March 2007, was a very short one with duration of only three months. At 31 March 2007, Damiani S.p.A. had not yet set in motion the process of being quoted on the stock market and it had not yet 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 of Damiani Group at 31 March 2008 is the first set of Consolidated Financial Statements that has been drawn up pursuant to the relative legislation and in conformity with the international financial reporting standards that have been laid down by the European Union called the IFRS. For the sole purpose of inclusion in the "Prospetto Informativo" drawn up with a view to listing Damiani SpA in the STAR segment of the Italian Stock Market, the Group had presented proforma consolidated financial statements drawn up under IFRS for the financial year closed at 31 December 2004, 2005 and 2006 and also for financial year of twelve months closed at 31 March 2006 and at 31 March 2007. The date of transition to IFRS which the Group adopted for those proforma consolidated financial statements was 1 January 2004. As asked for by the Legislative Order 38/2005 the date of transition to IFRS which must be used for reference in determining the availability status of the various reserves which form part of Shareholders' Equity is that date which is "of relevance for the purposes of the Italian Civil Code". In the case of Damiani SpA that transition date "of relevance for the purposes of the Italian Civil Code" is 1 January 2007, as explained in the Notes accompanying the Financial Statement for the financial year closed at 31 March 2008. In keeping with these provisions, and in view of the fact that the Consolidated Financial Statement at 31 March 2008 is the first Financial Statement drawn up under IAS/IFRS as required by law, the details required under IFRS 1 of the effects of that transition to IFRS are given here with reference to the date of transition which is "of relevance for the purposes of the Italian Civil Code", that is 1 January 2007. It may be pointed out, though, that the use of 1 January 2007 as the transition date makes no significant difference to the balances under IFRS as previously calculated using 1 January 2004 as the transition date. The information required under IFRS 1 (First-time Application of IFRS) concerning the effects of changing to IFRS is given in Note 40.

2. ACCOUNTING PRINCIPLES AND CRITERIA

Criteria used

The Consolidated Financial Statement for the financial year 1 April 2007 – 31 March 2008 has been drawn up under IAS/IFRS as adopted by the European Union and it includes the Financial Statements of Damiani SpA and of the Italian and foreign subsidiaries which the Company is entitled to control, directly or indirectly, determining their financial and management decisions and reaping the corresponding rewards. In consolidating those companies which do not yet draw up their annual accounts under IFRS, the Group has used Financial Statements (in the case of the Group's Italian subsidiaries, and equivalent accounts for foreign subsidiaries) which have been drawn up using the valuation criteria provided for by local standards, and has then adjusted these to bring them into line with IFRS. The data in the Income Statement, the changes in the net equity and the funds flow statement for the financial year of twelve months closed at 31 March 2008 are presented in a comparative format with the Income Statement that is relative to the accounting period from 1 January 2007 to 31 March 2007. The Balance Sheet data are presented in a format that is comparable with the previous financial year period that was closed at 31 March 2007. Controlled subsidiaries are fully consolidated from the date on which actual control passed to the Group and they cease to be consolidated from the date on which control passes outside the Group. The following controlled subsidiaries are included within the area of consolidation on 31 March 2008:

Company name	Registered office	Currency	Share Capital (in currency units)	Held by	% owned directly	% owned by whole Group
Alfieri & St. John S.p.A.	Valenza (AL), Italia	EUR	1,462,000	Damiani S.p.A.	100.00%	100.00%
New Mood S.p.A.	Milano, Italia	EUR	1,040,000	Damiani S.p.A.	97.00%	100.00%
Damiani Manufacturing S.r.l	Valenza (AL), Italia	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Laboratorio Damiani S.r.l.	Bassignana (AL), Italia	EUR	200,000	Damiani S.p.A.	100.00%	100.00%
Damiani International BV	Amsterdam, Olanda	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan KK	Tokio, Giappone	JPY	280,000,000	Damiani International BV	100.00%	100.00%
Damiani USA, Corp.	New York, Stati Uniti d'America	USD	55,000	Damiani International BV	100.00%	100.00%
Casa Damiani Espana SL	Madrid, Spagna	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Hong Kong Ltd	Hong Kong, Hong Kong	HKD	2,500,000	Damiani International BV	100.00%	100.00%
Damiani France SA	Parigi, Francia	EUR	38,500	Damiani International BV	100.00%	100.00%
Damiani Service Unipessoal Lda	Madeira, Portogallo	EUR	5,000	Damiani S.p.A.	100.00%	100.00%

As far as concerned the technical problems happened in the previous information system in Damiani USA, already described in the fourth quarter Interim Report at 31 March 2008 approved by the Board of Directors resolution of May 14, 2008, we underline that the activity of data reconstruction has finished. This reconstruction didn't highlight important differences compared with the values of reporting package, prepared before losing the data and used for the interim report. The difference have been booked in the Consolidated Financial Statements closed at 31 March 2008. The consolidation area at 31 March 2008 differed from that at 31 March 2007 in the following ways:

- in April 2007 the holding company, Damiani SpA, set up the wholly-owned subsidiary Laboratorio Damiani Srl (share capital €200,000), whose main business objective is the production and prototyping of jewelry on behalf of Group companies. This firm is currently still at the start-up stage;
- on 21 November 2007 the holding company, Damiani SpA, purchased 100% of the Share Capital of the company called Magic Word – Serviços & Marketing Lda (now it is called Damiani Service Unipessoal Lda), with legal site in Madeira (Portugal) for a total overall amount of Euro 30,000. Currently the company is dormant;
- on 15 January 2008 the subsidiary Damiani International B.V. purchased from the Multinational Group Eurostar the 100% of the Share Capital of the "simplified" company called Eurostar France for a total of Euro 2,854,000 (including ancillary costs). This company, subsequently renamed Damiani France, managed in franchising the single brand Damiani boutique in Paris which, following the purchasing of the company, is being managed directly by the Damiani Group.

Associated companies

Associate companies are those in which the Group owns at least 20% of the voting rights or exercises considerable influence, but not control, over the financial and operational policies. The Group had no shareholdings in associate companies at 31 March 2008.

Other investments

Details of the Damiani Group's holdings in other undertakings at 31 March 2008 are given below; these total €169 thousand. For the criteria used to value these "Other Investments", reference should be made to the paragraph below headed "Accounting Principles".

Company name	Currency	Share capital (in thousands of Euros)	Book value in Euros	Held by	% owned directly	% owned by whole Group
Fin-or-val S.r.l.	Euro	n/d	125,592	Damiani S.p.A.	3.84%	
				Alfieri & St.John S.p.A.	0.52%	4.36%
Banca d'Alba	Euro	n/d	41,317	Damiani S.p.A.	0.50%	0.50%
Co.in.or.S.r.l.	Euro	n/d	129	Damiani S.p.A.	n/d	n/d
Consorzio Coral	Euro	n/d	1,549	Damiani S.p.A.	n/d	n/d
Consorzio Conai	Euro	n/d	299	Damiani S.p.A.	n/d	n/d

Principles of consolidation

In the preparation of the Consolidated Financial Statement the assets, liabilities, costs and revenues of consolidated undertakings are taken over line by line, minority or "non-controlling" interests (in Shareholders' Equity and in the profit for the period) being accounted for in separate items of the Balance Sheet and Income Statement. The book value of the holding in each of the controlled subsidiaries is cancelled against the corresponding proportion of Shareholders' Equity in that subsidiary, including any Fair Value adjustments of its assets and liabilities, as of the acquisition date; any residual difference is allocated to Goodwill on Consolidation.
All balances and transactions within the Group, including any unrealised gains arising from intra-Group relations, are netted out, likewise all profits and losses on trade with associate companies, to the extent of the Group's share. Trading losses among the holding company and its controlled subsidiaries are also netted out, except where they represent cases of lasting loss.
Shareholdings in associate companies valued by the Shareholders' Equity method are entered in the Balance Sheet at cost plus any later changes in the Group's share in the Shareholders' Equity of the associate company, less any impairment. The Income Statement reflects the Group's share of the associate company's profit for the period. If an associate company reports an adjustment which directly affects its Shareholders' Equity, the Group also records a proportional adjustment and shows this where relevant in the Schedule of Changes in Shareholders' Equity.

Conversion of Financial Statements expressed in currencies other than the euro

The Balance Sheet and Income Statement figures for companies operating outside the Eurozone are converted into € using the following exchange rates: (i) for Balance Sheet asset and liability items, the spot exchange rate at year end, (ii) for Shareholders' Equity items, the historical exchanges rate rates; (iii) for Income Statement items, the average exchange rates for the period.
Exchange rate conversion differences from the application of different exchange rates for assets and liabilities, , Shareholders' Equity and Income Statement 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 Income Statement figures used in the conversion are those denominated in the functional currency. Goodwill and Fair Value adjustments generated when recognizing the purchase cost of a foreign company are recognized in the relative currency in which they were paid and are converted using the exchange rate at the end of the financial period.

Accounting principles

The Consolidated Financial Statement is expressed in €; the euro is also the functional currency in which most Group companies operate.

Changes in accounting principles and the informational data

The accounting principles adopted in drawing up the Financial Statement for the financial year closed at 31 March 2008 are the same as those used for the financial year closed at 31 March 2007.
There has been no impact on the Consolidated Financial Statement from the application of accounting principles and interpretations which have come into effect since 1 April 2007, with two exceptions: the greater detail required under IFRS 7, and a supplementary amendment to IAS 1.
The details of these exceptions are as follows:
• IFRS 7 - Financial instruments - requires a disclosure enabling readers of the Financial Statement to assess the significance of financial instruments for a company's financial position and the nature of the risks associated with those financial instruments. The new disclosure is made at various points in the Financial Statement, but there is no impact to report on the Group's financial position, nor on its profit for the period;
• the change in IAS 1 - Presentation of Financial Statements requires further disclosures concerning capital, to enable readers of the Financial Statement to assess the company's objectives, policies and processes for managing capital. This new disclosure is made in Note 36.

The interpretations listed below, on the other hand, have not been applied since the situations and instances they govern are not relevant to the Group:
• IFRIC 7- Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;
• IFRIC 8 - Scope of IFRS 2 (this does not apply to the Damiani Group: IFRS 2 provides that transactions involving share-based payments to staff must be booked at the fair value of the payments on the grant date: the Group is not obliged to directly estimate the fair value of the services provided by the employees)
• IFRIC 9 - Reassessment of Embedded Derivatives.
Lastly, the following amendments and interpretations are not yet applicable, and have not been adopted early by the Group:
• IFRS 8 - segments operative from 1 January 2009 replacing IAS 14 - Segment Reporting;
• revision of IAS 23 - Borrowing costs; comes into force on 1 January 2009;
• IFRIC 14 on IAS 19 - Limit on a Defined-Benefit Asset, Minimum Funding Requirements; comes into force on 1 January 2008 (in the case of the Damiani Group, the first Financial Statement affected is that for the period 1 April 2008 - 31 March 2009),
• revision of IAS 1 - Presentation of Financial Statements; comes into force on 1 January 2009,
• IFRIC 11 - IFRS 2: Group and Treasury Share Transactions,
• IFRIC 12 - Service Concession Arrangements,
• IFRIC 13 - Customer Loyalty Programmes.

Declaration of compliance with IFRS as adopted by the European Union

The Damiani Group's Consolidated Financial Statements for the three-month financial year closed at 31 March 2007 and for the twelve-month financial year closed at 31 March 2008 have been drawn up in conformity with the IFRS that have been adopted by the European Union.
No recourse has been had to any derogation from the application of IFRS in drawing up the Consolidated Financial Statements for the three-month financial year closed at 31 March 2007 and for the twelve-month financial year closed at 31 March 2008.

Use of estimates

Drawing up the Financial Statement and the Notes to the Accounts under IFRS requires the Company to make estimates and assumptions which affect the values of the assets and liabilities stated in the Consolidated Financial Statement and the reporting of potential assets and liabilities. The final outcome could differ from these estimates, which are used to recognize the provisions for credit risk and for returns, amortization, asset impairments, employee benefits, taxes and, finally, provisions for risks and charges. These estimates and assumptions are reviewed periodically, and the effects of any change are booked directly to the Income Statement.
The main valuation processes for which the company has had recourse to estimates are those involved in asset impairment tests, the valuation of the intangible assets in business combinations under IFRS 3 and the valuation of expected future returns.

Goodwill

The goodwill acquired in a business combination consists of the amount by which the cost of the combination is exceeded by the combined Group's share of its total Shareholders' Equity at present values as calculated from the values of the identifiable assets, liabilities and potential liabilities that have been acquired. Following the initial entry, goodwill is valued at cost less any accumulated impairment. The goodwill is subjected to an impairment test, either annually or more often if events or changes occur that might give rise to any impairments.
For the purposes of these impairment tests, the goodwill acquired with business combinations is allocated from the acquisition date onwards to each of the cash-generating units (or groups of unit) which it is thought will profit from the synergistic effects of the acquisition, regardless of the allocation of any other assets or liabilities acquired. Each unit or group of units to which goodwill is allocated:
- represents the lowest level within the Group at which goodwill is monitored for the purposes of internal management;
- is no greater than a primary or secondary segment of the Group as defined in the Operating Segments organization chart in accordance with IAS 14.

The impairment is determined by finding the recoverable value of the cash-generating unit (or group of units) to which the goodwill is allocated; if this recoverable value of the CGU (or group of CGUs) is lower than the book value, an impairment loss is recognized. Where goodwill has been attributed to a CGU (or group of CGUs) whose assets are disposed of in part, the goodwill associated with the asset disposed of is taken into account for the purposes of calculating any capital gain (or loss) arising from the operation. In these 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 fixed assets

Intangible assets acquired separately are recognized at cost, while those acquired through business combinations are recognized at fair value at the acquisition date. After initial recognition, intangible assets are booked at cost, net of accumulated amortization and any accumulated impairments. Intangible assets generated internally are not capitalised, but are recognized in the Income Statement for the period in which the cost of generating them was borne.
The useful life expectancy of intangible assets is assessed as "definite" or "indefinite". Intangible assets with a definite useful lives are amortized over their estimated useful life and subjected to impairment tests whenever there are reasons to suspect a possible impairment. The amortization period and method applied to them is re-examined at the end of each financial period, or more often if necessary. Changes in the expected useful life or in the way the future financial rewards connected with the intangible asset are reaped by the Group are recognized by modifying the amortization period or method, and treated as changes in the accounting estimates. The amortization rates for intangible assets with a defined life are recognized in the Income Statement in the cost category consistent with the intangible asset's function.
Intangible assets with an indefinite useful life are subject tested annually for impairment test at the individual level or at the cash-generating unit level. These assets are not amortized at all. The useful life of an intangible asset with an indefinite useful life is reviewed each year to check that the conditions for this classification are still met; in the opposite case , the change from definite to finite useful life useful life is done prospectively.
Gains or losses arising on disposal of an intangible asset are measured as the difference between the net revenue from the sale and the net book value of the asset, and are recognized in the Income Statement at the time of the sale.
In the case of intangible assets with a finite life expectancy, the annual amortization rate applied are as follows:

Category	Rate
Intellectual and industrial property rights	From 10% to 20%
Software licences	From 20% to 33%
Key Money (Indemnities paid for renewal of shop rental contracts)	Duration of contract
Other charges extending over more than one year	From 14% to 20%

Research and development costs

Research costs are directly expensed in the Income Statement in the financial year in which they are incurred.
Development expenditure on a particular project are capitalised only when the Group can establish the technical possibility of completing the intangible asset so as to make it available for use or sale, its intention of completing it for use within or sale outside the Group, the way in which it will generate probable financial benefits in future, the availability of the technical, financial and other resources needed to complete development, its ability to reliably evaluate the cost of the asset during its development, and the existence of a market for the products and/or services that will arise from the asset and/or its usefulness for internal purposes. Capitalised development costs only comprise expenditures which can be directly attributed to the development process.
Following initial recognition, development costs are recorded net of accumulated amortization and of any impairment losses recognized, as previously described in the case of intangible fixed assets with a finite useful life.

Tangible fixed assets

Buildings, plant and machinery acquired separately – based on purchase or lease agreements – are recognized at purchase cost, while those acquired through business combination transactions are recognized on the basis of the fair value determined at the acquisition date.
Buildings, plant and machinery are recognized at cost, including the directly attributable ancillary costs necessary for the asset's deployment in the function for which it was purchased, plus (if non-negligible, and where obligations are incurred immediately), the present value of the estimated expense of dismantling and removing the asset. If significant portions of these tangible assets have different useful lives , these items are accounted for separately. Land, whether undeveloped or belonging to buildings, is not depreciated: it is an element whose useful life is unlimited.
Tangible fixed assets' book values are reviewed for impairment test whenever events or changes take place which give reason to believe that the book value, as established under the amortization plan, might not be recoverable. If such reason exists, and if the book value exceeds the estimated recoverable amount, the assets or cash-generating units to which the assets have been allocated are written down to their recoverable value.
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 economic and technical lives applied are as follows:

Category	Rate
Land and buildings	From 2% to 3%
Plant and machinery	From 12% to 25%
Industrial and commercial equipment	From 7% to 35%
Other assets	From 12% to 25%

Leased assets

Finance leases, which essentially transfer all the risks and rewards arising from ownership of the leased asset to the Group, are capitalised, as of the lease commencement date, at the lesser of the leased asset's fair value and the discounted present value of all future instalments. The instalments themselves are divided into a capital portion and an interest portion in such a way as to give a constant rate of interest on the remaining balance of the liability. Borrowing costs are charged directly to the Income Statement.
The capitalised leased assets are depreciated over the shorter of the asset's useful life expectancy and the lease period, unless it is reasonably certain that the Group will become the owner of the asset on the end of the contract.
Rent instalments on operating leases are charged to the Income Statement in equal portions over the duration of the lease.

Impairment test

At the closing date of each period the Group assesses whether there is any reason to believe that there has been a fall in the value of its intangible fixed assets (those with a finite useful life expectancy), its tangible fixed assets, or its assets held on financial lease. If so, an impairment test is carried out.
Goodwill and other intangible fixed assets with an indefinite useful lives are subjected to an impairment test every year, whether or not there is any reason to suspect an impairment. Tangible and intangible fixed assets with a definite useful life are also subjected to an impairment test if there is any reason to suspect an impairment.
Fair value is determined as the greater of the recoverable sale value of an asset or cash-generating unit (net of selling costs) and its value in use; it is calculated asset by asset, except where the asset generates income which is not fully independent of that generated by other assets or asset groups, in which case the Group estimates the recoverable value of the cash-generating unit to which the asset belongs. In the particular case of goodwill, since it does not generate any income stream independently of other assets or asset groups, the impairment test is conducted on the unit or group of units to which the goodwill has been allocated.
In determining value in use, the Group takes the discounted present value of the estimated future cash flow, using a pre-tax discount rate which reflects the market's view of the time-value of money and any specific risks affecting the asset or activity in question.
For the purposes of estimating use values, the future cash flows are derived from the corporate Plans approved by the Board of Directors, which are

the Group's best forecast of the economic conditions over the Plan period. Such Plan forecasts are normally for a time horizon of three financial years; the long term growth rate used to estimate the terminal value of the asset or unit is normally lower than the mean long-term growth rate of the relevant industry, country or market. Future cash flows are estimated by reference to present circumstances, and the estimates therefore do not take into account any benefits arising from future restructuring to which the Company is not yet committed, nor future capital spending to enhance or optimize exploitation of the asset or unit.
If the book value of an asset or cash-generating unit exceeds its fair value, that asset is impaired, and is consequently written down to its fair value.
All impairments of operating assets are recognized in the Income Statement under the cost categories consistent with the function of the impaired asset. Moreover at the closing date of each period the Group assesses whether there is any reason to suspect that impairments previously recognized may now be excessive; if so, a new estimate of the fair value is made. The value of a previously written-down asset (except for goodwill impairments) may only be restored if there have been changes – after the latest recognition of an impairment – in the estimates used to determine the asset's fair value. In that case the asset's book value is revised to its fair value, though the revised value may never exceed the level which the book value would have been (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 Income Statement, and following each such restoration the adjusted carrying value of the asset is depreciated on a straight-line basis over the remaining useful life, net of any remaining values.
In no circumstances can the value of goodwill be restored after it has been written down.

Investments

Shareholdings in associate companies are accounted for under the Equity method.
Shareholdings in other companies (in general, those where the Group owns fewer than 20% of the stock) are regarded on purchase as "financial assets available for sale" or (whether fixed or current) as "Assets valued at fair value through profit or loss". In accordance with the provisions of IAS 39, such shareholdings are valued at fair value or, in the case of unlisted shareholdings or those for which a fair value cannot be reliably determined, at cost with an adjustment for any particular reason to suppose the value is lower.
Changes in the value of shareholdings classified as "Assets available for sale" are set aside as a reserve in Shareholders' Equity, to be booked to the Income Statement upon sale or if there is a loss of value. Changes in the value of shareholdings classified as "Assets valued at fair value through profit or loss" are recognized directly in the Income Statement.

Other non current assets

Receivables and loans included among Fixed Assets are valued using the amortized cost method. Those receivables with more than a year to run are, if the interest they bear is nil or at less than market rates, discounted using market rates of interest.

Inventories

Inventories are valued at the lower of their purchase or production cost and their net realizable value, this being the amount which the company expects to obtain from their sale in the normal course of business. The cost configuration used is mean weighted average cost method: the weighted average cost method includes all ancillary charges accruing in relation to the purchase of these stocks during the period. Inventories valuations include both direct costs (materials and labour) and indirect production costs.
Inventories also include the production costs relating to returns expected to be received in future years from deliveries already made, estimated on the basis of the sale value less the mean margin applied.

Trade receivables and other current assets

Trade receivables and other current assets are recognized at their fair value: the nominal value, as lowered by any impairments due to suitable provision for bad debt (which modifies the asset's value). Trade receivables are shown in the Financial Statement net of allowance for sale returns. That provision is related to the amounts invoiced on dispatch of the goods where it is reasonable, in the light of experience, to expect that not all significant risks and rewards of ownership have been definitively transferred at the Balance Sheet date.
Trade receivables and other current assets which neither bear interest nor are expected to be settled within normal commercial terms are subject to discounting.

Financial instruments

IAS 39 provides for the following types of financial instrument: 1) financial assets at fair value through profit or loss (with changes booked to the Income Statement); 2) loans and receivables; 3) investments held to maturity; 4) assets available for sale.
Initially all financial assets are recognized at fair value, plus ancillary charges in the case of assets other than those at "fair value through profit or loss". The Company classifies its financial assets after initial recognition and reviews this classification (as appropriate and as permitted) at the end of each financial year.
All purchases and sales of financial assets are recognized on the transaction date, which is the date on which the Company undertakes to buy the asset.

Financial assets at fair value with changes booked to the Income Statement

This category includes financial assets held for trading, i.e. all assets acquired for the purpose of sale in the short term. Derivatives are classified as financial instruments held for trading unless actually designated as hedges. Gains and losses on assets held for trading are recognized in the Income Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. Such assets are recognized at cost amortized using the effective discount rate. Gains and losses are entered in the Income Statement when loans or other receivables are removed from the books or when impairments are recognized, as well as through the process of amortization.

Investments held to maturity

Financial assets which non-derivative financial assets with fixed or determinable payments are classified as "investments held to maturity" when the Group intends and is able to hold to maturity. Financial assets which the Group has decided to hold for an indefinite period do not come into this category. Other long-term financial assets which are held to maturity, such as bonds, are subsequently valued according to amortized cost, calculated as the value initially recognized less any capital amounts repaid, plus or minus accumulated amortization – using the effective rate of interest – of any difference between the value initially recognized and the maturity amount. This calculation includes all fees, commissions or rate points negotiated between the parties (for these form an integral part of the effective rate of interest), transaction costs and other premiums or discounts. In the case of investments valued at amortized cost, gains and losses are charged to the Income Statement when the investment is removed from the books or when impairments are recognized, as well as through the process of amortization.

Assets available for sale

Financial assets available for sale are those financial assets other than derivatives which have been designated as available for sale or have not been classified under any of the three previous categories. Following initial recognition at cost, financial assets available for sale are valued at Fair Value and gains and losses are recognized as a separate item in equity until the assets are removed from the books or impairments are recognized; gains or losses which have accumulated up to that point in equity are then transferred to the Income Statement.
In the event of securities widely traded in regulated markets, fair value is determined based on their quotation on the stock exchange at the Balance Sheet date. In the case of investments for which there is no active market, fair value is determined by means of valuation techniques based on the prices struck in recent arms-length trades, the current market value of essentially similar instruments, Discounted Cash Flow analysis, or option pricing models.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or a homogeneous group of financial assets) is derecognized when:
– the rights to receive the financial flows expire;
– the Group keeps the right to receive the asset's financial flows, but 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 essentially transferred all the risks and rewards of ownership of the financial asset, or (ii) it has not substantially transferred nor retained all the risks and rewards of the asset, but has transferred control of it.
Where the Group has transferred the right to receive the financial flows from an asset and has neither essentially transferred nor essentially retained all the risks and rewards of the asset, but has also not lost control of it, the asset is recognized in the Group's Financial Statement to the extent of the Group's remaining involvement in that asset. A "remaining involvement" which takes the form of a guarantee in respect of the transferred asset is valued at the lesser of the asset's initial book value and the maximum amount which the Group might be required to pay.
A financial liability is derecognized from the Financial Statement when the underlying obligation is extinguished, annulled or performed.
Where an existing financial liability is replaced by another from the same lender on materially different terms, or the terms of an existing financial liability are materially modified, this difference or modification is treated as a derecognition of the original liability in the accounts and the recognition of a new one, any difference in the accounting values being booked to the Income Statement.

Hedge accounting

For the purposes of the hedge accounting, hedges are classified as:
• fair value hedges, if they hedge the exposure to changes in the fair value of the underlying assets or liabilities; or if they are a firm commitment (in the exceptional case of currency hedges); or
• cash flow hedges, if they hedge the exposure to variability of cash flow which is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or if they hedge the currency risk of a firm commitment.
Net hedging of an investment in a foreign firm (net investment hedges).
At the start of a hedge transaction, the Group formally designates and documents it as such, stating its objectives in terms of the strategy pursued and the exposure hedged against. This documentation identifies the hedge instrument, the element or transaction hedged, the nature of the risk and the way the firm intends to assess the hedge's effectiveness in covering exposure to the changes attributable to this risk either in the fair value of the element covered or in the cash flow, as the case may be.
These hedges are expected to be highly effective in compensating for the hedged element's exposure to fair value or cash flow changes attributable to the risk hedged against; assessment of whether these hedges are in fact highly effective is ongoing throughout the financial year(s) in which they have been designated. Changes in the fair value of the hedge are charged to the Income Statement. The change in the fair value of the hedged asset attributable to the risk hedged against is recognized as part of the book value of the asset itself, with a counter-entry in the Income Statement.
So far as concerns fair value hedges of asset elements accounted for according to amortized cost, the adjustment to the book value is amortized by a charge to the Income Statement throughout the period remaining until maturity. Any adjustments to the book value of a hedged financial instrument valued using the effective discount rate are amortized by a charge to the Income Statement.
Gains and losses resulting from changes in the fair value of derivatives not suitable for hedge accounting are charged directly to the Income Statement for the period.

Cash and cash equivalents

Cash at bank and in hand 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 relating to derivative instruments. The financial liabilities other than derivatives are initially recognized at fair value plus transaction costs; thereafter they are valued at amortized cost, i.e. the initial value less any capital repayments already made, adjusted (up or down) by the amortization (at the effective interest rate) of any differences between the initial value and the value on maturity.

Employee benefits

Guaranteed employee benefits paid on or after termination of employment under defined-benefits schemes (for Italian companies, this is the "TFR" or Termination indemnities are recognized in the period in which the rights are accrued.
These liabilities relating to a defined-benefits scheme, net of any assets held to service the plan, are determined on the basis of actuarial assumptions and recognized on accrual basis consistent with the employment services necessary for obtaining the benefits; the liabilities are valued by an independent actuary.
The Group has decided not to adopt the "corridor approach" provided for in IAS 19; gains and losses arising from the actuarial calculations are therefore booked to the Income Statement in each period, as labour costs.

Other benefits to employees

According to what is laid down in the IFRS 2 (Payments based on shares) the stock options in a favor of the employees are valued at their fair value at the grant date according to models that take in all the factors in force at that date such as the option price, the duration of the option, the current market price of the shares and the interest rate on a no risk investment for the whole lifespan of the option.
If the right can be exercisable after a certain period and/or when certain al performance conditions take place, i.e. the vesting period, the overall fair value of the options is split equally over time during the said period and posted to a specific item in the net equity with the other side of the entry going to the Income Statement in the Personnel costs, because it is a payment in kind paid to the employee and to the Costs for services, in relation to the directors and agents who are beneficiaries of the options.
During the vesting period the fair value of the option that has been previously calculated is not reviewed or updated, but there is periodically updated the estimated number of the options that will mature at the due date and, therefore, the number of the beneficiaries who will have the right to exercise the options. The change in the estimate is treated as an increase or a reduction in the net equity item referred to with the other side of the entry in the Income Statement to Personnel costs and costs for services .
At the due date of the option the amount that is posted to the net equity item referred to is reclassified as follows: the amount of the net equity relative to the options that are exercised is posted to the Share Premium reserve, while the part relative to the options that have not been exercised is reclassified to the item Profits (losses) carried forward.

Trade payables and other current liabilities

The trade payables and other current liabilities, whose due dates fall within the normal trade and contractual terms are not stated at their net present value but are posted to the accounting books at their nominal.

Revenues from sales and services

The revenues and incomes that are shown net of discounts, allowances and returns are posted to the accounting books at their fair value in so far as it is possible to calculate that value and it is possible that the relative financial benefits will be exploited.

Revenues from the sale of goods are recognized when all the following conditions are met:
• Ownership with the relative risks and benefits are transferred to the purchaser of the goods.
• There are no longer exercised the usual activities that are associated with the ownership of the goods and there is also no longer exercised any control over the goods that have been sold.
• The amount of the revenues can be dependably calculated.
• It is probable that any future financial benefits will be exploited.
• The costs incurred, or to be incurred can be reasonably estimated.
The Group in some cases accepts, for commercial reasons and in line with the usual practices of the sector, returns from the customers relative to goods that have been delivered, also in previous financial years. Regarding these practices the Group rectifies the amounts that have been invoiced at the time of the shipping of the goods regarding the amounts of which, also based on historical experience, there can be reasonably forecasted that at the date of the financial statements not all the significant risks and benefits associated with the ownership of the property have been transferred to the new possessor. The returns that are calculated in this manner are posted to the accounting books and, therefore, to the Income Statement as a reduction of the revenues and in the Balance Sheet in a specific fund that is an adjustment of the receivables from customers, while the relative estimated production cost is included in the inventories.

Barter transactions

The sales of goods in return for the purchases of publicity and advertising services are posted to the financial statements separately among the revenues from the sales and the costs for services. The revenue that comes in from the sale of goods is calculated at the fair value of the publicity and advertising services received, adjusted for any cash payments or equivalents and they are posted at the time of the shipping of the merchandise.

Other revenues

The other revenues include the financial benefits that are delivered in the period coming from the activities linked to the company's ordinary business activities.
The key money that has been cashed in due to the selling, in advance of their expiry date, of real estate rental contracts regarding prestigious property for commercial usage is posted among the other revenues at the time when it is cashed in, which coincides with the date of the agreement of the cancellation of the original contract.

Costs

The costs are posted on an accruals timing basis and, specifically, as follows:
Costs for advertising campaigns and testimonials
The commissions due to advertising agencies and the expenses for the production of the advertising, spots and photo shots, are posted to the Income Statement when they are incurred.
The costs relative to the advertising campaigns and the costs relative to promotional activities are recognized in the Income Statement of each period for the services that have been received, i.e. advertising already issued, published or transmitted, the testimonials already rendered.
There are treated on an accruals basis any advances paid for services still to be received.
The commissions due to advertising agencies and the expenses for the production of the advertising, spots and photo shots, are posted to the Income Statement in the accounting period when the relative services are received.
The costs relative to purchased advertising services are posted on an accruals basis in the period when the relative services are received.

Financial expenses and incomes

Financial incomes are stated on the basis of the interest accruing in the relevant year, which is calculated using the method of the "effective interest rate", the rate at which the future income flows (on the basis of the financial instrument's life expectancy) are discounted.
Financial expenses (borrowing costs) are charged to the Income Statement under the accruals principle and booked at the "effective interest rate" amount.

Dividends

The dividends are posted when there arises the right of the shareholders to receive the payment, which coincides with the time when the resolution is passed regarding them.
Dividends from other companies are classified in the Income Statement among Other Operating Revenues where they are from shareholdings within the sector in which the Group operates and accordingly constitute long-term investments. Dividends from other companies held as financial investments only are classified under Financial Revenues.

Corporate income taxes

Current taxes
The current taxes are calculated based on the taxable income for the period. The taxable income differs from the financial result that is shown in the Income Statement because it does not contain certain items that are both deductible and not allowable for tax purposes. The liability for current taxes is calculated using the tax rates that are in force at the closing date of the accounting period.

Deferred tax assets; deferred tax liabilities
Deferred tax assets and deferred tax liabilities are calculated on the temporary differences between the book value of the assets and liabilities in the Financial Statement and the corresponding value for tax purposes used in calculating taxable income according to the Balance Sheet liabilities method. Deferred tax liabilities are recognized in the case of all such taxable temporary differences, with the exception of the following two cases:
• where the deferred tax liabilities derive from the initial recognition of goodwill or any asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, has no effect either on the profit for the period as calculated for the purposes of the Financial Statement, nor on the profit or loss as calculated for tax purposes;
• in the case of taxable temporary differences associated with shareholdings in controlled subsidiaries, other associated companies, and joint ventures, where it would be possible to monitor the reversing of these temporary differences but it is likely that they will not in fact be reversed in the foreseeable future.
Deferred tax assets paid in advance are recognized to the extent that it is thought likely that there will be sufficient taxable profits in future to enable the temporary differences to be deducted, except:
• where the tax paid in advance derives from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, had no effect either on the profit for the period as calculated for the purposes of the Financial Statement nor on the profit or loss as calculated for the tax purposes.
The value assigned to taxes paid in advance is re-examined on each Balance Sheet date, and reduced in accordance with any likelihood that in the

year in which the temporary difference is expected to be reversed there might not be sufficient taxable income to enable their full or partial recovery. Any previously unrecognized taxes paid in advance are re-examined each year on the Balance Sheet date and are then recognized to the extent that their recovery has become probable.
Both taxes paid in advance and deferred taxes are calculated on the basis of the tax rates which, on the basis of the law as it stands at the time, are expected to apply when the tax asset in question is realized or the tax liability is settled.
Deferred tax and tax paid in advance are booked to the Income Statement, with the exception of amounts relating to items recognized directly in Shareholders' Equity; taxes paid in advance and deferred taxes on such items are directly booked accordingly, without affecting the Income Statement.
Tax assets (taxes paid in advance) and liabilities (deferred tax) are classified as non-current assets and liabilities.

Foreign currency conversion

The Damiani Group's functional currency is the Euro (€, EUR).
Transactions in other currencies are converted at the rate at the time of the transaction. Any foreign currency based assets and liabilities are converted to € using the rate at the date of closing of the financial statements. All the exchange differences are posted to the Income Statement. The non-monetary balances that are valued at their historical cost in foreign currencies are converted using the exchange rate in force at the transaction date. The non-monetary balances posted at their fair value in foreign currencies are converted using the exchange rate in force at the date of calculating their value.

Own shares held

The own shares held are classified as a direct reduction of the net equity. The original cost of the shares and the incomes from any successive sales of them are shown as movements in the net equity.

Earnings per Share

EPS – earnings per share – are calculated by dividing the net profit for the period attributable to the company's ordinary shareholders by the weighted mean number of ordinary shares in circulation during the period. It should be noted that for the purposes of calculating the earnings per share for the three-month financial period ended 31 March 2007, and for the financial period ending 31 March 2008, the mean numbers used for shares in circulation in each period were those resulting from the changes in the company's capital in each of these financial periods. The mean number of shares also takes into account any General Meeting resolutions to divide or combine shares. The company's Diluted EPS is calculated by taking into account the shares issued in the course of the rights issue connected with procuring a stock market listing, and also the effects of implementing the plan to purchase treasury shares approved by the General Meeting of Shareholders on 22 February 2008, and the staff stock option scheme; these have been valued in accordance with IFRS 2.

Business combinations

Business combinations (mergers, acquisitions, &c.) are handled in the accounts using the Acquisition Cost method.
Under this method the costs of the business combination are allocated by recognizing the acquired assets and liabilities at fair value, and also any identifiable potential liabilities and equity instruments issued as of the date of the transaction, plus the costs directly attributable to the acquisition.
Any positive difference between the purchase cost and the Group's share in of the fair value of the assets, liabilities and identifiable potential liabilities following the purchase is recognized as a Goodwill asset, and subjected to a impairment test at least once a year. Any negative difference is charged directly to the Income Statement, or entered as a liability in a special risk provision if it represents future losses.

3. SEGMENT REPORTING

As Damiani Group is engaged in business in only one type of goods, its main segment reporting is by geographical area.
The breakdown of income, expenditure, asset and liability figures by geographical area is given below for financial year of twelve months closed at 31 March 2008, and for financial year of three months closed at 31 March 2007.

Breakdown by geographical area (financial year of twelve months closed at 31 March 2008)

FY of 12 months closed at 31 March 2008 *in thousands of Euros*	Italy	The Americas	Japan	Rest of the World	Eliminations	Consolidated
Net sales to third party customers	121,467	7,756	10,882	24,814	-	164,919
Other revenues	633	-	912	7,644	-	9,189
Intercompany sales	41,281	711	309	21,120	(63,422)	-
Total Net Sales	**163,381**	**8,467**	**12,104**	**53,579**	**(63,422)**	**174,108**
Operating costs	**(141,687)**	**(14,865)**	**(13,530)**	**(42,705)**	**64,815**	**(147,972)**
Operating profit	**21,694**	**(6,398)**	**(1,426)**	**10,873**	**1,392**	**26,136**

31 March 2008 *in thousands of Euros*	Italy	The Americas	Japan	Rest of the World	Eliminations	Consolidated
Total current assets	227,025	19,424	15,431	116,272	(149,720)	228,432
Total assets	284,863	21,234	18,038	151,977	(205,863)	270,249
Total liabilities	134,153	27,203	21,031	90,287	(158,384)	114,290

Breakdown by geographical area (financial year of three months closed at 31 March 2007)

FY of 3 months closed at 31 March 2007 *in thousands of Euros*	Italy	The Americas	Japan	Rest of the World	Eliminations	Consolidated
Net sales to third party customers	14,966	813	2,042	1,876	-	19,697
Other revenues	115	-	5	5	-	125
Intercompany sales	8,650	4	-	4,532	(13,186)	-
Total Net Sales	**23,731**	**817**	**2,047**	**6,413**	**(13,186)**	**19,822**
Operating costs	**(28,724)**	**(2,725)**	**(2,576)**	**(6,825)**	**13,694**	**(27,157)**
Operating profit	**(4,993)**	**(1,908)**	**(530)**	**(411)**	**508**	**(7,335)**

31 March 2007 *in thousands of Euros*	Italy	The Americas	Japan	Rest of the World	Eliminations	Consolidated
Total current assets	178,676	21,310	14,282	96,419	(131,106)	**179,581**
Total assets	210,414	22,334	15,097	138,439	(169,176)	**217,107**
Total liabilities	135,814	3,499	2,049	72,486	(73,170)	**140,677**

In considering the scale of these figures it should be borne in mind that there is little of significance to be gained from comparing the twelve-month and three-month figures, for the financial periods which closed at 31 March 2008 and at 2007 respectively.

NOTES ON THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

4. GOODWILL

The breakdown of this item at 31 March 2008 and at 31 March 2007 is as follows:

in thousands of Euros	**31 March 2008**	31 March 2007
Goodwill, boutiques	719	719
Goodwill, Alfieri & St.John	4,258	4,258
Goodwill, Damiani Service Unipessoal Lda	25	-
Goodwill, New Mood	-	645
Total	5,002	**5,622**

€ 4,258 thousand of this item consists of the goodwill recognized on the acquisition in 1998 of 100% interest in Alfieri & St. John SpA; € 25 thousand is the goodwill recognized on the acquisition in November 2007 of 100% interest in Damiani Service Unipessoal Lda. The remainder is the goodwill paid in 1996, 2002, 2007 in connection with the acquisition of four single-brand stores managed directly by the Damiani Group.
The lower figure for 31 March 2008 compared with 2007 is due to the removal of the goodwill relating to New Mood since it has been acquired by parties subject to common control; this was recognized directly in the reserves forming part of Shareholders' Equity.

Impairment test on intangible assets with an indefinite useful life

Goodwill, an asset with an indefinite useful life , appears among fixed assets for the financial year closed at 31 March 2008 and at 31 March 2007 and has been subjected to an impairment test.
The following data and assumptions have been considered in performing the test:

• the financial data have been derived from the company's Business Plan for 2008-2011;

• cash flow has been determined starting from the EBITDA and adjusted in order to eliminate the amounts related to investments and to changes in working capital. Specifically, the cash flows for 2011 taken as a constant value for obtaining the "terminal value", have been determined assuming that the amount of the investments was equal to the amount of depreciation;

• the cash flows have been discounted at the Weighted Average Cost Of Capital (WACC), determined on the basis of the following assumptions:
1. risk-free rate : 4.4%;
2. beta of 5%;
3. ratio of debt/equity : taken from the company's data as of March 31, 2008;

• the terminal value was determined by taking the 2011 cash flow as an annual constant and calculating the discounted present value of these amounts. The growth rate "g" was conservatively assumed equal to zero;
• recoverable value has been determined with reference to the value in use.
The impairment test confirmed the value of the goodwill amounts as recognized.

5. OTHER INTANGIBLE FIXED ASSETS

The breakdown of this item at 31 March 2008 and 31 March 2007 is given below:

in thousands of Euros	31 March 2008	31 March 2007
Industrial rights and patents	188	120
Key Money	6,669	1,583
Other intangible assets	-	22
Fixed intangible assets under construction	199	-
Total other intangible fixed assets	**7,056**	**1,725**

The item "Key Money" has risen:
• by € 3,012 thousand due to sums paid for leases for three single-brand stores which the Group is now or shortly will be starting direct management;
• € 2,343 thousand Key Money in January 2008 for the Place Vendôme (Paris) store as part of the acquisition of 100% of the common stock of Eurostar France (now renamed "Damiani France").
This item also includes the one-off payment in the financial year 2002 (original value € 2,650 thousand) for renewing the lease of commercial premises in Milan; these amounts are amortized over the remainder of the lease.
So far as the Damiani France key money is concerned – in essence a "droit d'entrée" which the Group would receive back from some third party if the lease were not renewed as provided for in the lease contract according to French law – it should be pointed out that this is not subject to amortization since it is of indefinite duration; it is subjected to an annual impairment test to determine its fair value. On 31 March 2008 the comparison was made with the Fair Value figure determined on the basis of the expert valuations drawn up by an independent valuer: this confirmed the value as recognized in the Financial Statement.

Changes over the period in intangible fixed assets are given below:

in thousands of Euros	Industrial rights and patents	Key Money	Other intangible assets	Fixed intangible assets under construction	Total
Net book value at 31 March 2007	**120**	**1,583**	**22**	-	**1,725**
Purchases	113	3,012	-	199	3,324
Reclassification	22	-	(22)	-	-
Amortization	(67)	(269)	-	-	(336)
Change in area of consolidation	-	2,343	-	-	2,343
Net book value at 31 March 2008	**188**	**6,669**	**-**	**199**	**7,056**

The purchases under "Industrial rights and patents" refer to software licences.

6. TANGIBLE FIXED ASSETS

On 31 March 2008 tangible fixed assets amounted to a net value of € 14,698 thousand, down € 495 thousand since 31 March 2007. The composition of the item is as follows:

in thousands of Euros	31 March 2008	31 March 2007
Land and buildings	10,279	11,192
Plant and machinery	503	597
Industrial and commercial equipment	813	708
Other assets	2,878	2,696
Fixed tangible assets under construction	225	-
Total tangible fixed assets	**14,698**	15,193

The item "Land and buildings" includes sale and lease back assets that correlated parties purchased from Group's Companies and afterwards rented to the same companies (for details, see Paragraph 31: Transactions with Related Parties). The value of sale and lease back assets is of € 8,710 thousand at 31 March 2008 and 9,624 thousand at 31 March 2007.
The item "Other assets" include furniture, fittings, office machines and motor vehicles.
Below there given the movements of items making up Tangible Fixed Assets during the financial period ending 31 March 2008:

in thousands of Euros	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Fixed tangible assets under construction	Total
Net book value at 31 March 2007	**11,192**	**597**	**708**	**2,696**	-	**15,193**
Purchases	-	112	285	624	225	1,246
Disposals	-	-	-	(90)	-	(90)
Depreciation	(913)	(206)	(180)	(868)	-	(2,167)
Change in area of consolidation	-	-	-	516	-	516
Net book value at 31 March 2008	**10,279**	**503**	**813**	**2,878**	**225**	**14,698**

These fixed assets do not include any that have been subject to revaluation using the special provisions under Art. 10 of Law 72/83.

7. INVESTMENTS

On 31 March 2008 the item was exclusively made up of minority investments in consortiums, and in the companies Fin.Or.Val Srl and Banca d'Alba, totalling € 169 thousand. During the financial year the stake in Orgafin Srl (€ 375 thousand at 31 March 2007) was completely written off as unrecoverable.

8. FINANCIAL RECEIVABLES AND OTHER NON CURRENT ASSETS

The breakdown of this item on 31 March 2008 and 31 March 2007 is given below:

in thousands of Euros	31 March 2008	31 March 2007
Guarantee deposits	2,613	700
Receivables from related parties		3,936
Other receivables	50	17
Total financial receivables and non current assets	**2,663**	4,653

On 31 March 2007 this item mainly consisted of long-term financial receivables claimed by the Group toward its former controlled subsidiaries Jewels Manufacturing (€ 1,540 thousand) and Damiani Suisse (€ 2,378 thousand), its stakes in which had been sold to Related Parties in March 2007. During the financial year closed at 31 March 2008 these receivables were repaid in full.
The increase in the guarantee deposits compared with last year is mainly related to the amounts paid by Damiani Japan on signing the lease of the new Damiani store in Tokyo.

9. DEFERRED TAX ASSETS; DEFERRED TAX LIABILITIES

The balances of the items deferred tax assets and deferred tax liabilities in the financial year of twelve months closed at 31 March 2008 and in the financial year of three months closed at 31 March 2007 are detailed in the following schedule; the descriptions indicate the nature of the temporary differences:

in thousands of Euros	**31 March 2008**	31 March 2007
Deferred tax assets:		
Net impact of the returns reserve	3,256	3,967
Write off of intercompany inventory margins	3,403	2,549
Exchange loss differences	155	216
Bad Debts Reserve not deductible	369	372
Emoluments yet not paid to the workers	300	-
Intangible assets	262	290
Actuarial loss on trade receivables	103	282
Derivative instruments	-	49
Costs of the IPO	1,752	-
Write off of intercompany gains on brand transfer	2,077	1,937
Other timing differences of a taxation nature	552	126
Total deferred tax assets	**12,229**	**9,788**
Deferred tax liabilities:		
Exchange differences	291	250
Elimination of Damiani International tax allowance for inventory obsolescence	292	187
Other timing differences of a taxation nature	169	194
Deferred taxation on capital gains	1,856	2,153
Total deferred tax liabilities	**2,608**	**2,784**

It should be noted that the Group has properly computed its deferred tax assets and deferred tax liabilities on the basis of the tax rates expected to apply in the period in which the various temporary differences are to reverse. In particular the application of lower tax rates (introduced by 2008 Italian Financial Provisions Act) in the case of the temporary tax differences relating to companies operating in Italy has led to a 435 thousand higher figure for taxes in the present period. It should be noted that the amount of the cumulative losses of Casa Damiani Espana S.L., Damiani Japan KK and Damiani USA Corp. recoverable for fiscal purpose in next year is € 18,445 thousand. The Company did not prudentially calculate deferred tax assets on these losses.

10. INVENTORIES

The breakdown of this item at 31 March 2008 and 31 March 2007 is given below:

in thousands of Euros	**31 March 2008**	31 March 2007
Raw materials, semi-finished goods and advance payments	10,287	11,602
Finished products and goods	69,358	67,580
Returns into inventory from customers	15,068	15,538
Total	**94,713**	**94,720**

The net value of the inventories at 31 March 2008 was € 94,713 thousand and is essentially in line with last year's values.
It should be noted that the heading "Inventories" includes finished products delivered to customers for which it was not yet certain on the Financial Statement date that the risks and rewards of ownership had been fully transferred.
The Group does not feel the need for any provision for obsolescence of inventories in view of the nature of its products, which do not lose value by obsolescence. Moreover the inventories include no goods whose book value exceeds their realizable value as deduced from the behaviour of the market.

11. TRADE RECEIVABLES

The breakdown of this item on 31 March 2008 and 31 March 2007 is given below:

in thousands of Euros	31 March 2008	31 March 2007
Trade receivables, gross	**100,112**	96,845
Bad Debts Reserve	(2,854)	(2,973)
Fund for returns on sales from customers	(31,135)	(32,135)
Impact of Net Present Value calculation of receivables	(329)	(758)
Total trade receivables	**65,794**	60,979

The balance of the trade receivables is shown net of the bad debts reserve and the fund for returns from customers as well as of the effect of calculating the net present value of the receivables represented by bankers' orders that have been reissued and have due dates that go beyond the next accounting period.
Below there is given the movements of the bad debts reserve and the reserve for returns on sales during the twelve months closed at 31 March 2008.

in thousands of Euros	Fund for returns on sales from customers	Bad Debts Reserve
Book value at 31 March 2007	**(32,135)**	**(2,973)**
Accrual	-	(1,051)
Utilization	1,000	1,170
Book value at 31 March 2008	**(31,135)**	**(2,854)**

It is highlighted that the provisions posted during the period to the bad debts reserve are included in the item "Other net operating (charges) incomes" in the Income Statement. The accrual and the utilization of the fund for returns on sales from customers for the financial year closed at 31 March 2008 are included as a direct change of the item "Revenues from sales and services" of the Income Statement.
There are no receivables with a contractual duration longer than 5 years.

12. TAX RECEIVABLES

The breakdown of this item on 31 March 2008 and 31 March 2007 is given below:

in thousands of Euros	31 March 2008	31 March 2007
Receivables from Tax authorities for income taxes	394	144
Total tax receivables	**394**	144

13. OTHER CURRENT ASSETS

The breakdown of this item on 31 March 2008 and 31 March 2007 is given below:

in thousands of Euros	**31 March 2008**	31 March 2007
VAT receivables from the Tax Authorities	2,706	1,642
Prepayments on exchanges of goods	1,158	2,427
Deposits to suppliers	1,479	2,900
Prepayments	3,030	697
Receivables from other	6,345	1,975
Total other current assets	**14,718**	**9,641**

There has been an increase of € 5,077 thousand compared to the balance at 31 March 2007, mainly due to the rise in pre-paid expenses for the advertising campaign (testimonials) and to the amount due from the insurer (€ 6,064 thousand) by way of compensation on a claim for robbery suffered by Damiani SpA in February 2008; the deed of settlement for this has already been signed and the money will be received during the month of June 2008; it is classified under "Receivables from other" in the Balance Sheet and under "other net operating (charges) incomes" in the Income Statement.

14. CASH AND CASH EQUIVALENTS

The breakdown of this item on 31 March 2008 and 31 March 2007 is given below:

in thousands of Euros	**31 March 2008**	31 March 2007
Bank and post accounts	52,747	14,019
Cash on hand	66	78
Total cash and cash equivalents	**52,813**	**14,097**

The balance is the available liquidity in the bank and postal accounts and the petty cash at the closing date of the period. The increase compared to the previous period is relative to the income of cash from the stock exchange quotation with a gross amount before the related costs of € 73,850 thousand on 8 November 2007, the date of the start of trading in the shares of Damiani S.p.A. at Borsa Italiana, in the STAR (Segmento Titoli ad Alta Rilevanza) (Highly Relevant Securities Segment) section of the Stock Exchange.

15. SHAREHOLDERS' EQUITY

The principal changes in Shareholders' Equity over the twelve-month period ended 31 March 2008 were as follows:

• the shareholders' Meeting of 15 June 2007 resolved on the distribution of € 1,847 thousand in dividends to be taken from the profits of the three-month financial year ended 31 March 2007.

• On 26 June 2007 the shareholders' meeting resolved on a stock split of the ordinary shares, changing from 513,100 shares of nominal value € 55.00 each to 64,137,500 shares of nominal value € 0.44 each. On 8 November 2007, at the conclusion of the process of admitting the shares of Damiani SpA to trading in the STAR Segment of the electronic stock market (the Global IPO), the share capital increase decided on by the extraordinary Shareholders' Meeting of 26 June 2007 took place with the issue of 18,462,500 ordinary shares of nominal value € 0.44 each, subscribed by the Market together with 7,893,000 shares offered for sale by individual shareholders. Following the capital increase the share capital is now € 36,344 thousand, made up of 82,600,000 shares of nominal value € 0.44 each.

• The Shareholders' Meeting of 22 February 2008 authorized the purchase of own shares within the next 18 months, up to a maximum of 8,250,000 Damiani SpA ordinary shares. On 31 March 2008 1,170,536 shares were purchased, 1.42% of the share capital, for a total outlay of € 2,337 thousand.

16. LONG TERM FINANCIAL DEBT: CURRENT AND MEDIUM/LONG-TERM PORTION

Long term financial debt: the composition of the current and medium/long-term portions for 31 March 2008 and 31 March 2007 is as follows:

in thousands of Euros	31 March 2008	31 March 2007	Note
Non current portion			
Unicredit n. 509606 (1° tranche) EUR	-	6,000	
Unicredit n. 509606 (2° tranche) EUR	-	5,000	
Interbanca n. 50910/301 EUR	4,000	6,000	a
Medio Credito Centrale EUR	4,562	7,035	b
Banca di Roma n. 02-01322432 EUR	-	5,000	
Financial leasing EUR	8,069	8,983	c
Loan from Immobiliare Miralto S.r.l. (correlated party) EUR	-	775	
Total non current portion of medium/long financial debt	**16,631**	**38,793**	
Current portion			
Unicredit n. 509606 (1° tranche) EUR	-	2,000	
Unicredit n. 509606 (2° tranche) EUR	-	1,429	
Banco di Lugano CHF	-	118	
Interbanca n. 50910/301 EUR	2,000	2,000	a
Medio Credito Centrale EUR	2,474	2,383	b
Financial leasing EUR	688	456	c
Total current portion of medium/long term financial debt	**5,162**	**8,386**	
Total medium/long term financial debt	**21,793**	**47,179**	

Details of the main the loans from banks taken out by Group companies and still in being on 31 March 2008 are given below.
a) Interbanca loan 50910/301: an amount of €10,000,000 was originally borrowed in June 2005 with a schedule of equal half-year repayments over the period from 28 December 2005 to 31 December 2010; interest on this loan is paid at the rate of 3.87% a year;
b) the Medio Credito Italiano loan: an amount of € 10,000,000 was originally borrowed in October 2005 to be paid back in equal instalments over the period from 28 November 2005 to 30 November 2010; interest on this loan is at the rate of 3.68% a year;
c) borrowing on property leases includes the amount owed to Related Parties for the Bliss and Damiani stores, which counts as a sale and leaseback arrangement under IAS 17.

The improvement of € 25,386 thousand since 31 March 2007 derives from the repayments made under the loan's schedules, the final settlement on 21 August 2007 of the € 5 m loan provided in 2006 by Banca di Roma and the early repayment on 28 March 2008 of the loans made by Unicredit in two tranches (€ 14 m in January 2004 and € 10 m in June 2004), which was made possible by the funds arising from successful conclusion of the listing and IPO. This early repayment involved Damiani SpA in no extra costs.
The table below gives details of the Group's net financial indebtedness on 31 March 2008 and 31 March 2007:

Net Financial position *in thousands of Euros*	31 March 2008	31 March 2007	Change
Medium/Long term loans and financing - current portion	4,474	7,930	(3,456)
Medium/Long term loans and financing with related parties- current portion	688	456	232
Usage of credit lines, short term financing and others	2,593	8,882	(6,289)
Payables to factoring companies for sales of receivables	-	5,942	(5,942)
Current financial indebtedness	**7,755**	**23,210**	**(15,455)**
Medium/Long term loans and financing - non current portion	8,562	29,035	(20,473)
Medium/Long term loans and financing with related parties - non current portion	8,069	9,758	(1,689)
Non Current financial indebtedness	**16,631**	**38,793**	**(22,162)**
Total Financial Indebtedness	**24,386**	**62,003**	**(37,617)**
Bank and postal accounts	(52,747)	(14,019)	(38,728)
Cash on hand	(66)	(78)	12
Net Financial position	**(28,427)**	**47,906**	**(76,333)**

Net financial position on 31 March 2008 was positive (€ 28,427 thousands), resulting from the healthy cash flow generated by operations, the influx from the capital increase carried out on 8 November 2007 at the conclusion of the public listing and IPO of the Holding Company, Damiani SpA, which brought in 68,696 thousand net of ancillary costs already paid at 31 March 2008, only partly counterbalanced by the capital spending during the period on opening new points of sale, as well as the programme of purchasing own shares under the EGM resolution of 22 February 2008, which had absorbed € 2,337 thousands by 31 March 2008.

17. TERMINATION INDEMNITIES

In the twelve-month financial period ended 31 March 2008 there were the following changes to the Termination indemnities ("TFR"):

in thousands of Euros **Termination Indemnities at 31 March 2007**	**4,548**
Cost related to current work performed	124
Financial expenses	208
Paid benefits	(434)
Actuarial Loss (Profit)	(223)
Termination Indemnities at 31 March 2008	**4,223**

The changes over the period reflect the additional provision made to the Fund and drawings from it (including early payment of some benefits) in the course of the twelve-month financial period ended 31 March 2008.
The Termination indemnities is a defined-benefits scheme.
Its liabilities are calculated by the "Projected Unit Cost" method in the following stages:

• On the basis of a set of financial assumptions (rise in the cost of living, pay increases, etc), a projection is made of the potential future payments to be made to each employee in the event of retirement, death, invalidity, resignation, etc. These forecast future payments include any pay rises for further length of service that would accrue in future, and a rise in the general level of pay as forecast on the valuation date;

• the mean present value of the future payments is calculated on the basis of the chosen discount rate and the probabilities attaching to each payment on the Financial Statement date;

• the company's liability has been calculated by identifying the proportion of that mean present value of future payments which refers to the services which the employee has already provided to the firm by the valuation date;

• on the basis of this figure for liability and that of the reserve set aside in the Financial Statement as required under Italian law, the amount of the reserve recognized as valid for the purposes of IFRS is then calculated.

Details of the assumptions made are as follows:

Financial hypotheses	
Annual rate for the Net Present Value	4,60%
Annual inflation rate	2,50%
Annual rate of increase in the Employee Leaving Indemnity	3,38%

Demographic hypotheses	
Mortality	ISTAT 2000 (Italian National Statistics Institute)
Inability	INPS tables by age and sex
Pensionable age	Reaching the general obligatory social security requirements

The Group has decided not to adopt the "corridor method" provided for in IAS 19. Gains and losses arising from each actuarial re-calculation are accordingly booked to the Income Statement in each period, under Labour Costs.
From 1 January 2007 the TFR regulations have been significantly amended by the Italian Financial Provisions Act and its implementing Orders. Among other things, workers now have choices about the destination of their individual TFR funds. In particular, they may direct future TFR contributions into personal pension plans or keep them within the firm (in which case the firm must pay the contributions into a trust account with the national insurance service INPS). The introduction of the new regulations has not had any significant impact on the Group's accounts.

18. OTHER NON-CURRENT LIABILITIES

This item rose from € 276 thousand on 31 March 2007 to € 2,441 thousand on 31 March 2008. € 2.1 m of the increase compared with last year is due to outstanding debt to former shareholders of Damiani France: on the company's acquisition it was agreed that this would be paid by instalments between now and 15 June 2010.

19. TRADE PAYABLES

The composition of the item on 31 March 2008 and 31 March 2007 is given below:

in thousands of Euros	**31 March 2008**	31 March 2007
Trade payables due in less than 12 months	64,807	60,365
Bill payable, other credit securities and advances	498	717
Total	**65,305**	61,082

20. SHORT TERM BORROWINGS

Details of this item's composition on 31 March 2008 and 31 March 2007 are given below:

in thousand of Euros	**31 March 2008**	31 March 2007
Usages of short term credit lines and bank loans	2,615	8,389
Payables to factor for receivables yielded	-	5,942
Fair value of financial derivatives	(22)	493
Total short term borrowings	**2,593**	**14,824**

Drawings on short-term lines of credit were made for the provision of circulating capital.
The decrease of payables to factor for receivables yielded is due to the fact that the Group, after IPO, has a positive net financial position and so has not requested funds in advance from factor. The item "Derivative instruments at Fair Value" represents the net amount of financial liabilities or assets recognized on the Balance Sheet date for the fair value of hedges against exposure to fluctuations in interest rates.

21. INCOME TAX PAYABLES

The breakdown of this item on 31 March 2008 and 31 March 2007 is given below:

in thousands of Euros	**31 March 2008**	31 March 2007
VAT payables	145	1,985
Taxes withheld from employees (IRPEF)	358	388
Current income tax payables (IRES and IRAP)	8,321	1,403
Other tax payables	153	1,081
Total income tax payables	**8,977**	**4,857**

The amount due on current taxes has risen because the higher taxes of the financial year.
The item "Other Tax payables" is lower because the 2007 figure included amounts of tax withheld on dividend payments in the first quarter of that year.

22. OTHER CURRENT LIABILITIES

Details of this item's breakdown on 31 March 2008 and 31 March 2007 are given below:

in thousand of Euros	**31 March 2008**	31 March 2007
Payables to social security institutions	1,113	734
Payables to employees	3,480	2,895
Other liabilities	1,486	1,235
Accrued expenses	244	210
Deferred income	27	53
Total other current liabilities	**6,350**	**5,127**

"Payables to social security institutions" includes all amounts due for social security charges and compulsory contributions to retirement, unemployment and other insurance.

"Payables to employees" consists of annual and other leave accrued but not yet taken, as well as pay accrued but not yet paid for the "13th and 14th months' salary".
The Notes which follow refer to quantities where the figures for financial year of twelve months closed at 31 March 2008 and those for financial year of three months closed at 31 March 2007 are clearly not directly comparable.

23. REVENUES

The table below shows the Group's consolidated revenues for the twelve-month financial period ended 31 March 2008 and the three-month financial period ended 31 March 2007:

in thousands of Euros	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Revenues from sales and services	164,919	19,697
Other recurring revenues	683	125
Other non-recurring revenues	8,506	-
Total revenues	**174,108**	19,822

The breakdown of revenues by distribution channel is as follows:

In thousand of Euros	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Wholesale	147,852	16,078
as % of total revenue	84.9%	81.1%
Retail	9,856	2,004
as % of total revenue	5.7%	10.1%
Total Revenues wholesale and retail	**157,708**	18,082
as % of total revenue	90.6%	91.2%
Other channels/Other recurring revenues	7,894	1,740
Other channels/Other not recurring revenues	8,506	-
Total other channels /Other revenues	**16,400**	1,740
as % of total revenue	9.4%	8.8%
Total Revenues	**174,108**	19,822

The breakdown of revenues by geographical area is as follows:

in thousands of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Italy	**122,100**	**15,081**
- revenues from sales of goods and services	121,467	14,966
- other recurring revenues	633	115
The Americas	**7,756**	**813**
- revenues from sales of goods and services	7,756	813
Japan	**11,794**	**2,047**
- revenues from sales of goods and services	10,882	2,042
- other recurring revenues	18	5
- other non recurring revenues	894	-
Rest of the World	**32,458**	**1,881**
- revenues from sales of goods and services	24,814	1,876
- other recurring revenues	32	5
- other non recurring revenues	7,612	-
Total revenues	**174,108**	**19,822**

Details of other revenues (recurring and non-recurring) are given below for the twelve-month financial period ended 31 March 2008 and the three-month period ended 31 March 2007.

in thousand of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Leases and rentals	421	63
Franchising	240	57
Capital gain on disposals of fixed assets	1	-
Revenue from sale of advertising material	21	5
Other recurring revenues	**683**	**125**
Other non recurring revenues- Key money	**8,506**	-
Other revenues	**9,189**	**125**

Non-recurring revenues relate to Key Money returned for giving up three leases prematurely which it was decided were not strategically useful for the development of the Group's retail network.

24. COST OF RAW MATERIALS AND CONSUMABLES

The table below shows the expenditure on raw materials and other materials (including purchases of finished products) in the twelve-month financial year ended 31 March 2008 and the three-month financial year ended 31 March 2007:

in thousand of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Purchases	71,270	14,498
Change in inventory of finished products	(2,245)	(5,231)
Change in inventory of raw materials and consumables	873	(703)
Total costs of raw materials and consumables	**69,898**	**8,564**

The figure for expenditure in the financial period ending 31 March 2008 includes the losses from the robbery at the Damiani SpA showroom in Milan on 24 February 2008. The value of the jewellery stolen was fully covered by the insurance policy taken out with a leading insurer; as mentioned above, € 6,064 thousand compensation for this has already been formally agreed and has been recognized in "Other net operating (charges)incomes" (see Note 27). Net profit for the financial period ending 31 March 2008 was not therefore significantly affected by this event.
As a percentage of turnover, purchases (net of changes in stocks) accounted for some 40% of total sales of goods and services on 31 March 2008 (43% on 31 March 2007).

25. COSTS OF SERVICES

Detailed breakdowns of this item for the year ended 31 March 2008 and for the three months ended 31 March 2007 are given below:

in thousand of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Functional expenses	9,031	1,518
Advertising expenses	14,655	1,579
Other commercial expenses	4,728	1,195
Production costs	6,313	1,106
Consultancy	4,002	1,170
Travel/transport expenses	5,182	1,229
Directors' Fees	3,502	1,513
Usage of third party properties	6,306	1,636
Total costs of services	**53,719**	**10,946**

26. PERSONNEL COSTS

Detailed breakdowns of this item for the year ended 31 March 2008 and for the three months ended 31 March 2007 are given below:

in thousand of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Wages and salaries	16,522	3,831
Social security costs	4,948	1,213
Termination indemnity	728	254
Other personnel costs	2,051	191
Total personnel costs	**24,249**	**5,489**

The following table gives the mean number of staff employed by the Group during the financial period ending 31 March 2008

Labor Category

	FY of 12 months closed at 31 March 2008
Managers	55
Clerks	350
Workers	107
Total	**512**

27. OTHER NET OPERATING (CHARGES) INCOMES

Detailed breakdowns of this item for the financial year of twelve months closed at 31 March 2008 and for the financial year of three months closed at 31 March 2007 are given below:

in thousand of Euros	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Other operating (charges) incomes	4.519	(1,123)
Net exchange difference from trade receivables	(2,122)	(288)
Total net other operating (charges) incomes	**2,397**	**(1,411)**

This item includes € 6,064 thousand refunded by the insurer for the robbery of Damiani SpA in February 2008, already agreed and to be received during the month of June 2008.

28. AMORTIZATION AND DEPRECIATION

Detailed breakdowns of this item for the financial year of twelve months closed at 31 March 2008 and for the financial year of three months closed at 31 March 2007 are given below:

in thousand of Euros	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Amortization of intangible assets	336	100
Depreciation of tangible assets	2,167	647
Total Amortization and depreciation	**2,503**	**747**

29. FINANCIAL EXPENSES AND INCOMES

Detailed breakdowns of this item for the financial year of twelve months closed at 31 March 2008 and for the financial year of three months closed at 31 March 2007 are given below:

in thousand of Euros	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Net losses on exchange	(213)	-
Interest paid	(2,283)	(951)
Fair value of financial instruments	-	(803)
Other financial charges	(816)	-
Total financial expenses	**(3,312)**	**(1,754)**
Net profit on exchange	-	152
Fair value of financial instruments	109	-
Financial gain on discounting	758	769
Other financial revenues	1,286	233
Total financial incomes	**2,153**	**1,154**
Total financial (expenses) and incomes	**(1,159)**	**(600)**

30. INCOME TAXES

Detailed breakdowns of this item for the financial year of twelve months closed at 31 March 2008 and for the financial year of three months closed at 31 March 2007 are given below:

(In thousands of Euros)	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Current taxes	9,157	946
Deferred tax (assets)/Liabilities	518	(3,330)
Total income taxes	**9,675**	**(2,384)**

Current taxes include both national corporate income tax (IRES) and the regional tax (IRAP) for the period.
The reconciliation between the tax charge as shown in the Consolidated Financial Statement and the theoretical tax charge calculated from the IRES rate applicable to Damiani SpA is given below, for the financial year of twelve months ended 31 March 2008:

in thousand of Euros	FY of 12 months closed at 31 March 2008
Profit before taxes	24,977
IRES (Corporate) Tax Rate for the period	33%
Theoretical Tax Burden	**(8,242)**
Non recoverable subsidiary losses	(2,142)
IRAP (Regional Tax on Productive Activities) effect	(1,608)
Effect of foreign companies	2,880
Change in the tax rate	(279)
Other non deductible costs	(526)
Other lesser differences	243
Total differences	**(1,433)**
Total taxes for Income Statement	**(9,675)**
Effective tax rate	39%

31. TRANSACTIONS WITH RELATED PARTIES

This paragraph describes the relations between companies of the Damiani Group and all "Related Parties" during the financial year of twelve months ended 31 March 2008 and during the financial year of three months ended 31 March 2007, and sets out the effect of these transactions/positions on the figures in the consolidated Income Statement and Balance Sheet.
These transactions with Related Parties during the periods in question concerned property (leases, sale/leaseback transactions, leasing of company divisions – mainly with Immobiliare Miralto Srl) and trading activity (sale of jewellery products, co-operation agreements – mainly with the Rocca Group.
The table below gives details of the relations between Group companies and Related Parties during the financial year ending 31 March 2008.

	FY of 12 months closed at 31 March 2008			Balance at 31 March 2008			
in thousands of Euros	**Revenues**	Operating Costs	**Financial (Expenses) Incomes**	**Trade receivables**	**Financial payables (including leasing)**	**Trade payables**	**Real estate in lease back**
Sparkling Inv. SA		(170)				(170)	
Idea Rocca S.r.l	1,491			2,427			
Rocca S.p.A.	5,837	(598)		1,298		(80)	
Rocca International SA	576	(7)		121			
Imm.re Miralto S.r.l.		(1,355)	(586)		(8,757)	(491)	8,710
Courmayeur Rocca S.r.l	27			1			
Jewels Manufacturing SA			16				
Immobiliare Pessina SA			21				
Famiglia Grassi Damiani	25	(239)		-		(5)	
Totals with correlated parties	**7,956**	(2,370)	**(549)**	**3,846**	**(8,757)**	**(746)**	8,710
Totals from Financial Statements	**174,108**	(147,972)	**(1,159)**	**65,794**	**(21,793)**	**(65,305)**	
%age weight	**5%**	2%	**47%**	**6%**	**40%**	**1%**	

• The payment of €170,000 to the related party Sparkling Inv. SA was for the controlled subsidiary Damiani International BV to hire jewels belonging to Sparkling (which had won the Diamonds International Awards) on special occasions;
• the receipts from Idea Rocca Srl were made up of the sale of jewels of various Group brands (€ 1,236 thousand), royalties (€ 250 thousand) and rent (€ 5 thousand);
• the receipts from Rocca SpA were made up of the sale of jewels of various Group brands (€ 5,251 thousand) and rent to New Mood and Damiani SpA (€ 587 thousand) for three single-brand stores managed by the company. Conversely, Rocca SpA was paid € 560 thousand by Damiani International BV for the termination on 21 May 2007 of a preliminary contract agreed with Rocca in September 2006 for the purchase of a company division consisting of a store site in Italy. Furthermore, Rocca SpA was also paid € 38 thousand by New Mood SpA for property conveyance charges on sales premises in a Rome shopping centre where a franchise store is planned;
• € 576 thousand was received by Damiani International BV from Rocca International SA in relation to sales of jewels;
• Immobiliare Miralto Srl was paid a total of € 469 thousand by way of rent for the premises in Milan's Corso Magenta and at Valenza (AL). Operating costs included amortization quotas of € 886 thousand on buildings in Milan – the Damiani and Bliss stores, the laboratory facilities at Bassignana (AL) used by the controlled subsidiary Laboratorio Damiani Srl, and a store in Portofino. These premises, which belong to this related party, had earlier been the subject of sale/leaseback transactions, recognized as such under IAS 17; this accordingly gave rise to a financial charge on the interest portion of the repayment of the € 586 thousand financial debt shown in the table. The remaining financial debt from these sale/leaseback transactions now amounts to € 8,757 thousand, and the corresponding net book value of the premises is € 8,710 thousand.
• the € 27 thousand revenue from Courmayeur Rocca Srl relates to jewellery sales;
• the € 16 thousand financial revenues from Jewels Manufacturing SA relate to interest on a funding loan made to the company it was still a controlled subsidiary of the Group. Following the disposal of this company to a related party (Jewellery Investment SA, now renamed D.Holding SA) in March 2007 and its removal from the scope of consolidation, the loan of € 1,531 thousand was repaid in full on 14 September 2007.
• the € 21 thousand financial revenues from Immobiliare Pessina SA (previously Damiani Suisse SA) relate to interest on a funding loan made to the company when it was still a controlled subsidiary of the Group. Following the disposal of this company to a related party (Jewellery Investment SA, now renamed D.Holding SA) in March 2007 and its removal from the scope of consolidation, the loan of € 2,405 thousand was repaid in full on 23 July 2007.
•the € 25 thousand,000 financial revenues from the Grassi Damiani family relate to jewellery sales; conversely, the € 239 thousand paid to that family relate to rent on the office premises in Valenza (AL).

The table below gives details of the relations between Group companies and Related Parties in the financial year of three months ended 31 March 2007.

in thousands of Euros	FY of 3 months closed at 31 March 2007			Balance at 31 March 2007				
	Revenues	Operating Costs	Financial (Expenses) Incomes	Financial receivables	Trade receivables	Financial payables (including leasing)	Trade payables	Real estate in lease back
Rocca S.p.A.	829				840		(1,611)	
Rocca International SA	11							
Idea Rocca SpA	709				5,053			
Imm.re Miralto S.r.l.		(257)	(53)			(10,205)	(520)	9,264
Jewels Manufacturing S.A.				1,531				
Damiani Suisse S.A.				2,405				
Famiglia Grassi Damiani	1	(59)					(62)	
Totals with correlated parties	**1,550**	**(316)**	**(53)**	**3,936**	**5,893**	**(10,205)**	**(2,193)**	**9,264**
Totals from Financial Statements	**19,822**	**(27,157)**	**(600)**	**4,653**	**60,979**	**(47,179)**	**(61,082)**	
%age weight	**8%**	**1%**	**9%**	**85%**	**10%**	**22%**	**4%**	

The transactions with each Related Party are described below:

• Rocca SpA: the receipts relate to the sale of jewellery products of various Group brands and rent for stores in Italy; the trade payable to Rocca SpA also includes the remainder of the € 500 thousand for the purchase of the "Calderoni" trade mark at the end of 2006; this remaining € 400 thousand was paid in the quarter ended 30 June 2007;
• The receipts from Rocca International S.A. relate to jewellery sales by Damiani International B.V.;
• Idea Rocca Srl: the revenues (and corresponding trade receivables) relate to the sale of Damiani brand products in the course of trading; following a five-year co-operation agreement with Damiani SpA, the latter is also managing the Venice store from the end of March 2007 (the contract provides for a royalty of 8% of turnover, but with a minimum guaranteed fee of € 250 thousand for the first two years and € 330 thousand for each year thereafter);
• Immobiliare Miralto Srl: the costs stated relate to rent for the office premises in Milan (mainly those at 82, Corso Magenta); the financial charge rose in this period following the sale/leaseback transaction agreed with Damiani SpA on 27 March 2007 on the building at 10, Via Montenapoleone (€ 5,500 thousand), subsequently leased back to Damiani SpA at an annual rent of € 350 thousand for the first year, € 500 thousand for the second and € 700 thousand for subsequent financial periods. This transaction gave rise to a capital gain of € 1,769 thousand which has been recognized directly in Shareholders' Equity, since the transaction is between organizations subject to common control;
• Jewels Manufacturing S.A: this company, which had been a wholly-owned subsidiary of Damiani International B.V., was sold in March 2007 to Jewellery Investment S.A. (now D. Holding S.A.) for € 2,900 thousand (the funds were received on 29 March 2007). This sale, which entailed its removal from the scope of the Group's Consolidated Financial Statement, involved reclassification of a loan of € 1,531 thousand to the previously consolidated company; the loan was repaid in full on 14 September 2007;
• Damiani Suisse S.A. (now renamed Immobiliare Pessina S.A.): this company, formerly a wholly-owned subsidiary of Damiani International B.V., was sold in March 2007 to Jewellery Investment S.A. for € 350 thousand (the funds were received on 30 March 2007). This sale, which entailed its removal from the scope of the Group's Consolidated Financial Statement, involved reclassification of a loan of € 2,405 thousand lent to the previously consolidated company; the loan was repaid in full on 23 July 2007.
• Grassi Damiani family: the sum paid to the family relates to rent on the office premises in Valenza (AL);

In both periods there were also loans between the Holding Company and some of its controlled subsidiaries; these were negotiated at arm's length on normal market terms.

32. COMMITMENTS AND POTENTIAL LIABILITIES

There were no commitments other than those already shown in the Financial Statement at 31 March 2008. In particular it should be noted that the special lien on certain stocks relating to the loan taken out by Damiani SpA in 2004 from Unicredit Banca d'Impresa SpA (a total of € 24 million, in two tranches) expired with the early repayment of that loan on 28 March 2008.

33. ATYPICAL AND/OR UNUSUAL AND NON RECURRING TRANSACTIONS

There were no positions or transactions arising from "atypical and/or unusual transactions" to report, as defined by CONSOB Resolution 15519 of 27/07/2006.
The one-off transactions which have already been mentioned in the Annual Report may be summarized as follows:
• Indemnities paid by third parties to Damiani Group companies for the early relinquishment of three stores which are not strategic assets for the Group. The total net proceeds were € 7,946 thousand (gross receipts of € 8,506 thousand and associated costs of € 560 thousand).

34. EARNINGS PER SHARE

Basic EPS has been calculated by dividing the net profit for the twelve months attributable to Damiani SpA's ordinary shareholders by the weighted mean number of shares in circulation during the financial period in question. Since the EGM on 26 June 2007 resolved to divide the company's ordinary shares and replace them with ordinary shares of nominal € 0.44 each, this division has been taken into account retrospectively for the purposes of re-calculating basic EPS for the twelve months to 31 March 2007.
Diluted EPS (under IAS 33 para. 64) has been calculated for both twelve-month periods taking into account the rise in the number of shares following the capital increase after the listing of the Holding company, Damiani SpA, in the STAR segment of the Italian stock market managed by Borsa Italiana.
Furthermore the calculation of EPS for the financial year closed at 31 March 2008 used the weighted mean number of ordinary shares in circulation taking into account the effects of the March 2008 purchase of treasury shares in accordance with the EGM resolution of 22 February 2008. Diluted EPS calculation also took into account the diluting effect arising from the actuarial forecast (as required by the IFRS2) of exercise of entitlements under the staff stock option scheme of 5 November 2007 when it matures.
Details of the shares taken into account for the purposes of calculating Basic and Diluted EPS are set out below:

Basic Earnings per Share	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Number of ordinary shares at the beginning of the period	64,137,500	64,137,500
Increase related to a paid capital increase (IPO) as of November 8,2007	18,462,500	-
Number of ordinary shares at the end of the period	82,600,000	64,137,500
Weighted average number of ordinary shares for computation of basic earnings per share	71,361,622	64,137,500
Basic Earnings per Share	**0.21**	(0.09)

Diluted Earnings per Share	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of diluited earnings per share	71,361,622	-
Diluted effect from Stock option plan	466,073	-
Weighted average number of ordinary shares for computation of basic earnings per share	71,827,695	82,600,000
Diluted Earnings per Share (amount in Euro)	**0.21**	(0.07)

35. STOCK OPTION PLAN

On 26 September 2007 the Ordinary Shareholders' Meeting approved a stock option scheme for all those employees, directors, agents and advisers of Damiani SpA and its controlled subsidiaries who perform significant duties or functions for Group companies. The scheme provides for the allocation of up to 1.6m options, each giving an entitlement to purchase or subscribe one ordinary share at the offer price, in the case of allocations made before trading started in the electronic stock market. For allocations following the start of trading, on the other hand, the exercise price will be the arithmetic mean of the share's official market prices during the period between the allocation date and the same day of the preceding calendar month, in accordance with the tax laws in force at the time.
On 5 November 2007 the Board of Directors put the stock option scheme into practice, and with the help of the Remuneration Committee named the directors, employees, agents advisers and workers of the Group who were to be its beneficiaries; they allocated 1,543,000 options at the price of € 4.00 per option. The Board of Directors then set the general target to be achieved as a necessary condition for the exercise of options by any beneficiary, and authorized the President to set individual targets for each beneficiary which should likewise be met before that beneficiary could exercise his or her options. Thus the exercise of any option is conditional on the Group achieving a general target in terms of a threshold level of consolidated Group EBITDA by the end of the three-year period 2008-2010 in line with the Group's Industrial Plan and on the individual meeting a personal target set for each of the three financial years.
In the twelve-month financial period ended 31 March 2008 the impact on the Consolidated Income Statement arising from the actuary's valuation of the options at Fair Value on the allocation date in accordance with the criteria prescribed in IFRS 2 amounted to € 58,000.
In detail: the binomial Black-Scholes model adopted by the actuary is based on the following main assumptions:
• Volatility of comparable stocks listed in Italy: 23.5%
• Risk-free rate of return: 4.10%
• Dividend yield: 0%
• The option maturity date is 31 March 2011 and the vesting date is 5 April 2010, as shown in the Stock Option Scheme Rules approved by the Damiani SpA AGM on 26 September 2007.
The following table gives details of the stock options allocated to directors, general managers and senior managers with strategic responsibilities:

Individual	Position held	Number of options
Giulia De Luca (*)	Board Member, Director General	500,000
Stefano Graidi	Board Member	50,000
Simone Rizzetto	Administrator Damiani Manufacturing	12,500
Cristian Rizzetto	Administrator Damiani Manufacturing	12,500
Maurizio Ponta	Administrator Laboratorio Damiani	12,500
Executives with strategic responsibilities		312,500

(*) On 21 May 2008 Damiani S.p.A. communicated that Dr.Giulia De Luca had presented her resignation from the position of Director General and CFO of the Damiani Group and her handing over is settled within the month of August 2008

36. CAPITAL MANAGEMENT

The company's primary objective is to ensure a constant balance between profitability measures (the Company's ability to turn the profits generated into cash flow), solvency measures (its ability to maintain a balanced structure of assets and liabilities) and growth measures (its ability to ensure steady income growth without compromising the overall soundness of the Balance Sheet).
So far as the management of capital in particular is concerned, the Company considers it essential to maintain a very sound Balance Sheet in order to maximise its credit rating and hence support its plans for expansion under the best possible conditions.

The Company manages the structure of its capital and amends it in accordance with changes in economic circumstances and the objectives of its strategic plans.
In order to maintain or fortify its capital structure the Company may revise its dividend distribution policy from time to time, and may sell treasury shares which it holds, purchase further treasury shares, or make new issues of shares.

37. REMUNERATIONS FOR COMPANY BODIES

The table below shows,, as required by Annex 3C to Layout 1 prescribed in the Rules for Listed Companies, the remuneration accruing during the period to members of the governing and supervisory bodies, the general manager and those senior managers who have strategic responsibilities.

Individual *(in Euros)*	**Office**	**Duration of office**	**Remuneration from Damiani S.p.A.**	**Not monetary benefits**	**Bonus and other incentives**	**Other remunera-tions***	**Total**
Guido Roberto Grassi Damiani	Chairman and CEO Damiani S.p.A., Chairman Alfieri & St. John S.p.A., Laboratorio Damiani S.r.l.,New Mood S.p.A. e Damiani Japan KK, Director Damiani Manufacturing S.r.l., Damiani International BV e Damiani Usa Corp.	2007-2010	1,110,000	10,154	-	154,000	1,274,154
Giorgio Andrea Grassi Damiani	Director Damiani S.p.A., Alfieri & St. John S.p.A., New Mood S.p.A. and Damiani Japan KK, Chairman Damiani Manufacturing S.r.l. and Damiani USA Corp.	2007-2010	432,000	8,879	-	92,000	532,879
Silvia Maria Grassi Damiani	Director Damiani S.p.A	2007-2010	375,000	4,954	-	-	379,954
Giulia De Luca (**)	Director e Managing director Damiani S.p.A., CEO Alfieri & St. John S.p.A. and New Mood S.p.A., Director Damiani Manufacturing S.r.l., Laboratorio Damiani S.r.l., Damiani Japan KK, Damiani USA Corp., Damiani International BV	2007-2010	180,000	18,151	1,500	687,563	887,214
Stefano Graidi	Director Damiani S.p.A.and Damiani International BV	2007-2010	30,000	-	-	10,000	40,000
Giancarlo Malerba	Director Damiani S.p.A.	2007-2010	30,000	-	-	2,500	32,500
Fabrizio Redaelli	Director Damiani S.p.A.	2007-2010	30,000	-	-	2,500	32,500
Lorenzo Pozza	Director Damiani S.p.A.	2007-2010	30,000	-	-	2,500	32,500
Gabriella Colombo Damiani	Honorary Chairman Damiani S.p.A. (***)		125,000	-			125,000
Gianluca Bolelli	Chiarman of the Board of Statutory Auditors	2007-2010	8,830				8,830
Simone Cavalli	Acting Statutory Auditor	2007-2010	8,363				8,363
Fabio Massimo Micaludi	Acting Statutory Auditor	2007-2010	7,900				7,900
Stategic Managers						763,988	763,988

(*) Other remuneration include fees received as member of Board of Directors or Statutory Auditors of other subsidiaries, wages (if any) and further remunerations that become from other services supplied.
(**) On May 21 2008 Damiani S.p.A. announced that Giulia De Luca has resigned from her positions as General Manager and CFO of Damiani Group and her handing over is settled within the month of August 2008.
(***) The honorary office does not have a duration, but from 10/1/2007 does not receive any remuneration.

38. FINANCIAL RISKS MANAGEMENT AND OTHER INFORMATION REQUIRED BY THE APPLICATION OF IFRS 7 STANDARD

In view of the present situation of the finances and Balance Sheet arising from the recent conclusion of the listing process which has injected considerable cash in the form of capital contributions in the case of the Holding Company, the Damiani Group has not adopted a specific policy for managing financial risks, but such potential risks are evaluated with reference to specific projects which the Group intends to develop.

Interest rate risk

At present the Group has a positive net financial position, as the effect of the capital increase connected with listing in the regulated market managed by Borsa Italiana, and accordingly has no significant exposure to this risk. It has not, therefore, set up any hedges against it.
Following the financial inflow from the IPO and rights issue, in fact, the medium/long-term loan provided by Unicredit in two tranches totalling € 24m was paid off early, and at the same time the Group unwound the interest rate swaps taken out to effectively turn these variable-rate loans into a fixed-rate one. The IRS were cancelled on 27 March 2008.
As a result the Damiani Group is at present unaffected by interest rate risk, mainly having recourse to short-term borrowing using lines of credit for its operational requirements for circulating capital.

Exchange rate risk

Some Group companies make commercial transactions in currencies other than its accounting currency (EUR), mainly in USD and JPY for the purchase of raw materials (diamonds and pearls), and are accordingly exposed to exchange rate risk. If the risk is particularly significant in relation to the volume and/or degree of exposure arising from these transactions, contracts are entered into for forward sale or purchase of the foreign currency.
The policy of such exchange rate risk hedging was not significantly different in the financial year to 31 March 2008 from what it had been in previous periods.

Liquidity risk

Liquidity risk for the Damiani Group is limited at present, since its current liabilities are covered by existing cash flow.
The Group's exposure here mainly consists of trade payables connected with its supplier relationships.
The following table shows the Group's exposure for 31 March 2008 and 31 March 2007.

Analysis of the due dates at 31 March 2008

in thousands of Euros

	within 1 year	1 to 5 years	over 5 years	Total
Trade payables	65,305	-	-	65,305
Long term financial debt to banks	4,474	8,562	-	13,036
Long term financial debt to leasing companies	688	2,752	5,317	8,757
Short term borrowings	2,593	-	-	2,593
Other current liabilities	15,327	-	-	15,327
Total Exposure	**88,387**	**11,314**	**5,317**	**105,018**

Analysis of the due dates at 31 March 2007

in thousands of Euros

	within 1 year	1 to 5 years	over 5 years	Total
Trade payables	61,082	-	-	61,082
Long term financial debt to banks	7,930	29,035	-	36,965
Long term financial debt to leasing companies	456	1,824	7,159	9,439
Long term financial debt to correlate parties	-	775	-	775
Short term borrowings	14,824	-	-	14,824
Other current liabilities	9,984	-	-	9,984
Total Exposure	**94,276**	**31,634**	**7,159**	**133,069**

Credit risk

Credit risk may be defined as the possibility of suffering a financial loss as the result of other parties' failure to fulfil their contractual obligations.
In relation to the Group's current account balances, which are particularly high compared with past ones as a result of the capital increase connected with the conclusion of the listing process, this risk is limited, since the other parties involved are leading banks with high ratings.
As to trading partners, the Group deals with a select, reliable set of customers mainly consisting of jewellery stores. In view of the general soundness of the clientele, it is not the Group's practice to ask for collateral-backed guarantees, though it does subject its new customers to preliminary screening through a special business information provider (Federalpool) and monitors all customers by awarding them individual credit limits; the credit of each is moreover monitored automatically by recourse to an information provider which reports possible adverse indications (e.g. dishonoured bills), and these immediately trigger embargo procedures and accelerated credit recovery. Furthermore, the balance of receivables is constantly monitored throughout the period so as to avoid or at least minimize bad debt – indeed, there has not been bad debt on any significant scale in the past.

The table below shows the maximum potential exposure to credit risk, for 31 March 2008 and 31 March 2007.

(in thousands of Euros)	31 March 2008	31 March 2007
Cash and cash equivalents	52,813	14,097
Trade receivables	65,794	60,979
Financial receivables from subsidiary companies	-	3,936
Other non current assets	2,663	717
Other current assets	15,112	9,785
Total maximum exposure to the Credit Risk	**136,382**	**89,514**

Price risk

The Damiani Group uses various raw materials, but mainly precious stones, gold, platinum, silver, pearls and other costly materials whose price and availability in the market is liable to vary considerably as a result of factors such as laws and government regulations, market behaviour and the general macroeconomic background, shifts in dollar exchange rates (the USD being the currency in which the Group's purchases are made), transactions with suppliers (e.g. the Diamond Trading Company controlled by De Beers in the case of diamonds), and supply conditions.
The fact that finished products are mainly purchased by suppliers with whom the Group has well-established relations and definite agreements over the medium term has enabled the Damiani Group to mitigate the effects of recent swings in the prices of some raw materials.

Other information asked for by the IFRS 7

The table below summarizes the Group's financial assets and liabilities classified on the basis of the categories prescribed by IAS 39.

	Book value						Fair value	
	Total		of which current		of which non-current			
in thousands of Euros	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007
Cash and cash equivalents	52,813	14,097	52,813	14,097	-	-	52,813	14,097
Trade receivables	65,794	60,979	65,794	60,979	-	-	65,794	60,979
Other financial assets	17,775	10,502	15,112	9,785	2,663	717	17,775	10,502
Financial receivables from subsidiary companies	-	3,936	-	-	-	3,936	-	3,936
Total financial assets	**136,382**	**89,514**	**133,719**	**84,861**	**2,663**	**4,653**	**136,382**	**89,514**
Trade payables	65,305	61,082	65,305	61,082	-	-	65,305	61,082
Payables to banks and other financial liabilities	39,713	71,987	23,082	33,194	16,631	38,793	39,713	71,987
Total financial liabilities	**105,018**	**133,069**	**88,387**	**94,276**	**16,631**	**38,793**	**105,018**	**133,069**

The table below summarizes the revenues and charges attributable to these financial assets and liabilities classified on the basis of the categories defined by IAS 39:

Profits and losses from financial instruments

in thousands of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Net profits on fair value instruments with changes posted to the Income Statement	109	-
Interest receivable on financial assets not valued at fair value:		
- on deposits	1,083	1
- on financial receivables from correlated parties	37	48
Total profits	**1,229**	**49**
Net losses on financial derivatives	-	803
Interest payable on financial liabilities not valued at fair value:		
- short term payables to banks	941	440
- loans and financing	1,308	430
- bonds issued	-	81
others	-	-
Losses from write downs of financial instruments		
- trade receivables	53	172
Bank charges and commissions	885	271
Totale charges	3,187	2,197
Total	**(1,958)**	**(2,148)**

39. AUDITING COSTS

The following Schedule, drawn up in accordance with Art.149-duodecies of the CONSOB Rules for Listed Companies, shows the contractual fees accruing in the financial year 2007/2008 for services provided by the independent audit company and by any other organization belonging to the same network.

Type of Service	Service provider	Service provide to	Fee
Audit of the accounts	Reconta Ernst & Young S.p.A.	Parent Company	119
Audit of the accounts	Reconta Ernst & Young S.p.A.	Subsidiaries	207
Total fees			**326**

Furthermore, during the financial year closed at 31 March 2008, for the services supplied in the context of the quotation process of Damiani S.p.A., concluded on 8 November 2007 with the start of trading on Borsa Italiana, STAR segment, fees were paid to the external auditing company of €1,350 thousand (€ 1,572 thousand inclusive of ancillary costs) .

Audit services linked to the quotation process regarded :

• audit of Consolidation Financial report according to IFRS for the twelve months closed at 31 March 2007 and 31 March 2006, as well as for the Financial Statements closed at 31 December 2006, 2005 and 2004;

• limited accounting review of Intermediate Consolidation Financial Statements according to IFRS for the quarters closed at 30 June 2007 and 30 June 2006;

• audit of Consolidation Financial report according to IFRS for the three months closed at 31 March 2007 ;

• the issuing of Comfort Letters and Bring-Down Letters regarding the"Prospetto Informativo" and related activities (the carrying out of the post report review procedures and checking the financial data included in the "Prospetto Informativo")

• the issuing of Comfort Letters and Bring-Down Letters on the Offering Circular and the related activities (the carrying out of the post report review procedures and checking the financial data included in the "Prospetto Informativo");

• the declaration of the forecasted data included in the Business Plan according to the International audit standard ISAE 3400.

40. FIRST APPLICATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 8 November 2007 Damiani S.p.A. was listed on the stock market organized and managed by Borsa Italiana, STAR segment.
Damiani S.p.A. drew up its first consolidated financial statements applying the measures contained in the Legislative Decree 38/2005 at 31 March 2008 and for the accounting period of 12 months closed at that date.
For the sole purpose of including them in the prospectus that was drawn up for listing on the stock market organized and managed by Borsa Italiana, STAR segment, the had already presented consolidated financial statements for the accounting periods of twelve months closed at 31 December 2006, 2005 and 2004 and the special consolidated financial statements for the accounting periods of 12 months closed at 31 March 2007 and 2006 drawn up in conformity with the IFRS. The date used by the group for of transition to the IFRS was 1 January 2004.

As asked for by the Legislative Decree 38/2005, the determining of the system of availability of the reserves in the Net Equity must be carried out with reference to the date of the transition to the IFRS that is "statutorily relevant". In the case of Damiani S.p.A. the transition date that is "statutorily relevant" is 1 January 2007. In line with this setup and considering that the consolidated financial statements at 31 March 2008 are the first consolidated financial statements as per IAS/IFRS drawn up pursuant to law, in this information document that is asked for by IFRS 1, relative to the impacts consequent to the transition to the IFRS, is supplied with reference to the date of the transition to the IFRS that is "statutorily relevant", which is 1 January 2007. Furthermore, it is underlined that adopting 1 January 2007 as the effective transition date does not give rise to any significant changes compared to the IFRS balances found by using 1 January 2004 as the transition date.
In this document there are described the impacts of applying the IFRS in the consolidated financial statements for the shortened three month accounting period closed at 31 March 2007, of Damiani S.p.A. and its subsidiaries, i.e. the Damiani Group, as laid down by the CONSOB (Italian SEC) communication number DEM/60643113 of 28 July 2006.
For the purpose of illustrating the impacts of the transition to the IAS/IFRS on the consolidated financial statements of the Damiani Group, there are supplied the reconciliations that are laid down in paragraphs 39 and 40 of IFRS 1: "First application of the International Financial Reporting Standards", applied following the procedure contained in article 6 of the EEC regulation number 1606/2002. For this purpose the following have been drawn up:
• the notes regarding the rules for the first application of the IAS/IFRS (IFRS 1) and the other IAS/IFRS chosen;
• the reconciliation tables between the Net Equity according to Italian GAAP and according to the IAS/IFRS at 1 January 2007 and at 31 March 2007;
• the reconciliation table of the financial result shown in the consolidated financial statements, relative to the three-month accounting period closed at 31 March 2007 drawn up according to Italian GAAP and that arising from the application of the IAS/IFRS for the same accounting period;
• the notes regarding the reconciliation tables;
• the Balance Sheets as per the IAS/IFRS at 1 January 2007 and at 31 March 2007 and the Income Statement as per IAS/IFRS for the accounting period of three months closed at 31 March 2007

The impacts of the transition to the IAS/IFRS are reflected, as asked for by IFRS 1, on the opening Net Equity at the transition date of 1 January 2007.

The accounting reconciliation tables were only drawn up for the purposes of the transition project for laying out the first complete set of consolidated financial statements according to the IAS/IFRS that were homologated by the European Commission. Therefore, the abovementioned tables do not have any comparison data or the explanatory notes that would be necessary to give a true view of the consolidated equity/financial situations and the consolidated financial result of the Damiani Group S.p.A., in conformity with the IAS/IFRS.
The opening Balance Sheet at 1 January 2007, the Income Statement for the accounting period of three months closed at 31 March 2007 and Balance Sheet at 31 March 2007 were drawn up observing the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") homologated by the European Union. The IFRS are intended to also include all the revised International Accounting Standards ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Which was previously called the Standing Interpretations Committee ("SIC").
In passing to the IAS/IFRS there have been maintained the estimates calculated according to Italian GAAP, except for when the IAS/IFRS require that any estimates be made following different methodologies.

The discretionary exemptions foreseen by IFRS 1 that the Company has availed itself of.

The main options the company has applied are the following ones:
– Aggregations of enterprises: IFRS 3 lays down that aggregations of enterprises are to be accounted for using the "Purchase method", which means posting the assets and liabilities at their relative fair values at the date of acquisition. The company, in conformity with what is allowed by IFRS 1, has not applied IFRS 3, retroactively, to the aggregation of enterprises operations that took place before the date of the transition to the IAS/IFRS, which were, therefore, accounted for based on the previously applied accounting principles.

Obligatory exceptions laid down by IFRS 1 at the time of the first application of the IFRS:

– Cancellation of the financial assets and liabilities: the financial assets and/or financial liabilities different from the financial derivatives relative to transactions carried out before 1 January 2007, which were eliminated in the financial statements drawn up according to Italian GAAP, must not be recognized and therefore reinstated in the financial statements;
– Estimates: the estimates carried out at the date of transition to the IFRS must be in line with the estimates made at the same date using Italian GAAP, after making any adjustments to reflect the differences between the accounting principles.

Accounting treatments chosen in the context of the accounting options given by the IAS/IFRS
– Presentation of the financial statements: the Balance Sheet shows current and non current assets and liabilities separately, according to what is

allowed by paragraph 51 and the following ones of IAS 1. In the Income Statement, the analysis of the costs is carried out based on their type. The funds flow statement was drawn up using the indirect method, by means of which the profit, or loss, for the period is adjusted for the impacts of the operations of a non monetary nature, for any deferrals or provisions of preceding or future cash inflows, or operational payments and for those cost and revenue elements that are linked to the cash flows coming from investment or financial activities;

– Inventories: according to IAS 2, the cost of the inventories must be calculated using FIFO (First In First Out) or the average weighted cost method. The Damiani Group has chosen to use the average weighted cost method;

– Valuation of tangible and intangible assets: after the initial posting at cost IAS 16 and IAS 38 lays down that these assets can be valued at cost, and amortized or depreciated, or at fair value. The Damiani Group has chosen to use the cost method.

– Employee benefits (IAS 19): The Damiani Group has chosen to fully show the realized actuarial profits and losses and not to use the "corridor" method. The changes to IAS 19 – Employee benefits, accepted by the EU in November 2005 and applicable starting from 1 January 2006, foresee, among other things, the option of recognizing the actuarial profits and losses immediately in the accounting period when they arise, not directly posted to the Income Statement but to a specific item in Net Equity. The company does not intend to avail itself of this option because it posts all the actuarial profits and losses immediately to the Income Statement in the accounting period when they arise.

– Holdings in subsidiary and affiliated companies: IAS 27 and 28 which, in the separate financial statements, the holdings in subsidiary and affiliated companies are valued with the cost method, or in conformity with IAS 39. The Damiani Group values the holdings in subsidiary and affiliated companies with the cost method.

– Sector informational document: the primary layout of the sector informational document is by geography based on the localizing of the business activities. The group operates in a sole business section, which is the production and commercializing of jewelry.

Reconciliation between the Net Equity and the Result for the accounting period from the financial statements according to Italian GAAP and the Net Equity and the Result for the accounting period from the financial statements according to the IAS/IFRS

The differences that emerge from the application of the IAS/IFRS compared to Italian GAAP on the Consolidated Net Equity at 31 December 2006 and at 31 March 2007 and on the consolidated financial result for the short accounting period of three months closed at 31 March 2007 are shown in the reconciliation table below.

The individual items are shown in the table gross of taxes, while the relative fiscal impacts are shown cumulatively in two separate adjustment items, i.e. deferred taxes and prepaid taxes.

in thousands of Euros	Note	Consolidated Shareholders' Equity 31 December 2006	Result for the FY of three months closed at 31 March 2007	Consolidated Shareholders' Equity 31 March 2007
According to Italian GAAP		**89,004**	**1,882**	**87,798**
IAS 2				
Update of the inventory valuation to average cost	1	836	(941)	(105)
IAS 16				
Break out of the value of land	2	157	(157)	0
IAS 38				
Reversal of intangible fixed assets and relative amortization	3	(3,324)	289	(3,035)
IAS 36				
Goodwill	4	2,538	213	2,751
IAS 18				
Returns on sales	5	(14,951)	(460)	(15,411)
IAS 19				
Employee benefits: change compared to ELI and other benefits	6	406	(73)	333
IAS 1	11			
- Elimination of realized gains with correlated parties		0	(7,197)	0
- Reversal of fiscal impact on gains with correlated parties			1,085	
IAS 17				
Recognition of financial leasing	7	213	(24)	189
IAS 32-39				
Derivatives: adjustment to fair value	8	649	(803)	(131)
IAS 18				
Net present value impact of trade receivables and other assets	9	(769)	11	(758)
IAS 12	10			
- Deferred taxes on the adjustments		(791)	497	(1,071)
- Prepaid taxes on the adjustments		4.494	127	5,870
According to the IFRS		**78,462**	**(5,551)**	**76,430**
Changes		**(10,542)**	**(7,433)**	**(11,368)**

Explanatory notes - adjustments

(1) IAS 2 Inventories

Some companies of the group, such as Alfieri & St. John S.p.A. and Damiani Manufacturing S.p.A.), as allowed by Italian GAAP, used the LIFO (Last In First Out) criterion to calculate the cost for the purpose of valuing the inventories of raw materials. This criterion is not foreseen by the IAS. Consequently the value of the inventories was calculated for the IAS/IFRS purposes using average weighted cost. The impacts of the application of this different accounting treatment on the Consolidated Net Equity at 31 December 2006 and at 31 March 2007 and on the Consolidated Income Statement for the accounting period of 3 months closed at 31 March 2007 are shown in the foregoing reconciliation.

(2) IAS 16 Real estate, plant and machinery: reversal of depreciation to break out the value of land

According to Italian GAAP the land on which there is buildings were depreciated together with the buildings, while according to the IAS/IFRS the land must be classified separately and no longer depreciated. The impacts of the application of this different accounting treatment on the Consolidated Net Equity at 31 December 2006 and at 31 March 2007 and on the Consolidated Income Statement for the accounting period of 3 months closed at 31 March 2007 are shown in the foregoing reconciliation.

(3) IAS 38 Intangible assets

Some items that were previously posted among the intangible fixed assets do not have the requisites to be capitalized according to the IAS/IFRS. Specifically, the adjustments mainly concern the following:

- improvements to non-separable third party property that can be capitalized according to Italian GAAP;
- costs of research, development and extraordinary advertising incurred by some Group companies and posted among the intangible fixed assets, as allowed by Italian GAAP.

These intangible assets do not possess the recognition criteria laid down by IAS 8 and have, therefore, been reversed out of the Balance Sheet assets for IAS/IFRS purposes. This different accounting treatment has brought about the following impacts:

in thousands of Euros	**Shareholders' Equity 31 at december 2006**	**Results for the FY of 3 months closed at 31 March 2007**	**Shareholders' Equity at 31 March 2007**
Reversal Share Capital increase expenses	(2)	0	(2)
Reversal costs of R&D and advertising	(1,214)	209	(1,005)
Reversal patent rights	(69)	2	(67)
Reversal trademarks, concessions, licenses	(713)	10	(703)
Reversal of other intangible fixed assets	(1,326)	68	(1,258)
Total impact of reversals of intangibles	**(3,324)**	**289**	**(3,035)**

(4) IAS 36 Goodwill and the impairment test

According to the IAS/IFRS the goodwill is not subject to systematic amortization but is an intangible asset, with an unlimited useful life, subject to valuation for the purpose of identifying any eventual loss of value, i.e. the impairment test. At the time of the first application of the IFRS, Damiani S.p.A. has chosen not to apply IFRS 3 *"Aggregation of enterprises"* retroactively, for those operations that took place before the date of transition to the IAS/IFRS. Consequently, the goodwill has been kept at its previous value calculated according to Italian GAAP, subject to a prior check on whether it is recoverable. The impairment test has not revealed any need to adjust the value of the goodwill posted based on Italian GAAP.

The impacts of the application of this different accounting treatment, on the Consolidated Net Equity at 31 December 2006 and at 31 March 2007 and Consolidated Income Statement for the accounting period of 3 months closed at 31 March 2007 are shown in the foregoing reconciliation.

(5) IAS 18 Revenues

The group in some cases, for commercial reasons and in line with custom and practice within the sector, accepts returns from customers relative to goods delivered in previous financial years. Relative to this practice the accounting treatment of the returns that is followed by the Group for the purposes of the financial statements drawn up according to Italian GAAP, giving prevalence to the formal aspect, which does not foresee the right of the customer to make returns, consisted of posting the returns on sales during the financial year when the decision to accept the return was accepted, then during the financial year in which they are actually received, because this is considered to be a sales policy equivalent to discount and, therefore, linked to the revenues of the financial year when the returns were decided upon and accepted and not to the revenues of the financial year when the original sales took place. This accounting treatment arises from the belief that the returns are a specific negotiating instrument of the Group and not a specific initiative of the customer, generally used as the result of a negotiation linked to the definition of the volume goals for a specific year and, therefore, an incentive given to specific customers regarding forecasted purchases.

The IAS/IFRS do not allow this accounting treatment, and lay down that, whenever returns are expected that are linked to the revenues of the period and their amount can be dependably estimated, the revenues are accounted for by also posting a liability for future returns. Relative to this different accounting treatment, the Group adjusts the invoiced amounts at the time of the shipment of the goods, by those amounts for which, also based on experience, it can be reasonably foreseen that not all the significant risks and benefits linked to the ownership of the goods have been transferred. The returns calculated in this way are posted to the Income Statement as a reduction of the revenues and to the Balance Sheet in a specific adjusting fund for customer receivables, while relative production costs are included in the inventories.

The impacts of this different accounting treatment are detailed in the table below:

in thousands of Euros	Shareholders' Equity at 31 december 2006	Result for the FY of 3 months closed at 31 March 2007	Shareholders' Equity at 31 March 2007
Returns fund	(31,132)	(1,003)	(32,135)
Inventories	15,043	495	15,538
Provisions	1,138	48	1,186
Net impact	**(14,951)**	**(460)**	**(15,411)**

(6) IAS 19 Employee benefits

Italian GAAP requires that the liability be posted for the Employee Leaving Indemnity (ELI) based on the nominal value of the debt matured according to the statutory accounting rules in force at the closing date of the financial statements. According to the IAS/IFRS the ELI, as it was defined until 31 December 2006, falls within the type of defined plans and benefits that are subject to actuarial valuations based on mortality rates, forecasted salary changes etc., for the purpose of arriving at the net present value of the benefit, payable at the end of the employment relationship, which the employees have matured at the date of the financial statements.

For IAS/IFRS purposes the actuarial gains and losses at 1 January 2007 and at 31 March 2007 have been posted at the date of transition to the IAS/IFRS. The application of this different accounting treatment has brought about the impacts shown in the foregoing reconciliation.

The new legislation introduced, starting from 1 January 2007, by the finance law and its relative actuating decrees has not brought about any significant impacts.

(7) IAS 17 Leasing

In agreement with what is laid down in IAS 17 financial leasing is shown in the financial statements following the financial method that foresees the posting of the asset involved among the fixed assets and the relative debt among the liabilities.

According to Italian GAAP this leasing, identified as operational is treated by debiting the relative installments to the Income Statement. At the time of the first application of the IAS/IFRS it was posted as financial leasing. Specifically, Damiani S.p.A., on 27 March 2007, sold the real estate located in Via Montenapoleone, 10, to Immobiliare Miralto S.p.A., a company that is controlled by the shareholders of Damiani S.p.A. and, afterwards, it was leased back to Damiani S.p.A.. Based on what is laid down by IAS 17, this operation is a sale and lease back transaction and, therefore, it was accounted for based on the financial method described above.

From this operation a capital gain arose for the Group for € 1,769 thousand which, in line with the IAS/IFRS accounting treatment described in note (11) below, was posted as a direct reduction of the Net Equity, because it was realized with a company "under common control" in the context of company reorganization processes.

(8) IAS 39 Valuation of the financial derivatives

In order to minimize the risks linked to the fluctuations of the interest and exchange rates, financial derivatives contracts have been stipulated, using the financial instruments that the market offers.

Specifically, for the purpose of reducing the risk linked to the change in the interest rate on existing loans and financing, the group parent company signed interest rate swap contracts on loan contracts.

Theses instruments, which Italian GAAP considers to be for coverage, were posted only for the existing losses, at the closing date of the financial statements, without considering the latent gains.

For IFRS purposes, in order to check if these financial instruments have the requisites to be considered to be of coverage, the effectiveness test was carried out. Consequently, based on the IFRS, the financial instruments that have passed this test are accounted for with the other side of the entry being posted to the Net Equity, in the cash flow hedge reserve, while those that cannot be considered to be of coverage are accounted for by posting the changes in their fair value to the Income Statement.

Furthermore, the group parent company has in existence US dollar futures contracts that do not posses the requisites in order to be considered to be contracts for coverage according to what is laid down by IAS 39.

The application of this different accounting treatment has brought about the impacts shown in the foregoing reconciliation.

(9) IAS 18 Trade receivables and other assets

According to IAS 18 all the revenues must be valued at fair value, which means at the current value of the amount that will be cashed in. Therefore, in all the cases where extended payment terms are conceded to customers, without interest, or with interest that is lower than the market rate, the amount that will be cashed in must be taken to its net present value in order to calculate the fair value of the sale, while the difference between the NPV and the amount cashed in is a financial income to be accounted for on an accruals basis and also to be partially deferred for extensions beyond the financial year.

The stating at NPV and the carrying forward to future financial years of the amount of the income that is not applicable to the current one has brought about the impacts described in the foregoing reconciliation.

(10) IAS 12 Income taxes

The adjustment is relative to the fiscal impacts of the differences commented on above that have been specifically brought about by each individual difference.

(11) IAS 1 Elimination of gains realized with correlated parties

The IAS lay down that the gains realized from operations between companies that are "under common control" in the context of company reorganization processes are to be posted directly among the items in the Net Equity, instead of to the Income Statement as laid down by Italian GAAP. Therefore, there has been eliminated from the Income Statement for the short accounting period closed at 31 March, among other things, the gain of 5,372 thousand € realized in March 2007 following the sale of the holding in Pomellato S.p.A. by Damiani International to Jewellery Investment SA, the reference shareholder of Damiani S.p.A., as well as the gain realized in March 2007 from the sale of the real estate located in Milan, in Via Montenapoleone, 10, to Immobiliare Miralto, a company that is controlled by the shareholders of Damiani S.p.A., for 1,769 thousand €. The overall impact of this different accounting treatment has brought about a reduction in the financial result for the accounting period of three months at 31 March 2007 of € 7,197 thousand, gross of the relative fiscal impact, and the posting of the same gain among the Net Equity reserves.

Comments on the main changes made to the funds flow statement

The funds flow statements that were drawn up by Damiani, up till the time of the financial statements closed at 31 December 2006, had the goal of highlighting the net financial deficit or surplus of the company arising from the change in the net financial indebtedness of the accounting period, including the current account relationships with the Italian subsidiary companies, as a result of the Group's centralized treasury management, while the funds flow statement asked for by IAS 7 tends to highlight the ability of the company to generate "Cash and other available liquidity equivalents". According to this principle the other amounts of available liquidity are short-term financial commitments that are easily and quickly convertible into known amounts of cash and have an irrelevant risk of varying in value. Therefore, a financial commitment is usually classified as an available liquidity equivalent when its due date is very brief, which means three months, or less, from its date of acquisition. Financial investments in stocks and shares do not fall within the category of available liquidity equivalents.
Current account bank overdrafts are not usually treated as reductions of available liquidity equivalents, except where they are repayable on demand and also form an additional part of the cash management of the enterprise and show frequently fluctuating positive or negative amounts in the same accounting balance.

The funds flow statement was drawn up following the measures laid down by IAS 7, indicating the cash flows for the accounting period of three months closed at 31 March 2007, classifying them between cash flows from operational, investment and financial activities.

The cash flows from operational activities: the cash flows from operational activities are mainly linked to the business activities that produce income and they are shown using the indirect method. According to this method the result before taxes is adjusted in order to take into account any charges or incomes that have not had a financial impact during the accounting period such as amortization, depreciation, provisions etc., and any changes over time between the economic and financial cyclical items, such as increases or decreases in receivables and payables due to their movement, or their settlement, and the change in the values of the inventories.

The cash flows from investment activities: investment activities include the cash flows from the acquisitions or disposals of capitalized assets and other investments that cannot be classified as "available liquidity equivalents".

The cash flows from financial activities: the cash flows from financial activities basically consist of those flows that are linked to the financial structure of the enterprise itself and, in particular, to the Net Equity and the indebtedness.

The funds flow statement at 31 March 2007 is given in the first part of the explanatory and additional notes to the consolidated financial statements at 31 March 2008.

Consolidated Balance Sheets as per IAS/IFRS at 1 January 2007 and at 31 March 2007, Consolidated Income Statement at 31 March 2007

As an addition to the reconciliation tables of the Net Equity and the profit for the accounting period, together with the comments on the adjustments made to the balances drawn up according to Italian GAAP, there are attached the tables of the Consolidated Balance Sheets at 1 January 2007 and at 31 March 2007 and of the Consolidated Income Statement for the accounting period of three months closed at 31 March 2007 that show the following, for each item, in individual columns:

o The Italian GAAP values reclassified according to the IAS/IFRS layouts;
o The values of the reclassifications carried out due to the different accounting treatments laid down by the IAS/IFRS indicating the relative explanatory note;
o The values of the adjustments carried out following the application of the IAS/IFRS compared to Italian GAAP indicating the relative explanatory note;
o The ending values according to the IAS/IFRS.

For the comments on the adjustments shown within the layouts of the Balance Sheet and the Income Statement reference should be made to the relative explanatory notes given in the paragraph called "Reconciliation of previously used Italian GAAP with the IAS/IFRS" in this report.

Balance Sheet at 1 January 2007

in thousand Euros	ITALIAN GAAP	Changes Reclassifications	Changes Adjustments	IFRS
NON CURRENT ASSETS				
Goodwill	2,751		2,538	5,289
Other Intangible fixed assets	5,110		(3,324)	1,786
Tangible fixed assets	12,463		5,967	18,430
Investments in associated companies	405			405
Other Investments	11,193			11,193
Financial receivables and other non current assets	1,086	(383)		703
Deferred tax assets	3,120		4,494	7,614
TOTAL NON CURRENT ASSETS	**36,128**	(383)	9,675	**45,420**
CURRENT ASSETS				
Inventories	73,819		15,880	89,699
Trade receivables	106,754	5,510	(31,901)	80,363
Tax receivables	1,694			1,694
Other current assets	7,796			7,796
Cash and cash equivalents	4,300	(2,256)		2,044
TOTAL CURRENT ASSETS	**194,363**	3,254	(16,021)	**181,596**
TOTAL ASSETS	**230,491**	2,871	(6,346)	**227,016**
NET EQUITY				
GROUP SHAREHOLDERS' EQUITY				
Share Capital	28,221			28,221
Reserves	43,048		(10,600)	32,448
Group net income (loss) for the period	16,121			16,121
TOTAL GROUP SHAREHOLDERS' EQUITY	**87,390**	-	(10,600)	**76,790**
MINORITY SHAREHOLDERS' EQUITY				
Minority share Capital and reserves	1,491		29	1,520
Minority net income (loss) for the period	125		27	152
TOTAL MINORITY SHAREHOLDERS' EQUITY	**1,616**	-	56	1,672
TOTAL SHAREHOLDERS' EQUITY	**89,006**	-	(10,544)	**78,462**
NON CURRENT LIABILITIES				
Long term bond issue	-			-
Long term financial debt	28,175	5,000	5,159	38,334
Termination Indemnities	5,193	(383)	(406)	4,404
Deferred Tax liabilities	556		791	1,347
Other non current liabilities	260			260
TOTAL NON CURRENT LIABILITIES	**34,184**	4,617	5,544	**44,345**
CURRENT LIABILITIES				
Current part of bond issue	5,423			5,423
Current portion of long term financial debt	13,186	(5,000)	452	8,638
Trade payables	69,495		(1,138)	68,357
Short term borrowings	9,544	4,554	(660)	13,438
Income tax payables	4,515			4,515
Other current liabilities	5,138	(1,300)		3,838
TOTAL CURRENT LIABILITIES	**107,301**	(1,746)	(1,346)	**104,209**
TOTAL LIABILITIES	**141,485**	2,871	4,198	**148,554**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**230,491**	2,871	(6,346)	**227,016**

Income Statement for the Financial Year of three months closed at 31 March 2007

in thousand Euros	ITALIAN GAAP	Changes Reclassifications	Changes Adjustments	IFRS
Revenues from sales and services	24,840	(4,140)	(1,003)	19,697
Other revenues and incomes	2,009	(115)	(1,769)	125
TOTAL REVENUES	**26,849**	**(4,255)**	**(2,772)**	**19,822**
Costs of raw materials and consumables	(11,788)	3,671	(447)	(8,564)
Costs of services	(11,080)		134	(10,946)
Personel costs	(5,416)		(73)	(5,489)
Other net operating (charges) incomes	(1,181)	(174)	(56)	(1,411)
Amortization and depreciation	(983)		236	(747)
OPERATING INCOME (LOSS)	**(3,599)**	**(758)**	**(2,978)**	**(7,335)**
Financial incomes	6,512	(907)	(4,451)	1,154
Financial expenses	(1,706)	1,665	(1,713)	(1,754)
INCOME (LOSS) BEFORE INCOME TAXES	**1,207**	-	**(9,142)**	**(7,935)**
Income Taxes	675		1,709	2,384
NET INCOME (LOSS) FOR THE PERIOD	**1,882**	-	**(7,433)**	**(5,551)**

Balance Sheet at 31 March 2007

in thousand Euros	ITALIAN GAAP	Changes Reclassifications	Adjustments	IFRS
NON CURRENT ASSETS				
Goodwill	2,871		2,751	5,622
Other intangible fixed assets	4,760		(3,035)	1,725
Tangible fixed assets	5,574		9,619	15,193
Investments	545			545
Financial receivables and other non current assets	4,653			4,653
Deferred tax assets	3,918		5,870	9,788
TOTAL NON CURRENT ASSETS	**22,321**	-	15,205	**37,526**
CURRENT ASSETS				
Inventories	79,287		15,433	94,720
Trade receivables	83,651	10,221	(32,893)	60,979
Tax receivables	144			144
Other current assets	10,049	(408)		9,641
Cash and cash equivalents	18,376	(4,279)	-	14,097
TOTAL CURRENT ASSETS	**191,507**	5,534	(17,460)	**179,581**
TOTAL ASSETS	**213,828**	5,534	(2,255)	**217,107**
NET EQUITY				
GROUP SHAREHOLDERS' EQUITY				
Share Capital	28,221		-	28,221
Reserves	56,080		(3,979)	52,101
Group net income (loss) for the period	1,880		(7,433)	(5,553)
TOTAL GROUP SHAREHOLDERS' EQUITY	**86,181**	-	(11,412)	**74,769**
MINORITY SHAREHOLDERS' EQUITY				
Minority share Capital and reserves	1,616		43	1,659
Minority net income (loss) for the period	2		-	2
TOTAL MINORITY SHAREHOLDERS' EQUITY	**1,618**	-	43	**1,661**
TOTAL SHAREHOLDERS' EQUITY	**87,799**	-	(11,369)	**76,430**
NON CURRENT LIABILITIES				
Long term financial debt	24,801	5,010	8,982	38,793
Termination Indemnities	5,289	(408)	(333)	4,548
Deferred Tax liabilities	1,713		1,071	2,784
Other non current liabilities	276		-	276
TOTAL NON CURRENT LIABILITIES	**32,079**	4,602	9,720	**46,401**
CURRENT LIABILITIES				
Current portion of long term financial debt	8,527	6,061	236	14,824
Trade payables	12,949	(5,000)	437	8,386
Short term borrowings	62,387	(129)	(1,176)	61,082
Income tax payables	4,857			4,857
Other current liabilities	5,230		(103)	5,127
TOTAL CURRENT LIABILITIES	**93,950**	932	(606)	**94,276**
TOTAL LIABILITIES	**126,029**	5,534	9,114	**140,677**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**213,828**	5,534	(2,255)	**217,107**

Reclassifications
The main reclassifications arising from the application of the IAS/IFRS compared to Italian GAAP on the opening Balance Sheet situation at 1 January 2007 and on the consolidated financial statements for the period of three months closed at 31 March 2007 are relative to the following:
• The posting of the trade receivables sold to a factoring company, with the opposite side of the entry posted to financial payables. There were specifically posted in the Balance Sheet layouts the amounts sold, for which there still exist risks for the Group, amounting to 4.554 thousand € at 1 January 2007 and to 5,942 thousand € at 31 March 2007, respectively, because the factoring contract that is in existence does not fulfill all the requisites that are asked for by IAS 39, in paragraphs 20 and 21, for the purposes of the derecognition of the financial assets from the financial statements.
• The reclassification of the item relative to the available liquidity of the dishonored banker's orders at the transition date and at 31 March 2007 and that were communicated to the bank in the following accounting period.
• The reclassification of the advances paid out to employees from the Employee Leaving Indemnity Fund.

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

ATTACHMENT 1

Financial Statement for the purposes of CONSOB Resolution 15519 of 27/07/2006

Balance Sheet		31 March 2008			31 March 2007	
in thousands of Euros	Third parties	Related parties	Total	Third parties	Related parties	Total
NON-CURRENT ASSETS						
Goodwill	5,002	-	5,002	5,622	-	5,622
Other Intangible Fixed Assets	7,056	-	7,056	1,725	-	1,725
Tangible Fixed Assets	5,988	8,710	14,698	5,929	9,264	15,193
Investments	169	-	169	545	-	545
Financial receivables and other non current assets	2,663	-	2,663	717	3,936	4,653
Deferred tax assets	12,229	-	12,229	9,788	-	9,788
TOTAL NON-CURRENT ASSETS	**33,107**	**8,710**	**41,817**	**24,326**	**13,200**	**37,526**
CURRENT ASSETS	-			-		
Inventories	94,713	-	94,713	94,720	-	94,720
Trade receivables	61,948	3,846	65,794	55,086	5,893	60,979
Tax receivables	394	-	394	144	-	144
Other current assets	14,718	-	14,718	9,641	-	9,641
Cash and cash and equivalents	52,813	-	52,813	14,097	-	14,097
TOTAL CURRENT ASSETS	**224,586**	**3,846**	**228,432**	**173,688**	**5,893**	**179,581**
TOTAL ASSETS	**257,693**	**12,556**	**270,249**	**198,014**	**19,093**	**217,107**
				-		
GROUP SHAREHOLDERS' EQUITY				-		
Share Capital	36,344	-	36,344	28,221	-	28,221
Reserves	102,742	-	102,742	52,101	-	52,101
Group net income (loss) for the period	15,127	-	15,127	(5,553)	-	(5,553)
TOTAL GROUP SHAREHOLDERS' EQUITY	**154,213**	-	**154,213**	**74,769**	-	**74,769**
MINORITY SHAREHOLDERS' EQUITY						
Minority share Capital and reserves	1,571	-	1,571	1,659	-	1,659
Minority net income (loss) for the period	175	-	175	2	-	2
TOTAL MINORITY SHAREHOLDERS' EQUITY	**1,746**	-	**1,746**	**1,661**	-	**1,661**
TOTAL SHAREHOLDERS' EQUITY	**155,959**	-	**155,959**	**76,430**	-	**76,430**
NON CURRENT LIABILITIES						
Long term financial debt	8,562	8,069	16,631	29,044	9,749	38,793
Termination Indemnities	4,223	-	4,223	4,548	-	4,548
Deferred Tax liabilities	2,608	-	2,608	2,784	-	2,784
Other non current liabilities	2,441	-	2,441	276	-	276
TOTAL NON CURRENT LIABILITIES	**17,834**	**8,069**	**25,903**	**36,652**	**9,749**	**46,401**
CURRENT LIABILITIES						
Current portion of long term financial debt	4,474	688	5,162	7,930	456	8,386
Trade payables	64,559	746	65,305	58,889	2,193	61,082
Short term borrowings	2,593	-	2,593	14,824	-	14,824
Income tax payables	8,977	-	8,977	4,857	-	4,857
Other current liabilities	6,350	-	6,350	5,127	-	5,127
TOTAL CURRENT LIABILITIES	**86,953**	**1,434**	**88,387**	**91,627**	**2,649**	**94,276**
TOTAL LIABILITIES	**104,787**	**9,503**	**114,290**	**128,279**	**12,398**	**140,677**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**260,746**	**9,503**	**270,249**	**204,709**	**12,398**	**217,107**

Income Statement

in thousands of Euros	FY of 12 months closed at 31 March 2008 Third parties	Related parties	Total	FY of 3 months closed at 31 March 2007 Third parties	Related parties	Total
Revenues from sales and services	156,963	7,956	164,919	18,147	1,550	19,697
Other recurring revenues	683	-	683	125	-	125
Other non-recurring revenues	8,506	-	8,506	-	-	-
Total Other revenues	9,189	-	9,189	125	-	125
TOTAL REVENUES	**166,152**	**7,956**	**174,108**	**18,272**	**1,550**	**19,822**
Costs of raw materials and consumables (*)	(66,159)	(3,739)	(69,898)	(7,836)	(728)	(8,564)
Costs of services(**)	(52,235)	(1,484)	(53,719)	(10,765)	(181)	(10,946)
Personnel cost	(24,249)	-	(24,249)	(5,489)	-	(5,489)
Other net operating (charges) incomes	2,397	-	2,397	(1,411)	-	(1,411)
Amortization and depreciation	(1,617)	(886)	(2,503)	(612)	(135)	(747)
TOTAL OPERATING EXPENSES	**(141,863)**	**(6,109)**	**(147,972)**	**(26,133)**	**(1,044)**	**(27,157)**
OPERATING INCOME (LOSS)	**24,289**	**1,847**	**26,136**	**(7,841)**	**506**	**(7,335)**
Financial expenses	(2,726)	(586)	(3,312)	(1,701)	(53)	(1,754)
Financial incomes	2,116	37	2,153	1,154	-	1,154
INCOME (LOSS) BEFORE INCOME TAXES	**23,679**	**1,298**	**24,977**	**(8,388)**	**453**	**(7,935)**
Income Taxes	(9,675)	-	(9,675)	2,384	-	2,384
NET INCOME (LOSS) FOR THE PERIOD	**14,,004**	**1,298**	**15,302**	**(6,044)**	**453**	**(5,551)**
Attributable						
Group			15,127			(5,553)
Minorities			175			2

(*) Expenditures on raw materials and other material consist (for both periods) of the change in stocks related to the unloading of stocks of product sold to related parties, calculated with a average mark-up. No raw materials or finished products have been purchased from related parties.
(**) Expenditure on services bought in for the year to 31 March 2008 include € 560,000 non-recurrent charges paid to a related party and connected with the non-recurrent revenue (Key Money) received by the Group during the same financial year.

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

ATTESTATION REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS, PURSUANT TO ARTICLE 81, THIRD PART, OF THE CONSOB (ITALIAN NATIONAL COMMISSION FOR LISTED COMPANIES AND THE STOCK EXCHANGE) REGULATION NUMBER 11971 OF 14 MAY 1999 AND ITS SUCCESSIVE CHANGES AND ADDITIONS

The undersigned Mr. Guido Grassi Damiani, Chairman and Chief Executive Officer, and Mr. Gilberto Frola, Executive in charge of drawing up the Company's accounting documents of Damiani S.p.A., also taking into account what is laid down in article 154, second part, paragraphs 3 and 4, of the Legislative Decree of 24 February 1998, number 58

CERTIFY

- The suitability and effective application of the relevant administrative and accounting procedures that were used to build up the Consolidated Financial Statements regarding the period from 1 April 2007 to 31 March 2008, relative to the company's characteristics.
- That the Consolidated Financial Statements have been drawn up according to the international accounting standards (IAS/IFRS) and that they give a true and fair view of the Balance Sheet, Income Statement and financial situations of Damiani S.p.A. and of the companies included in the consolidation area.
- That Consolidated Financial Statements truly reflect the contents of the accounting books and documents.

Milan, 13 June 2008

Mr. Guido Grassi Damiani

Chairman and CEO

Mr. Gilberto Frola

The manager in charge of preparing the Company's financial reports

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INDEPENDENT AUDITORS' REPORT
pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders of
Damiani S.p.A.

1. We have audited the consolidated financial statements of Damiani S.p.A. and its subsidiaries (the "Damiani Group") as of and for the year ended March 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of Damiani S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. These consolidated financial statements have been prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures issued to implement art.9 of the Italian Legislative Decree n° 38/2005.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such consolidated financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present the comparative data of the preceding year prepared in accordance with the same accounting principles. These comparative data are referred to the period January 1 -March 31, 2007 due to the change of the financial statements closing date approved by extraordinary meeting of shareholders held on September 14, 2006. In addition, the explanatory note n.40, shows the effects of the transition to International Financial Reporting Standards as adopted by the European Union. The information presented in such note was examined by us for the purpose of expressing an opinion on the consolidated financial statements as of March 31, 2008.

Reconta Ernst & Young S.p.A.
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3. In our opinion, the financial statements of Damiani S.p.A. at March 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures issued to implement art. 9 of the Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of Damiani S.p.A. for the year then ended.

Milan, July 4 2008

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

This report has been translated into the English language solely for the convenience of international readers.

Financial statements of Damiani S.p.A. at 31 March 2008

Drawn up under IAS/IFRS

Report on operations of Damiani S.p.A. financial statements

Report on operations (1).

Damiani S.p.A. business activities

Damiani S.p.A., the parent company of the Damiani Group, concentrates on marketing top quality jewellery in Italy under the Damiani and Salvini brands through two main distribution channels:
- the wholesale channel, consisting of independent multi-brand jewellers, franchisees and single-brand sales outlets run by third parties;
- the retail channel, consisting of individual sales outlets run directly by Damiani S.p.A.. As of 31 March 2008, there were 4 directly run single-brand sales outlets in Italy (in Milan, Rome, Bologna and Florence), all of which operate under the Damiani name.

In addition to this, the company is involved in satisfying the demand for its products from foreign markets, supplying either directly or indirectly its foreign subsidiary companies that are responsible for specific geographical areas (Damiani International B.V., Damiani USA Corp., Damiani Japan KK and Damiani France SA).
All of the Group's jewellery is produced either inside the Group by two subsidiary companies (one of which, Laboratorio Damiani s.r.l., was set up in April 2007 and is still in the start-up phase), or outside the Group by third-party suppliers situated in the Valenza (AL) district in Italy, which has a consolidated international reputation for the production of high quality, precious jewellery.

Corporate Governance

On 26 June 2007, the extraordinary Shareholders' Meeting of Damiani S.p.A. adopted a company statute conforming to the legislative dispositions and regulations applicable to listed companies contained in the dispositions introduced by Law 262/2005 (Savings Law) and by Legislative Decree 303/2006 (Pinza Decree), as implemented by CONSOB with a resolution adopted in May 2007.
The resolution was added to the company Register in Alessandria on 27 June 2007. On the same day, a Shareholders' Meeting nominated a new Board of Directors which, with three non-executive members two of whom are also independent, respects both the relative laws (presence of at least two independent Directors in the case of a Board of Directors containing more than seven members, as per article 148, paragraph three, of Legislative Decree 58/98) and the principles of corporate governance contained in the Self-regulation Code for Listed Companies. It should be noted that the evaluation of the "independence" and "non-executive" status of some of the board members was renewed during the meeting of the Board of Directors on 13 June 2008.
In conformity with articles 5, 7 and 8 of the Code, the Board of Directors resolved to set up an Internal Control and Corporate Governance Committee and a Remuneration Committee.
The three non-executive members of the Board of Directors, two of whom are also independent directors, were nominated as members of the above committees, after it had been established by the administrative body that they satisfied the requisites contained in articles 2.C.1 (with reference to their "non-executive" status) and 3.C.1 (with reference to their "independent" status) of the Self-regulation Code.
As for the subject of internal control, the Board of Directors nominated an executive Director responsible for supervising the internal control system, after receiving the favourable opinion of the members of the Internal Control and Corporate Governance Committee.
With reference to legislative laws and regulations governing market abuse, on 12 September 2007 the Board of Directors approved a procedure that guarantees full respect of the advertising obligations pertaining to operations carried out by "relevant individuals", as per article 152 sexies on issuing regulations for shares issued by Damiani S.p.A., prohibits "operations of a significant importance", as defined by the Self-regulation Code, being carried out during certain periods, and sets up a register of individuals who have access to sensitive information, as per article 115 bis of Legislative Decree 58/98.These operations include all operations carried out, including those carried out by subsidiary companies with related parties, that must be agreed on and/or carried out in respect of procedural and substantial correctness criteria.
On 27 March 2008, the Board of Directors of Damiani S.p.A. approved a code of ethics and an organisational model, as per Legislative Decree 231/2001. The Code of Ethics refers to the values the Damiani Group adheres to when carrying out its business activities, and contains the ethical principles and regulations that the individuals it deals with must respect. The Code of Ethics is applicable to all directors, employees, suppliers, consultants and in general all individuals who operate in the name of or on account of the company.

The Organisational Model approved by Damiani S.p.A. is a collection of specific regulations dealing with conduct and operational procedures and is designed to prevent illegitimate conduct within those areas of business activities where there is a potential risk.
At the same time, provision was made for the nomination of a Control Body, whose mandate expires when the Board of Directors mandate expires, to be nominated by the Shareholders' Meeting. The current Control Body is composed of the Internal Auditor of Damiani S.p.A. and two external individuals, who are partners in prestigious legal studios.
This structure guarantees that the Control Body is composed of individuals who represent all the professional expertise necessary for controlling com-

(1) Damiani S.p.A. closes its financial year on 31 March, therefore the income statement at 31 March 2008 covers the twelve-month period from 1 April 2007 – 31 March 2008 (henceforth referred to as "twelve-month period at 31 March 2008"). For the purposes of comparing the financial results, the present financial statements also include data relating to the period 1 April 2006 – 31 March 2007 (henceforth referred to as "twelve-month period at 31 March 2007").

pany management and, at the same time, satisfy the criteria of autonomy and independence required by law.
The Control Body has been assigned all the powers necessary for ensuring that the Organisational Model adopted by the company is effectively implemented and observed, and that it is efficient and effective in preventing and impeding the commission of offences currently provided for in Legislative Decree 231/2001. The Control Body can also make recommendations to the Board of Directors about updating or making any adjustments that may be necessary to the Organisational Model.
Further details about the corporate governance system of the parent company and the Damiani Group, together with the information concerning the company structure required by article 123 – bis of Legislative decree 58/1998, can be found in the annual report on corporate governance published at the same time as the financial statements and also available for consultation in the investor relations sector of the website at www.damiani.com.

Stock market listing of Damiani S.p.A.

On 8 November 2007, shares of the parent company, Damiani S.p.A., were admitted for trading on the Borsa Italiana in the automated stock market, STAR segment, in conclusion of the listing process that began with the resolution by the Board of Directors of Damiani S.p.A. on 30 MArch 2007 that authorised the Chairman to initiate the preliminary stage of the process, and continued with the resolution of the Shareholders' Meeting of 15 June 2007 to submit a request to be admitted to trading.
The IPO covered 26,355,500 ordinary shares of Damiani S.p.A., 18,462,500 of which came from the increase in the share capital while the remaining 7,893,00 were put on sale by shareholders. After the increase in the share capital, Damiani S.p.A. had a share capital of € 36,344,000 made up of 82,600,000 ordinary shares with a par value of € 0.44 each, and the subscription by new investors to the increase in the share capital at the placement price of € 4.00 per share resulted in Damiani S.p.A. receiving a gross amount of € 73,850 thousand.

Stock Options

On 26 September 2007 the ordinary Shareholders' Meeting passed resolution on a stock option plan in favour of employees, directors, agents and consultants of the company and its subsidiaries who hold important positions or functions in Group companies. The plan involves the allocation of up to a maximum of 1,600,000 options, each one of which gives the right to purchase or subscribe to 1 share at the offer price in case of assignment before the beginning of trading on the stock market. In the case of allocations after the beginning of trading, the price will be equal to an average of the official reference prices for the shares in the period between the allocation date and the same calendar date of the previous month, in conformity with current fiscal regulations.
On 5 November 2007 the Board of Directors implemented the stock option plan and, with the help of the Remuneration Committee, identified the beneficiaries from among the directors, employees, agents and consultants who work for the Group, allocating them 1,543,000 options at a price of € 4.00 per option. The Board of Directors also established the general objective which must be reached before the option rights can be exercised by each beneficiary, and mandated the Chairman to establish the individual objectives which must be reached before each beneficiary can exercise their rights. In particular, the option rights can be exercised on condition that a general objective has been reached, which was established as being a specific EBITDA consolidated for the Group at the end of the 2008-2010 three-year period that is in line with the Group Industrial Plan, and individual objectives that will be assigned for each of the three years involved.
In the financial year that closed on 31 March 2008, the impact on the consolidated income statement of a fair value evaluation of the options on the date of allocation, and distributed throughout the period during which the options will mature in accordance with the plan (the evaluation was carried out by an external actuary in line with the criteria established in IFRS 2 accounting principles), amounted to € 58,000 thousand.

Share buy back Program

The ordinary Shareholders' Meeting of Damiani S.p.A. on 22 February 2008 authorised a Group's share buy back program in an operation that was structured in the following way:
• Damiani S.p.A. was authorised to purchase a maximum of 8,250,000 ordinary shares with a par value of € 0.44 each, and in any case up to a limit of 10% of the share capital, over a period of 18 months from the date of the Shareholders' Meeting.
• The purchase price of each share must not be either 20% less or 20% more than the official stock exchange price on the day before each individual purchase operation. Each operation must fully respect current regulations in order to ensure parity of treatment between the shareholders.
At 31 March 2008, the total number of ordinary shares purchased amounted to 1,170,536, equal to 1.42% of the share capital of Damiani S.p.A., for a total amount of € 2,337 thousand at an average purchase price of € 2.00 per share.

Research and development

The products offered by the Group, together with the reputation and image of the brands, has always represented the key to the Group's success, which over the years has always been able to provide innovations in style and design that have characterised the collections offered to customers. In order to continue to satisfy its customers with new lines, the Group has increased the number of staff responsible for product development.

Financial risk management

You are referred to note36, Financial Risk Management and Other Information Required by the Application of IFRS 7 Standard, in the financial statements.

Security procedural document (privacy)

In compliance with enclosure B, point 26, of Legislative Decree 196/2003 referring to the protection of privacy, the Directors declare that the company has adapted all necessary measures concerning the protection of personal data, in regard to the provisions introduced by Legislative Decree 196/2003 and according to the terms and procedures laid out in the Decree. In particular, it should be noted that the Security Procedural Document, which has been deposited at the registered office, can be freely consulted.

Remuneration for Company bodies

Remuneration for the period in question in favour of the members of the administrative and control bodies, the general manager and managers with strategic responsibilities, as required by Enclosure 3C, paragraph 1 of Issuing Regulations, is shown in note35. Remuneration for Company Bodies of the consolidated financial statements.

Key data

Share capital	31 March 2008 (1)	31 March 2007
Number of shares	82,600,000	513,100
Par value of individual shares	0.44	55
Share capital	36,344,000	28,220,500

Ownership		
Leading Jewels S.A. (2)	52.49%	39.70%
Guido Grassi Damiani	5.01%	19.45%
Silvia Grassi Damiani	5.68%	19.45%
Giorgio Grassi Damiani	6.11%	19.45%
Damiani S.p.A. (buy back) (3)	1.42%	-
Colombo Damiani Gabriella (4)	0.15%	-
Giulia De Luca	0.49%	1.95%
Market	28.65%	-

Table according to article 79 Decree Legislative n.58/98

Individual	Office	Number of Shares
Guido Grassi Damiani	Director	4,140,808
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,687,371
Giulia De Luca	Director	407,000
Strategic Managers		9,000

(1) On 26 June 2007 a Shareholders' Meeting passed resolution on splitting 513,100 ordinary shares with a par value of € 55 each into 64,137,500 shares with a par value of € 0.44 each. On 8 November 2007, following the admission of Damiani S.p.A. shares onto the MTA (automated stock market), in the STAR segment, the increase in share capital decided on by the Extraordinary Shareholders' Meeting of 26 June 2007 was implemented with the issue of 18,462,500 ordinary shares with a par value of € 0.44 each, underwritten by the Market together with 7,893,000 shares put up for sale by various Shareholders.
(2) On 18 July 2007 Jewellery Investment S.A., which at 31 March 2007 held 39.70% of Damiani S.p.A., changed its name to D.Holding SA and transferred its stake in Damiani S.p.A. to the newly set up Leading Jewels SA.
(3) The Shareholders' Meeting of 22 February 2008 authorised the purchase of company shares (buy back program), within a period of 18 months after the resolution, up to a maximum of 8,250,000 ordinary shares in Damiani S.p.A. At 31 March 2008, the number of shares purchased amounted to 1,170,536, equal to 1.42% of the share capital.
(4) Usufructuary of 943,125 shares corresponds to 1.14% of the share capital.

Main economic data

in thousands of euros	FY of 12 months closed at 31 March 2008	Period of 12 months closed at 31 March 2007 *	change %
Revenues from sales and services	**101,273**	**110,134**	**-8.0%**
Total revenues	101,485	119,739	-15.2%
Costs of production	(80,359)	(94,952)	-15.4%
EBITDA**	**21,126**	**24,787**	**-14.8%**
EBITDA %	**20.8%**	**20.7%**	
Depreciation and amortization	(994)	(1,235)	-19.5%
Operating Income	**20,132**	**23,552**	**-14.5%**
Operating Income %	**19.8%**	**19.7%**	
Net financial incomes/(expenses)	(614)	(2,559)	-76.0%
Profit before taxes	19,518	20,993	-7.0%

(*) The income statement of Damiani S.p.A. for the twelve-month period April 2006-March 2007 is included here exclusively for comparative purposes.
(**) EBITDA represents the operating result intended as Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is used by the company's management to monitor and evaluate the company's operational performance and is not an IFRS accounting instrument, therefore it must not be considered as an alternative measure for evaluating the Company's results. Since EBITDA is not regulated by the accounting principles in question, the criteria employed by the Company may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

Balance sheets data

in thousands of Euros	Situation at March, 31 2008	Situation at March, 31 2007	change
Fixed Assets	39,847	34,480	5,367
Net Working capital	74,859	69,978	4,881
Non current Liabilities	(6,305)	(5,877)	(428)
Net capital invested	**108,401**	**98,581**	**9,820**
Net Equity	135,873	59,765	76,108
Net financial position *	(27,472)	38,816	(66,288)
Sources of Financing	**108,401**	**98,581**	**9,820**

(*) As from the financial statements at 31 March 2007, and therefore also for the financial statements at 31 March 2008, the net financial position was calculated on the basis of indications contained in CONSOB communication DEM/6064923 of 28.07.06.

Comments on the main economic and financial data for Damiani S.p.A.

The main variances in the data referring to the total income and profitability of Damiani S.p.A. for the twelve-month period at 31 March 2008 compared with the previous 12-month period refer to:

• Total revenues, where there was a decrease of €18.254 thousand (-15.2%), mainly due to a reduction in revenues from non-recurring operations (in the twelve-month period at 31 March 2007 it was equal to € 9,397 thousand, € 8,804 thousand of which was due to the disposal in March 2007 of brands to the subsidiary company Damiani International BV as part of a business plan to internationalise the Group), and from jewellery sales in non-core channels (which decreased from € 7,711 thousand for the twelve-month period at 31 March 2007 to € 3,806 thousand for the twelve-month period at 31 March 2008). The situation regarding the core channels is shown in the table below:

Revenues by sales channels

in thousands of Euros	FY of 12 months closed at 31 March 2008	Period of 12 months closed at 31 March 2007*	change %
Third-party wholesale	**65,829**	71,834	**-8.4%**
Percentage on total sales	*64.9%*	*60.0%*	
Third-party retail	**6,514**	6,130	**6.3%**
Percentage on total sales	*6.4%*	*5.1%*	
Total revenues from third-party retail and wholesale	**72,343**	77,964	**-7.2%**
Percentage on total sales	*71.3%*	*65.1%*	
Intercompany sales revenues	25,124	24,459	2.7%
Percentage on total sales	*24.8%*	*20.4%*	
Other channels/Other income	4,018	17,316	-76.8%
Percentage on total sales	*4.0%*	*14.5%*	
Total revenues	**101,485**	119,739	**-15.2%**

(*) Revenues from Damiani S.p.A. sales outlets for the twelve-month period April 2006-March 2007 are included here exclusively for comparative purposes.

• Third-party wholesale income amounted to € 65,829 thousand, an 8.4% decrease compared with the previous twelve-month period as a result of a general slump in demand from independent jewellers and of the Damiani brand selection policy which is nearing completion and is aimed at improving the positioning of the brand in Italy.

• Retail revenues increased by 6.3%, amounting to € 6,514 thousand, confirming the positive effects of the Group's strategic choice to reinforce its direct presence on the market. During the financial year that closed on 31 March 2008, Damiani S.p.A. opened a new boutique in Bologna (in October 2007), to add to the three existing shops in Milan, Rome and Florence, while there are plans to open additional new shops in the most important high-quality shopping streets in the main Italian cities during financial year 2008/209.

• Revenues from inter-company sales increased by 2.7% to cope with an increase in demand for Damiani and Salvini jewellery in foreign markets.

Core revenues represented 96% of turnover for Damiani S.p.A., compared with 85.5% for the twelve-month period at 31 March 2007.

• EBITDA for the financial year that closed on 31 March 2008 amounted to € 21,126 thousand, a € 3,661 thousand decrease compared with the previous twelve-month period, although this represented a slightly higher percentage of turnover (from 20.7% to 20.8%) thanks to stricter control of direct operating costs that resulted in the increase in some indirect components being completely absorbed, in particular lease and personnel costs, which were influenced respectively by the ongoing development of the retail network and by the hiring of new personnel required to deal with the company being listed on the Italian Stock Exchange (a process that was completed on 8 November 2007 with the commencement of trading in the Star segment of the automated stock market).

The net cost of production for the financial year that closed on 31 March 2008 amounted to € 80,359 thousand, a 15.4% decrease compared with the previous twelve-month period. Net production costs also include the losses suffered as a result of the robbery that took place on 24 February 2008 at the Damiani S.p.A. showroom (the value of which was adequately covered by the insurance policies taken out with important insurance companies), and the amounts received from the insurance cover for the same incident. The overall margins for the financial year that closed on 31 March 2008 were not significantly influenced by this event.

Financial statements

At 31 March 2008 the **net invested capital** of Damiani S.p.A. amounted to € 108,401 thousand, representing a € 9,820 thousand increase compared with the situation at 31 March 2007. € 5,367 thousand of this increase was due to the growth in locked-up capital both for direct investments in support of the expansion of the retail network (including any eventual key money) and production capacity (setting up and development of the new production company, Laboratorio Damiani s.r.l.), and for indirect investments that were used to finance the development of other Group companies (in particular, New Mood S.p.A. which is currently expanding its retail network in Italy with the Bliss brand), while € 4,881 thousand was due to an increase in net circulating capital.

The increase in circulating capital was partly due to contingent effects since other current assets, which are included in the net circulating capital item, include the compensation that will be paid during financial year 2008/2009 by insurance companies for the jewellery stolen during the robbery on 24 February 2008 referred to above, which has already been formally liquidated and will be paid within 30 June 2008
During the financial year that closed on 31 March 2008, the structure of the company's sources of revenues was radically modified with the increase in shareholders' equity due to the result for the period and, more significantly, to the capital deriving from new shareholders following the IPO process (Initial Public Offering). As a result of that operation, total **shareholders' equity** increased by € 73,850 thousand (including share capital and share premium reserve), without taking into account the € 4,701 thousand cost of the stock exchange listing process that was booked as a decrease in the company's shareholders' equity reserve (net of the corresponding fiscal effects).
At 31 March 2008, the **net financial position** of Damiani S.p.A. showed net liquid assets of € 27,469 thousand compared with a net deficit of €38,816 thousand at 31 March 2007, representing an improvement of € 66,288 thousand. This improvement was due to the cash flow generated during the period in question, which completely covered the investments made during the period, and, more significantly, to the capital raised from the stock market listing operation referred to above that was completed on 8 November 2007.
In addition, following resolution by the Shareholders' Meeting of 22 February 2008, Damiani S.p.A. launched an operation to purchase company shares in accordance with the method and limits authorised by the Shareholders' Meeting. At 31 March 2008, the company had bought 1,170,536 ordinary shares in Damiani S.p.A. at an average price of € 2.00 each for a total of € 2,337 thousand.

Related parties transactions

The operations carried out by Damiani S.p.A. with related parties are mainly of either a commercial nature (purchase of finished goods and services third account, sale of the company's two brands of jewellery products), linked to its core business, or connected to real estate (property leasing for offices and shops). Moreover, Damiani S.p.a. recharges to the subsidiaries costs regarding services performed at head office level in the area of his prerogative of strategic address and coordination of the Group.
For more detailed information about the exact figures and descriptions of operations with related parties reference should be made to paragraph30, Operations with Related Parties, of the notes to the financial statements.

Significant events after the end of the financial year

- After 31 March 2008, Damiani S.p.A. continued with the operation to purchase company shares, in accordance with the resolution by the Shareholders' Meeting of 22 February 2008. As of 28 May 2008, Damiani S.p.A. had purchased a total of 2,200,000 ordinary shares, equal to 2.633% of the share capital, at an average price of € 2.12 each for a total of € 4,659 thousand. The shares that were purchased were not the subject of alienation for the entire duration of the operation.
- On 21 May 2008, Damiani S.p.A. announced that Giulia De Luca had resigned from her positions as General Manager and CFO of the Group for personal reasons, although she continues to serve as a member of the Board of Directors of Damiani S.p.A. Her handing over is settled within the month of August 2008.
- The Board of Directors is negotiating the renewal of the rent of building located in Milan (Corso Magenta 82), commercial office of Damiani S.p.A.; the owner of the building is Immobiliare Miralto S.r.l.that is a correlated party .

Proposed resolution on the results of Damiani S.p.A for the financial year that closed at 31 March 2008

Shareholders,
having concluded our report, and trusting in your approval of the form and criteria used in preparing the financial statements at 31 March 2008, we propose:
1. to approve the financial statements of Damiani S.p.A. at 31 March 2008;
2. to distribute the net profit of € 10,969,958 as follows:
- € 548,498 to the legal reserve;
- the remaining € 10,421,460 to the extraordinary reserve.

Milan, 13 June 2008

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

Financial statements at 31 March 2008

Balance Sheet

in €	Note	31 March 2008	31 March 2007(*)
NON-CURRENT ASSETS			
Goodwill	4	726,704	726,959
Other Intangible Fixed Assets	5	882,689	82,808
Tangible Fixed Assets	6	6,587,778	7,258,477
Investments in subsidiary companies	7	18,104,507	17,874,507
Other investments	7	152,079	151,895
Financial receivables and other non current assets	8	8,588,389	4,484,220
Deferred tax assets	9	4,804,152	3,901,065
TOTAL NON-CURRENT ASSETS		**39,846,298**	**34,479,931**
CURRENT ASSETS			
Inventories	10	39,894,509	46,934,835
Trade receivables	11	86,994,281	81,057,506
Tax receivables	12	565,237	119,232
Other current assets	13	9,901,436	3,481,054
Cash and cash equivalents	14	45,889,374	8,865,404
TOTAL CURRENT ASSETS		**183,244,837**	**140,458,031**
TOTAL ASSETS		**223,091,135**	**174,937,962**
SHAREHOLDERS' EQUITY			
Share Capital		36,344,000	28,220,500
Reserves		88,558,635	28,340,527
Net Income (loss) for the period		10,969,958	3,202,568
TOTAL SHAREHOLDERS' EQUITY	**15**	**135,872,593**	**59,763,595**
NON CURRENT LIABILITIES			
Long term financial debt	16	12,072,647	33,751,593
Termination Indemnities	17	3,093,838	3,480,989
Deferred Taxes liabilities	9	3,212,607	2,394,811
Other non current liabilities		-	1,236
TOTAL NON CURRENT LIABILITIES		**18,379,092**	**39,628,629**
CURRENT LIABILITIES			
Current portion of long term financial debt	16	4,689,261	7,948,380
Trade payables	18	50,415,404	52,098,708
Short term borrowings	19	1,658,384	5,980,887
Income tax payables	20	7,406,932	5,227,726
Other current liabilities	21	4,669,469	4,290,037
TOTAL CURRENT LIABILITIES		**68,839,450**	**75,545,738**
TOTAL LIABILITIES		**87,218,542**	**115,174,367**
TOTAL NET EQUITY AND LIABILITIES		**223,091,135**	**174,937,962**

(*) IFRS financial statements for the financial year of three months closed at 31 March 2007, approved with the resolution of the BOD meeting of Damiani S.p.A. held on 14 November 2007.

Income Statement

in €

	Note	Financial Year of 12 months closed at 31 March 2008	Financial Year of 3 months closed at 31 March 2007 (*)
Revenues from sales and services		101,273,418	12,776,238
Other recurring revenues		211,988	87,000
Other non-recurring revenues		-	9,396,742
TOTAL REVENUES	22	**101,485,406**	**22,259,980**
Costs of raw materials and consumables	23	(53,180,905)	(6,500,711)
Costs of services	24	(23,625,855)	(7,101,894)
Personnel cost	25	(13,562,754)	(2,959,389)
Other net operating (charges) incomes	26	10,009,514	824,740
Amortization and depreciation	27	(994,260)	(349,516)
TOTAL OPERATING EXPENSES		**(81,354,260)**	**(16,086,770)**
OPERATING INCOME (LOSS)		**20,131,146**	**6,173,210**
Financial expenses	28	(2,861,574)	(2,574,100)
Financial incomes	28	2,248,334	1,319,068
INCOME (LOSS) BEFORE INCOME TAXES		**19,517,906**	**4,918,178**
Income Taxes	29	(8,547,948)	(1,715,610)
NET INCOME (LOSS) FOR THE PERIOD		**10,969,958**	**3,202,568**

(*) IFRS financial statements for the financial yesr of three months closed at 31 March 2007, approved with the resolution of the BOD meeting of Damiani S.p.A. held on 14 November 2007.

Table of changes in shareholders' equity

in €	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging reserve	Sharehol. payment reserve	Stock option reserve	Own Shares	Other reserves	Net Income (loss) for period	Total
Balances at 31 December 2006	28,220,500	**4,130,785**	1,265,855	**65,000**	2,531,000	**-**	-	**14,824,360**	7,479,000	**58,516,500**
Allocation of the profit for the period			362,000					7,117,000	(7,479,000)	-
Adjustment to fair value of the cash flow hedging				23,000						23,000
Distribution of Dividends								(3,081,000)		(3,081,000)
Payments in by shareholders					1,110,000					1,110,000
Other movements								(7,473)		(7,473)
Net income (loss) for the period									3,202,568	3,202,568
Balances at 31 March 2007	28,220,500	**4,130,785**	1,627,855	**88,000**	3,641,000	**-**	-	**18,852,887**	3,202,568	**59,763,595**
Increase in the Share Capital from the IPO	8,123,500	65,726,500								73,850,000
Costs of the IPO net of the tax impact								(4,701,149)		(4,701,149)
Allocation of the risult for the period			220,504					2,982,064	(3,202,568)	-
Adjustment to fair value of the cash flow hedging				(88,000)						(88,000)
Distribution of Dividends								(1,847,160)		(1,847,160)
Other movements								204,048		204,048
Stock options						58,301				58,301
Purchase of own shares							(2,337,000)			(2,337,000)
Net income (loss) for the period									10,969,958	10,969,958
Balances at 31 March 2008	36,344,000	**69,857,285**	1,848,359	**-**	3,641,000	**58,301**	(2,337,000)	**15,490,690**	10,969,958	**135,872,593**

Funds flow statement

in €

	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007(*)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Net Income (loss) for the period	10,969,958	3,202,568
Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:		
Depreciation, amortization and Write-downs	994,260	349,516
Costs for stock options	58,301	-
Provisions to Bad Debts Reserve	218,593	660,000
Provisions for termination Indemnity and actuarial valuation of ELI Fund	(71,151)	72,989
Termination Indemnity payments	(316,000)	-
Changes in the deferred tax assets and liabilities	(85,291)	1,748,746
	11,768,670	6,033,819
Changes on operational assets and liabilities		
Trade receivables	(6,155,368)	4,342,494
Inventories	7,040,326	(2,523,835)
Trade payables	(1,683,304)	(3,975,292)
Tax receivables	(446,005)	(232)
Income tax payables	2,179,206	2,883,726
Other current and non-current assets and liabilities	(6,042,186)	5,775,219
NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)	**6,661,339**	**12,535,899**
CASH FLOW FROM INVESTMENTS		
Disposal of Intangible and tangible Fixed Assets	90,000	-
Tangible Fixed Assets purchased	(383,542)	(27,655)
Intangible Fixed Assets purchased	(829,829)	(510,000)
(Purchase)/Sale of investments	(230,000)	(1,509,507)
Net change in the other non-current assets	(4,104,169)	(4,326,220)
NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)	**(5,457,540)**	**(6,373,382)**
CASH FLOW FROM FINANCING ACTIVITIES		
(Payment) disbursement of long-term loans	(24,938,065)	2,163,973
Net change in short term financial liabilities	(4,322,503)	2,494,887
Purchase of own shares	(2,337,000)	-
Dividends paid	(1,847,160)	(3,081,000)
Increase in share capital and payments in by shareholders	69,148,851	1,110,000
Other changes in the Net Equity	116,048	15,027
NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)	**35,820,171**	**2,702,887**
TOTAL CASH FLOW (D=A+B+C)	**37,023,970**	**8,865,404**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)	**8,865,404**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E)	**45,889,374**	**8,865,404**

(*)IFRS financial statements for the financial year of three months closed at 31 March 2007, approved with the resolution of the BOD meeting of Damiani S.p.A. held on 14 November 2007.

Explanatory notes.

1. COMPANY INFORMATION AND STRUCTURE OF THE FINANCIAL STATEMENTS

Company Information

The company operates and has operated for a great number of years in the sector of jewelry products distribution through both the wholesale and retail channels with reference to its prestigious brands of Damiani and Salvini.
The company's registered office is in Valenza (AL), in Viale Santuario, 46.

Statement of compliance

Damiani S.p.A. has prepared its financial statements in accordance with international accounting standards (International Accounting Standards –IAS or International Financial Reporting Standards-IFRS) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) as adopted by the European Commission and with the provisions issued implementing article 9 of Legislative Decree n. 38/2005.

Structure of the Financial Statements

The present Financial Statements of Damiani S.p.A. at 31 March 2008 for financial year of twelve months from 1 April 2007 to 31 March 2008, consisting of the Balance Sheet, of the Income Statement, of the Funds Flow Statement, of the Table of the changes in the Net Equity and of the Explanatory Notes (afterwards the "Financial Statements for the fiscal year") were approved by the Board of Directors of the Company that was held on 13 June 2008.
The structure of the Balance Sheet has been put in place with the classification between "Current Assets" and "Non Current Assets", while with reference to the Income Statement there has been maintained the classification by type of income and expense, which is the format that is believed to be most representative in relation to the so-called presentation by usage that is also called the "cost of sales" method.
Pursuant to the Resolution of CONSOB (Italian SEC) number 15519 dated 27 July 2006, the impacts of the relationships with correlated parties on the Balance Sheet assets and liabilities and on the Income Statement for the financial year of twelve months closed at 31 March 2008, are highlighted within a specific series of tables that are attached to the Explanatory Notes and the additional items for the purpose of not compromising the main layouts of the documents contained in the Financial Statements. The relationships with correlated parties are identified according to the extended definition laid down by the IAS 24, which means including the relationships with the administrative and governance bodies of the company, as well as with those company executives who have strategic responsibilities. Reference should also be made to what has been specified in note 30 "Transactions with correlated parties" and in note 32 "Atypical and/or unusual and non-recurring transactions"
The Funds Flow Statement was drawn up using the indirect method.
The Financial Statements have been drawn up in thousand €. All the amounts that are included in the tables that are contained in the following notes, except where not otherwise stated are, therefore, expressed in thousand €.
For comparison purposes the company's financial statements are presented for the accounting period of three months closed at 31 March 2007, which have been drawn up in conformity with what is laid down by the IFRS (International Financial Reporting Standards). Consequently the financial statements for the twelve months of the financial year closed at 31 March 2008 is not directly comparable with those that are relative to the accounting period of only three months closed at 31 March 2007, specifically for the components of the Income Statement and of the Funds Flow Statement.

Date of transition to the IFRS

The closing date of the financial year of Damiani S.p.A. is 31 March, following the decision to shift it that was taken with the resolution passed by the Shareholders' Meeting of the Company on 14 September 2006. Until the financial year 2006 the closing date of the financial year was 31 December. The accounting period closed at 31 March 2007, was a very short one with duration of only three months. At 31 March 2007, Damiani S.p.A. had not yet set in motion the process of being quoted on the stock market and it had not yet 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 Financial Statements for the fiscal year of Damiani S.p.A. at 31 March 2008 is the first set of Financial Statements for the fiscal year that has been drawn up pursuant to the relative legislation and in conformity with the international financial reporting standards that have been laid down by the European Union called the IFRS.
As asked for by the Legislative Decree number 38/2005, the setting of the system of availability of the reserves that are contained within the net equity of the first set of financial statements that have been drawn up following the IFRS was carried out with reference to the date of passage to the IFRS, which is considered to be "statutorily relevant" and, therefore, at 1 January 2007. Coherently with this set up and considering the financial statements at 31 March 2008 and the first set of financial statements that have been prepared according to the IAS/IFRS drawn up pursuant to the relative legislation, the date of transition to the IFRS that has actually been put in place by Damiani S.p.A. for these financial statements is 1 January 2007.
The informational data that is asked for by the IFRS 1, meaning the first adoption of the IFRS, relative to the impacts that are a consequence of the passage to the IFRS, has been specified in note 38..

2. ACCOUNTING PRINCIPLES AND CRITERIA

Criteria used

The Financial Statements for the financial year from 1 April 2007 to 31 March 2008 has been drawn up in full conformity under IFRS as adopted by the European Union.

The data in the Income Statement, the changes in the net equity and the funds flow statement for the accounting period that was closed at 31 March 2008 are presented in a comparative format with the Income Statement that is relative to the accounting period from 1 January 2007 to 31 March 2007. The Balance Sheet data are presented in a format that is comparable with the previous financial year period that was closed at 31 March 2007.

Accounting Principles

The financial statements for the accounting periods are given in €.

Change in the Accounting Principles and the informational data

With reference to the application of the accounting and interpretational standards that were in force after the date of 1 April 2007 there do not require to be highlighted any impacts on the financial statements, except for the more extensive informational obligations that are laid down by the IFRS 7 and by an additional amendment that has been added to the IAS 1.
More specifically these items were the following:

• The IFRS 7 - Financial Instruments - an informational document is asked for that enables the users of the financial statements to properly evaluate the actual significance and weight of the financial instruments, as well as the nature of the risks that are associated with the financial instruments in question. The new informational requirements are shown in various points of the financial statements but there have not found to be any impacts on either the financial situation of the company or on its result for the financial year.

• The change to the IAS 1 - Presentation of the financial statements - additional information regarding the capital of the company, which asks that the company supplies new information that enables the users of the financial statements to properly evaluate the goals, the policies and the procedures of the Company with reference to its Capital Management. This new informational detail is given in the note 34 below.

Contrary to the foregoing the interpretations that are listed below have not been applied because they regulate items and cases that are not applicable to the specific situation of this company:

• IFRIC 7 - The application of the method of recalculation that is pursuant to the contents of the IAS 29- Accounting information that is required in economies that are subject to hyper inflationary situations.

• IFRIC 8 - In the context of the application of the IFRS 2, which is not applicable to Damiani S.p.A., because the IFRS 2 lays down that for the transactions with payments that are based on stocks and shares made to employees the measurement of the value involved must refer to the fair value of the payments themselves at the date of their assignment and, therefore, the company itself is not obliged to directly estimate the fair value of the services that have been rendered to the employees.

• IFRIC 9 - Write-up of the implicit financial derivatives.

Finally it is highlighted that the following amendments and interpretations, which are no longer applicable, have not been adopted on any advance or anticipated occasions by the company:

• IFRS 8 - operational segments, applicable from the date of 1 January 2009, replacing the IAS 14 - Informational detail of the sector.

• Revised version of the IAS 23 - Financial Charges, applicable from the date of 1 January 2009.

• IFRIC 14 regarding the IAS 19 - Assets and plans for defined benefits to employees and the minimum coverage criteria, applicable from the date of 1 January 2008, which in the case of Damiani S.p.A. means starting from the financial statements for the period from 1 April 2008 until 31 March 2009,

• Revised version of the IAS 1 - Presentation of the financial statements applicable from the date of 1 January 2009.

• IFRIC 11 - IFRS 2 Transactions regarding a company's own shares.

• IFRIC 12 - Service contracts in concession.

• IFRIC 13 - Programs for customer fidelity.

Declaration of compliance with IFRS as adopted by the European Union

The financial statement of Damiani S.p.A. for the financial year of twelve months closed at 31 March 2008 have been drawn up in conformity with the IFRS that have been adopted by the European Union.
No derogation, whatsoever, has been applied to the implementation of the IFRS regarding the drafting of the statutory financial statements for the financial year of three months closed at 31 March 2007 and for the financial year of twelve months closed at 31 March 2008.

Use of estimates

The drawing up of the financial statements and of the relative notes and comments in application of the IFRS requires that the Company makes a series of estimates and hypotheses that impact the values of the assets and liabilities that are contained in the financial statements for the relative accounting period and also that there is given information regarding potential assets and liabilities. The actual accounting results could differ from these estimates. The estimates are used in order to be able to set the values of the provisions to be posted regarding the risks on receivables and for returns, amortization, depreciation, write-downs of assets, benefits to employees, taxes and provisions for risks and charges. The estimates and the hypotheses behind them are periodically reviewed and the impacts of absolutely any change in them are immediately reflected in the postings that

are made to the Income Statement.
The main evaluation processes that the company has used for its estimates are relative to the carrying out of checks on any possible losses in value of the assets, i.e. the impairment tests, on the evaluation of the intangible assets that are used in the business combination operations and transactions pursuant to the contents of the IFRS 3 and in the valuation of the expected future returns of merchandise.

Goodwill

The Goodwill that has been acquired from the aggregation of enterprises consists of the excess of the costs of the company aggregation compared to the amount that belongs to the company of the relative net equity at current values with reference to those values that can be identified and measured in the assets, liabilities and the potential liabilities that have been acquired. After the initial posting the Goodwill is valued at its cost reduced by the eventual loss of value that has been accumulated regarding it. The Goodwill is subjected to a possible recovery analysis i.e. the impairment tests, carried out on a yearly basis, or even more frequently when there take place any events, occurrences or changes from which there could eventually arise any losses in value. For the purposes of these value recovery analyses the Goodwill that has been acquired through the mergers of enterprises is allocated, at the date of the relative acquisition of each individual unit, or group of units, that generate cash flows and which it is believed will benefit from the synergy effects of the acquisition itself, regardless of the allocation of any other assets and liabilities that have been acquired in the process.
Each of the units, or the group of units to which the Goodwill is allocated:
– represents the lowest level within the company in which the Goodwill is monitored for the purposes of internal management of resources.
– is not any bigger than a primary or secondary sector of the company as this is defined by the sectors scheme that is laid down by IAS 14.
The loss in value is calculated by defining the recoverable value of the cash flows generating unit (or group of units) to which the Goodwill is allocated. When the recoverable value of the cash flows generating unit (or group of units) is less than the accounting book value, a loss of value is found.
In the case where the Goodwill is attributed to a cash flows generating unit (or group of units) whose assets are partially disposed of the Goodwill that is associated with the assets that have been disposed of is considered for the purpose of calculating the eventual capital gain or loss that comes from the transaction. In these circumstances the Goodwill that has been ceded is measured based on the values relative to the asset that has been disposed of compared to the asset that is still held in the books, with reference to the unit involved itself.

Intangible fixed assets

The Intangible Fixed Assets that are acquired separately are posted at cost.. After the initial valuation used for the posting the Intangible Fixed Assets are posted at cost less any accumulated amortization and any eventual losses in value that have been accumulated as well. The Intangible Fixed Assets that are produced internally are not capitalized and their relative costs are posted to the Income Statement in the accounting period when they are incurred. The useful life of the Intangible Fixed Assets is valued as being defined or undefined. The Intangible Fixed Assets with a defined lifespan are amortized based on the length of their useful life and they are subjected to periodic impairment tests whenever there arise any indications that there could be a possible loss of value. The period the method of amortization that is applied to these assets is reviewed at the end of every financial year or even more frequently if this is considered to be necessary. Any changes in the expected useful life or in the methodologies with which the future financial benefits flowing from them shall accrue to Damiani S.p.A. are accounted for by changing the period or the method of amortization and they are treated as changes of the accounting estimates. The amounts of the amortization of the Intangible Fixed Assets with a defined lifespan are posted within the Income Statement in the cost category that is coherent with the intangible asset itself.
The Intangible Fixed Assets with an undefined lifespan are subjected to a yearly check regarding any possible individual loss of value or at the level of the cash-generating unit. These assets are not amortized in any way. The useful lifespan of an intangible fixed asset with an undefined lifespan is reviewed on a yearly basis for the purpose of ascertaining whether there are still in existence the conditions that justify its classification. Where this is found to be contrary the change in the useful life of the asset from undefined to defined is done on a forecasted basis.
The losses or gains arising from the disposal of an intangible fixed asset are measured as the difference between the net income from its sale and the net book value of the asset and this is posted to the Income Statement at the time when it is disposed of.
For the Intangible Fixed Assets with a defined lifespan the amortization rates that are applied are the following ones:

Category	Rate
Software licenses	20%
Key money (Indemnities paid for renewal of shop rental contracts)	Duration of contract

Costi di ricerca e sviluppo

The research costs are directly debited to the Income Statement in the financial year within which they are incurred.
The development costs that are incurred in relation to a specific project are only capitalized when Damiani S.p.A. can actually demonstrate the technical possibility that it can complete the creation of the intangible asset in such a way as to make it available for usage or for an eventual sale, that it can demonstrate its intention to fully complete the said asset in order to be able to use it or to be able to sell it to third parties, as well as demonstrating the ways in which the asset in question can be able to generate any probable future economic benefits, the availability of the technical, financial or other resources that are necessary in order to complete the development, to be able to demonstrate its ability to evaluate, in a trustworthy manner, the cost that has to be attributed and posted to the asset during the period when it is being developed and that there does, in fact, exist a market for the products and services that derive from the creation of the asset or that it does have a proper internal usage. The development costs that are capitalized only include those expenses incurred that can actually be directly attributed to the development process of the asset itself. After the initial postings of the amounts involved the development costs are posted to the accounting books net of the accumulated amortization and any eventual losses of value that may be suffered by the asset according to what has been described previously for those Intangible Fixed Assets with a defined useful life.

Tangible fixed assets

The real estate, plant and machinery that has been purchased separately, both based on purchase contracts as well as by means of financial leasing, are posted at cost, while those acquisitions that are obtained by means of mergers of enterprises are posted to the accounting books based on their fair value that is calculated at the date of their acquisition. The real estate and the plant and machinery are posted to the books at cost, including the ancillary costs that are directly imputable to them and that are necessary in order to put the asset into a situation, where it can be used for the purpose for which it was purchased, or increased in value, when such occurs and when there are current obligations regarding it, to the current value of the estimated cost in order to be able to disassemble it and remove the asset from its current situation. Whenever any parts of the tangible fixed asset in question have different lengths of useful life, the varying components involved shall be posted separately to the accounting books. Tracts of land that are both free of buildings or that have buildings on them are not depreciated because they have a totally unlimited useful life.
The accounting book value of the Tangible Fixed Assets is subjected to periodic checking in order to discover if there are any ongoing and permanent losses in value whenever any events or changes show that the net accounting book value is not recoverable, following the depreciation plan that has been put in place. If there does exist an indication of this type and in the case where the net book value of the asset does exceed its presumed realizable value the assets or the financial flow generating units to which the assets have been allocated are written down in order that they do actually reflect their true realizable value. The net book value, the remaining useful life and the methods that are applied to depreciate it are reviewed yearly and they are updated, if necessary, at the end of each accounting period. The economic/technical depreciation rates that are used are the following:

Category	Rates
Land and Buildings	3%
Plant and machinery	12.5%
Industrial and commercial equipment	From 12% to 35%
Other tangible assets	From 12% to 25%

Leased assets

The financial leasing contracts that basically transfer to Damiani S.p.A. all the risks and benefits regarding the legal ownership of the asset that is leased, are capitalized at the date of the beginning of the leasing at the fair value of the asset that is leased or, if this is lower, at the current value of the total installments that have to be paid for it. The installments are split in equal amounts between the principal sum and the amounts of the interest in order that there is applied a constant interest rate on the residual balance of the debt. The financial charges are posted directly to the Income Statement. The capitalized assets that are in leasing are depreciated over the timeframe that is the shorter between that of the estimated useful life of the asset and the duration of the financial leasing contract, if there does not exist the reasonable certainty that Damiani S.p.A. shall achieve the ownership of the asset at the end of the contract.
The installments of operational leasing are posted as costs into the Income Statement as equal amounts over the period of duration of the contract.

Investments

The investments in subsidiary companies and in other enterprises are posted at their original cost but adjusted for any continuing and ongoing losses of value, which are calculated based on an appropriate impairment test.

Loss of value of the asset (impairment test)

At each closure of its financial statements Damiani S.p.A. evaluates the existence of any indicators regarding the reduction in value of the Intangible Fixed Assets with a defined useful life, of the Tangible Fixed Assets and of the assets that are in financial leasing. In any case where such indications of loss in value emerge an impairment test is carried out on the assets in question. The Goodwill and the Other Intangible Fixed Assets with an indefinite useful life are subjected, on a yearly basis, to a check on any loss of their value and this is done independently as to whether there are any indicators that stand out regarding specific losses in value. The Tangible Fixed Assets and the Intangible Fixed Assets with a definitive useful life are also subjected to checks regarding any loss in value when there emerge any indicators regarding their loss in value. The recoverable value is calculated as being the greater between the fair value of any asset or a unit that generates cash flows net of its costs of sale and the value of its use, and it is calculated for each individual asset, with the exception of the case in which the asset in question generates cash flows that are not amply independent of those that are generated by other assets or by other groups of assets, in which case Damiani S.p.A. estimates the recoverable value of the cash generating unit to which the asset actually appertains. Specifically, in the case where the Goodwill itself does not generate cash flows that are independent from those flowing from the other assets or from the other groups of assets the check that is carried out on the reduction in the value is relative to the unit, or group of units, to which the Goodwill has been allocated. In the calculation of the utilization value, Damiani S.p.A. discounts, at their net present value, the forecasted future funds flows, using a discounted cash flow rate before taxes that reflects the market valuations of the monetary values over time and the specific risks that may impact the asset itself. For the purposes of estimating them the future cash flows are derived from the company plan, which has been approved by the Board of Directors and that contains the best estimates that have been worked out by Damiani S.p.A., based on the financial conditions that are foreseen over the timeframes of the relative plan. The forecasts that are contained in the plan normally cover the period of three financial years of the company. The long-term growth rate that is used for the purpose of estimating the final value of the asset or the cash generating unit is usually lower than the average long-term growth rate that appertains to the sector in which the company operates, of the country and of the reference market. The future cash flows are estimated by making reference to the current market conditions. Therefore, the forecasts do not take into consideration either the benefits that may be expected to derive from any future restructurings regarding which the company is not already fully committed or any future investments in the improvement or the optimizing of the asset or the relative unit. If the accounting net book value of an asset or of a unit that generates cash flows is higher than its presumed recoverable value, the asset is held to have suffered a loss and it is therefore written down until it arrives at its recoverable value. The losses in value that are suffered by the functioning assets are posted to the Income Statement in the cost categories that are coherent with the functions of the asset that has shown to have had a loss of value. At each closure of its financial statements Damiani S.p.A. also evaluates the eventual if there has been any reduction in the losses of value that have been written off previously and if this is the case it then posts a new estimate of the recoverable value. The value of an asset that has been written down, with the exception of the Goodwill, can only be reinstated if there are changes in the estimates used in order to calculate the recoverable value of the asset after the last finding of a loss of value. In this case the accounting book value of the asset is taken back to its recoverable value, but this recoverable value cannot be more than the net book value, which is the original cost less the accumulated depreciation, as long as no other loss in value has been found to have occurred in previous years. Each reinstatement of value is posted as an income to the Income Statement. After a reinstatement of value has been found, the amount of the depreciation of the asset is adjusted in future periods, for the purpose of splitting the changed accounting book value, net of any eventual residual values, in equal amounts over the remaining useful life of the asset. In absolutely no case can the value of the Goodwill, which has been written down previously, be reinstated at its original value.

Other non current assets

The receivables and the loans and financing that are included among the other non current assets are valued based on their amortized or depreciated cost. Those receivables with a due payment date that is over one year, which are non interest bearing or that accrue interest at a rate that is lower than that of the normal market rate are value at their net present value using interest rates that are in line with the reference rates of the relevant market.

Inventories

The inventories are posted at the lower of their purchase or production cost and their net presumed realizable value, which is calculated as being the price of the amount that the company expects to, obtain from their sale in the normal course of its business activities. The costing method that is used is that of the weighted average cost. The average weighted cost includes the competent accrued ancillary charges that refer to the purchases of the period charges. The valuation of the inventories in the company's warehouses also includes the direct costs of the materials and of the labor involved, as well as the indirect costs of production.
The inventories also include the cost of production relative to the returns that are expected in the future financial years linked to deliveries that have already been made and that are estimated based on the sales value less the average margin that has been applied to them.

Trade receivables and other current assets

The trade receivables and the other current assets are posted to the accounting books at their fair value that is identified as being the nominal value that is afterwards reduced for any losses of value through the putting in place and posting of provisions to a specific bad debts reserve, which reduces the value of the asset. The trade receivables are shown in the financial statements net of the adjusting reserve for those products that the company estimates will be returned by its customers. This reserve is relative to the amounts that are invoiced at the time of the shipping of the merchandise for which, also based on historically acquired experience, there can be reasonably foreseen that at the date of the financial statements not all the significant risks and benefits that are linked to the ownership of the assets in question have been transferred. The trade receivables and the other current assets whose due dates of payment do not fall within the normal trade term times and that do not produce interest are taken to their net present value.

Financial instruments

The IAS 39 lays down the treatment of the following types of financial instruments: 1) financial assets at fair value with the changes posted to the Income Statement; 2) loans and receivables 3) investments held to maturity; 4) assets available for sale.
Initially all the financial assets are shown in the books at their fair value, which is increased, in the case of assets that are different from those that are stated at their fair value in the Income Statement, by the relative ancillary charges. The company determines the classification of its financial assets after the initial posting of them and, where the same is both appropriate and allowed, reviews the said classification at the closing of each financial year.
All the purchases and sales of financial assets are posted with the values at the date of the transaction involving them or at the date when the company actually tales upon itself the commitment to purchase the asset in question.

Financial assets at fair value with changes posted to the Income Statement

This category contains the financial assets that are held for trading, or all the assets that have been purchased in order to be sold in the short term. The financial derivatives are classified as financial instruments held for trading unless they are designated as instruments of effective coverage. Profits or losses on the assets held for trading are posted to the Income Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or calculable payments that are not quoted on an active stock market. These assets are posted with their cost being depreciated with the effective discount method. The profits and the losses are posted to the accounting books and the Income Statement when the financing, loans and receivables are eliminated from the accounting books or when they show losses in their value, as well as by means of depreciation.

Investments held to maturity

The financial assets that are not derivatives and that are characterized by payments that are at fixed dates or calculable are classified as "Investments held to maturity" when Damiani S.p.A. intends to keep them in its portfolio until their expiry date. the financial assets that Damiani S.p.A. decides to keep in its portfolio for an indefinite period do not fall within this category. The other long-term financial investments that are held until their expiry date, like bonds are afterwards written down by having their cost depreciated with the effective discount method. This cost is calculated as being the initial value less the reimbursement of the installments of the principal, plus or minus the accumulated depreciation using the method of the rate of effective interest on any difference between the initial value and the amount at the expiry date. This calculation includes all the commissions or the points exchanged between the parties that are an integral part of the effective interest rate, the trading costs and the other premiums or discounts. For the investments valued at the depreciated cost the profits and the losses are posted to the Income Statement at the time when the investment is written out of the accounting books or when they show a loss in value, as well as through the depreciation process.

Assets available for sale

The financial assets available for sale are those financial assets, excluding the financial derivatives, that are designated as such or that are not classified in any other of the three preceding categories. After their initial posting at cost the financial assets that are held as available for sale at their fair value and the profits and the losses are posted to the accounting books in a separate item of the net equity until the asset is either written out of the accounting books or until it has been ascertained that they have suffered a permanent loss of value. The profits or losses that have been accumulated up till that moment in time within the accounts that are contained in the net equity are then posted to the accounts contained within the Income Statement.
In the case of securities that are widely traded in regulated stock markets the fair value is calculated buy making reference to the stock exchange quotation at the last time of the last deal at the end of trading on the date of the closing of the accounting period. For those investments for which there does not exist an active stock market the fair value of the security is calculated by using valuation techniques that are based on the prices involved in recent dealing transactions between independent parties for equivalent types of assets, on the current market value of any financial instruments that are basically similar, on the analyses of discounted cash flows at net present values and on the pricing models of the options.

Derecognition of financial assets and liabilities

A financial asset, or where it is applicable the part of a financial asset or parts of a group of similar financial assets is cancelled when the following situations occur:
– the rights to receive the cash flows are extinguished;
– Damiani S.p.A. conserves the right to receive the cash flows from the assets but has taken on the contractual obligation to hand this over, without any delay, to a third party;
– Damiani S.p.A. has transferred the right to receive the cash flows from the assets and (i) it has basically transferred all the risks and benefits of the ownership of the financial asset, or (ii) it has not basically transferred or retained all the relative risks and benefits of the asset but it has transferred the control of it to someone else.
In those cases in which Damiani S.p.A. has transferred the rights to receive the cash flows from an asset and it has not transferred or basically withheld all the risks and the benefits and it has not lost the control of the asset itself, then the asset is shown within the financial statements of Damiani S.p.A. up to the amount of its continued involvement and appurtenance to the asset itself. The continued involvement and appurtenance that takes the form of a guarantee over the asset that has been transferred is valued at the lower between the initially posted accounting book value and the maximum value of the price that Damiani S.p.A. could be called upon to pay for it.
A financial liability is cancelled from the financial statements when the obligation that underlies the liability is extinguished, annulled or fulfilled.
In the cases where an existing financial liability is replaced by another that is put in place by the same debtor, at conditions that are basically different from the first one, or when the conditions of an existing financial liability are basically changed, this exchange of the liabilities is treated as if it were an accounting cancellation of the original liability and the accounting posting of a new liability, with the posting of any difference between the accounting values to the Income Statement .

Hedge accounting

For the purposes of the hedge accounting process the coverages are classified as follows:
The coverages of the fair value, if they are regarding the risk of the change in the fair value of the asset or of the underlying liability; or an irrevocable commitment, with the exception of a foreign exchange fluctuation risk; or
The coverages of cash flows if they are put in place to cover the exposure regarding the variability of the cash flows that is attributable to a specific risk that is associated with an asset or a liability that has been identified or to a planned operation or transaction that will most probably take place, or regarding the risk on foreign currency that is linked to an irrevocable commitment;
The coverages of a net investment in a foreign enterprise, i.e. the so-called net investment hedge.
At the start of the coverage operation Damiani S.p.A. formally designates and documents the coverage relationship, to which it intends to apply the process of hedge accounting, its goals regarding the management of the risk and the strategy to be followed regarding it. The documentation includes the identification of the coverage instrument, the nature of the risk involved and the methodologies with which the company intends to evaluate the effectiveness of the coverage in order to be able to set off the exposure for the changes in the fair value of the item that is the subject of the coverage or of the cash flows that are linked to the risk that is desired to be covered.
It is to be intended and expected that these coverages are highly effective in offsetting the exposure of the item that is being covered regarding the changes in its fair value or in the cash flows that are attributable to the risk that is to be covered. The checking on the fact that these coverages are really and truly effective is carried out on an ongoing and continuous basis during all the financial accounting periods when they have been designated.

The change in the fair values of the coverage financial derivatives is posted to the Income Statement. The change in the fair value of the item that is covered attributable to the risk that has been covered and it is posted to the books as a part of the accounting value of the element that is covered and the opposite side of the entry is posted to the Income Statement.
Regarding the coverages of the fair value that refers to the elements that have been accounted for according to their amortized or depreciated costs, the adjustment to the accounting value is posted to the Income Statement during the period up to the expiry date. Any eventual changes and adjustments that are made to the book value of a covered financial instrument to which there is applied the method of the effective interest rate are depreciated within the Income Statement.
Any eventual profits or losses that arise from the changes in the fair value of those financial derivatives that are not suitable to be used for the hedge accounting process are posted directly to the Income Statement during the relative accounting period.

Cash and cash equivalents

The cash, banks and other available liquidity are posted, according to their type, at their nominal value.

Financial liabilities

The financial liabilities consist of the financial payables and the financial liabilities relative to the financial derivatives. Those financial liabilities, which are different from the financial derivatives, are originally posted to the accounting books at their fair value increased by the costs of the particular transaction involved. Afterwards they are valued at their amortized or depreciated cost, which means at their original value, net of any repayments of the principal that have already been made, adjusted, either up or down, based on the amortization or the depreciation, using the method of the effective interest rate and any eventual differences that may exist between the initial value and the value at the expiry date.

Employee Benefits

All those benefits that are given to employees at the same time, or after, the ceasing of the employment relationship through defined, or final, benefit plans which, mainly for Italian purposes, are contained within the legally applied Employee Leaving Indemnity are recognized in period when the legal right itself matures.
The liability relative to the plans regarding defined benefits plans net of any assets that service the plan is calculated based on actuarial hypotheses and on an accruals timing basis that is in line with the labor services that are necessary in order to be able to obtain the benefits involved. Independent actuaries carry out the valuation of the liability.
Damiani S.p.A. has decoded not to adopt the "corridor method" laid down by the IAS 19 and, therefore, the profits and the losses that come from carrying out the actuarial calculations are periodically posted to the Income Statement as labor costs.

Other benefits to employees

According to what is laid down in the IFRS 2 (Payments based on shares) the stock options in a favor of the employees are valued at their fair value at the grant date according to models that take in all the factors in force at that date such as the option price, the duration of the option, the current market price of the shares and the interest rate on a no risk investment for the whole lifespan of the option.
If the right can be exercisable after a certain period and/or when certain al performance conditions take place, i.e. the vesting period, the overall fair value of the options is split equally over time during the said period and posted to a specific item in the net equity with the other side of the entry going to the Income Statement in the Personnel costs, because it is a payment in kind paid to the employee and to the Costs for services, in relation to the directors and agents who are beneficiaries of the options.
During the vesting period the fair value of the option that has been previously calculated is not reviewed or updated, but there is periodically updated the estimated number of the options that will mature at the due date and, therefore, the number of the beneficiaries who will have the right to exercise the options. The change in the estimate is treated as an increase or a reduction in the net equity item referred to with the other side of the entry in the Income Statement to Personnel costs and costs for services .
At the due date of the option the amount that is posted to the net equity item referred to is reclassified as follows: the amount of the net equity relative to the options that are exercised is posted to the Share Premium reserve, while the part relative to the options that have not been exercised is reclassified to the item Profits (losses) carried forward.

Trade payables and other current liabilities

The trade payables and other current liabilities, whose due dates fall within the normal trade and contractual terms are not stated at their net present value but are posted to the accounting books at their nominal.

Revenues from sales and services

The revenues and incomes that are shown net of discounts, allowances and returns are posted to the accounting books at their fair value in so far as it is possible to calculate that value and it is possible that the relative financial benefits will be exploited.
The revenues from the sales of goods are posted when all of the following conditions are satisfied:
• Ownership with the relative risks and benefits are transferred to the purchaser of the goods.
• There are no longer exercised the usual activities that are associated with the ownership of the goods and there is also no longer exercised any control over the goods that have been sold.
• The amount of the revenues can be dependably calculated.

• It is probable that any future financial benefits will be exploited.
• The costs incurred, or to be incurred can be reasonably estimated.
Damiani S.p.A. in some cases accepts, for commercial reasons and in line with the usual practices of the sector, returns from the customers relative to goods that have been delivered, also in previous financial years. Regarding these practices Damiani S.p.A. rectifies the amounts that have been invoiced at the time of the shipping of the goods regarding the amounts of which, also based on historical experience, there can be reasonably forecasted that at the date of the financial statements not all the significant risks and benefits associated with the ownership of the property have been transferred to the new possessor. The returns that are calculated in this manner are posted to the accounting books and, therefore, to the Income Statement as a reduction of the revenues and in the Balance Sheet in a specific fund that is an adjustment of the receivables from customers, while the relative estimated production cost is included in the inventories.

Barter transactions

The sales of goods in return for the purchases of publicity and advertising services are posted to the financial statements separately among the revenues from the sales and the costs for services. The revenue that comes in from the sale of goods is calculated at the fair value of the publicity and advertising services received, adjusted for any cash payments or equivalents and they are posted at the time of the shipping of the merchandise.

Other revenues

The other revenues include the financial benefits that are delivered in the period coming from the activities linked to the company's ordinary business activities. The key money that has been cashed in due to the selling, in advance of their expiry date, of real estate rental contracts regarding prestigious property for commercial usage is posted among the other revenues at the time when it is cashed in, which coincides with the date of the agreement of the cancellation of the original contract.

Costs

The costs are posted on an accruals timing basis and, specifically, as follows:
Costs for advertising campaigns and testimonials
The commissions due to advertising agencies and the expenses for the production of the advertising, spots and photo shots, are posted to the Income Statement when they are incurred.
The costs relative to the advertising campaigns and the costs relative to promotional activities are recognized in the Income Statement of each period for the services that have been received, i.e. advertising already issued, published or transmitted, the testimonials already rendered.
There are treated on an accruals basis any advances paid for services still to be received.
The commissions due to advertising agencies and the expenses for the production of the advertising, spots and photo shots, are posted to the Income Statement in the accounting period when the relative services are received.
The costs relative to purchased advertising services are posted on an accruals basis in the period when the relative services are received.

Financial expenses and incomes

Financial incomes are stated on the basis of the interest accruing in the relevant year, which is calculated using the method of the "effective interest rate", the rate at which the future income flows (on the basis of the financial instrument's life expectancy) are discounted.
Financial expenses (borrowing costs) are charged to the Income Statement under the accruals principle and booked at the "effective interest rate" amount.

Dividends

The dividends are posted when there arises the right of the shareholders to receive the payment, which coincides with the time when the resolution is passed regarding them.

Corporate income taxes
Current taxes
The current taxes are calculated based on the taxable income for the period. The taxable income differs from the financial result that is shown in the Income Statement because it does not contain certain items that are both deductible and not allowable for tax purposes. The liability for current taxes is calculated using the tax rates that are in force at the closing date of the accounting period.
Deferred tax assets and deferred tax liabilities
Deferred tax assets and deferred tax liabilities are based on the timing differences between the accounting book values of the assets and liabilities in the financial statements and the corresponding fiscal values that are used to calculated the taxable base, which is posted using the method of the liability in the Balance Sheet. The deferred tax liabilities are posted for all the timing differences that are taxable with the exception of the following cases where:
• The deferred taxes liabilities come from the initial posting of the Goodwill or from an asset or liability in a transaction that is not a merger and that, at the time of the transaction itself, does not bring about any impacts either on the profit for the period calculated for the purposes of the financial statements, or on the profit or loss calculated for fiscal purposes.

• With reference to the taxable timing differences associated with shareholdings in subsidiary companies, affiliated companies and joint ventures. The write backs of these timing differences can be controlled and it is probable that they shall not take place in future.
The prepaid taxes are posted according to whether it is believed to be probable that there will be fiscal impacts from them in the future that will allow

the usage of deductible timing differences with the exception of the following cases:
That the prepaid tax derives from the initial posting of an asset or a liability in a transaction that is not a merger and that, at the time of the transaction itself, it does not have any impact on the profit for the period calculated for the purposes of the financial statements or on the profit or loss calculated for fiscal purposes. The book value of the prepaid taxes is looked at each date of closing of the financial statements is written off if it is unlikely that that there will be enough future profits to write it off against. Unrecognized prepaid taxes are reviewed yearly at the date of closing of the financial statements and are only retained if deemed recoverable.
The prepaid taxes and the deferred taxes are calculated based on tax rates currently in force and which are presumed to be those that will be in force at the time of the realization of the asset or of the extinction of the liability.
The deferred and prepaid taxes are posted to the ed Income Statement, with the exception of those relative to items that are directly posted among the a components of the net equity, for which also the relative prepaid and deferred taxes are accounted for coherently and not posted to the Income Statement.
The assets for prepaid taxes and the liabilities for deferred taxes are classified among the non current assets and liabilities.
Pursuant to the provisions of Legislative Decree n.344 of 12 December 2003 which introduced the group taxation rules known as the "Consolidation tax", Damiani S.p.A. concluded agreements with its subsidiaries New Mood S.r.l., Alfieri & St.John S.p.A. and Damiani Manufacturing S.r.l. regarding the joint exercise of the option to use "National Consolidation" tax rules for the three year period 2007-2009.

Foreign currency conversion

Damiani S.p.A.'s functional currency is the Euro.
Transactions in other currencies are converted at the rate at the time of the transaction. Any foreign currency based assets and liabilities are converted to € using the rate at the date of closing of the financial statements. All the exchange differences are posted to the Income Statement. The non-monetary balances that are valued at their historical cost in foreign currencies are converted using the exchange rate in force at the transaction date. The non-monetary balances posted at their fair value in foreign currencies are converted using the exchange rate in force at the date of calculating their value.

Own shares held

The own shares held are classified as a direct reduction of the net equity. The original cost of the shares and the incomes from any successive sales of them are shown as movements in the net equity.

3. COMMENTS ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

Below there are commented the individual items in the Balance Sheet and Income Statement.

4. GOODWILL

The Goodwill amounts to € 727 thousand and is substantially unchanged compared to the figure at 31 March 2007. The items refer to the Goodwill paid by Damiani S.p.A. for the purchase of a single brand directly managed shop.

Impairment test on intangible assets with an indefinite useful life

The only asset with an undefined useful life that is posted to the books at 31 March 2008 and at 31 March 2007 is the Goodwill. During the accounting periods being presented there has not emerged anything that induces the company to extend the impairment test to the assets with a defined useful life.
The Goodwill was subjected to an impairment test for the purpose of evaluating its book value.
The following data and assumptions have been considered in performing the test::

• the financial data were taken from the company's 2008-2011 Business Plan;
• cash flow has been determined starting from the EBITDA and adjusted in order to eliminate the amounts related to investments and to changes in working capital. Specifically, the cash flows for 2011 taken as a constant value for obtaining the "terminal value", have been determined assuming that the amount of the investments was equal to the amount of depreciation;
• the cash flows were discounted at the Weighted Average Cost Of Capital (WACC), which was calculated from the following assumed parameters:
1. risk-free rate : 4.4%;
2. beta 5%;
3. debt/equity ratio: taken from the company's actual figures for 31 March 2008;
• the terminal value was determined by taking the 2011 cash flow as an annual constant and calculating the discounted present value of these amounts. The growth rate "g" was conservatively set at zero;
• the value in use was assumed to be the same as the recoverable value.
The impairment test confirmed the value of the goodwill amounts as recognized.

5. OTHER INTANGIBLE FIXED ASSETS

There follows the breakdown of the item at 31 March 2008 and at 31 March 2007:

in thousands of Euros	31 March 2008	31 March 2007
Industrial rights and patents	142	83
Key money	741	-
Total other intangible fixed assets	**883**	**83**

The item "key money" increased due to the purchase of a rental contract for a shop within which Damiani S.p.A. will shortly start up the direct management of a single brand boutique. This amount is amortized on the remaining period of the rental contract.

in thousands of Euros	Industrial rights and patents	Key Money	Total
Net Book Value at 31 March 2007	83	-	83
Purchases	80	750	830
Amortization	(21)	(9)	(30)
Net Book Value at 31 March 2008	**142**	**741**	**883**

The purchases relative to the item "Industrial rights and patents" refer to software user licenses.

6. TANGIBLE FIXED ASSETS

The Tangible Fixed Assets at 31 March 2008 show a net value of € 6,588 thousand with a reduction compared to 31 March 2007 of 670 thousand. The breakdown of the item is the following:

in thousands of Euros	31 March 2008	31 March 2007
Land and buildings	5,139	5,523
Plant and machinery	342	426
Industrial and commercial equipment	49	63
Other tangible assets	1,058	1,246
Total Tangible Fixed Assets	**6,588**	**7,258**

The item "Land and buildings" includes sale and lease back assets that correlated parties purchased from Damiani S.p.A. and afterwards rented to the same Company. The value of sale and lease back assets is of € 3,588 thousand at 31 March 2008 and € 3,941 thousand at 31 March 2007.
The item "Other assets" mainly consists of furniture, fittings, office machines and motor vehicles.
Below there are given the movements of the Tangible Fixed Assets for the accounting period closed at 31 March 2008.

in thousands of Euros	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Historical cost	5,915	1,569	612	12,989	21,085
Depreciation reserve at 31 March 2007	(392)	(1,143)	(549)	(11,743)	(13,827)
Net Book Value at 31 March 2007	**5,523**	**426**	**63**	**1,246**	**7,258**
Purchases	-	42	11	331	384
Disposals	-	-	-	(90)	(90)
Depreciation	(384)	(126)	(25)	(429)	(964)
Net Book Value at 31 March 2008	**5,139**	**342**	**49**	**1,058**	**6,588**

The values do not include any assets subject to write-ups as per article 10 of the Law 72/83.

7. INVESTMENTS

Below is the breakdown of the item at 31 March 2008 and at 31 March 2007:

in thousands of Euros	**31 March 2008**	31 March 2007
Investments in subsidiary companies	18,105	17,875
Other Investments	152	152
Total investments	**18,257**	18,027

Below is the detail of the subsidiary companies.

in thousands of Euros		Net equity						
Company name	**Registered office**	Share Capital	Total	of which Profit/Loss	**%**	Net Equity owned	**Book Value**	Note
Casa Damiani Espana S.L.	Madrid (Spagna)	721	1,240	907	99%	1,228	330	2)
Damiani International B.V.	Amsterdam (Olanda)	194	66,237	9,190	100%	66,237	9,894	2)
New Mood S.p.A.	Milano (Italia)	1,040	4,221	59	97%	4,094	2,959	1)
Damiani Manufacturing S.r.l.	Valenza (Italia)	850	3,787	295	51%	1,931	467	2)
Alfieri & ST.John S.p.A.	Valenza (Italia)	1,462	3,863	1,240	100%	3,863	4,225	1)
Laboratorio Damiani S.r.l.	Bassignana (Italia)	200	(168)	(368)	100%	(168)	200	2)
Damiani Service Unipessoal Lda	Madeira (Portogallo)	5	(21)	(8)	100%	(21)	30	2)
Total							**18,105**	

1) Financial Statements drawn up according to the IFRS
2) Financial Statements drawn up according to Italian GAAP. The IFRS adjustments were made in the consolidated accounts.

The changes during the accounting period are the following:
• in the month of April 2007 there was incorporated the company Laboratorio Damiani S.r.l., with a Share Capital of € 200 thousand owned 100%, the main objective of which is the production and creation of prototypes of jewelry for Damiani S.p.A.. The company is currently in a start up stage.
• On 21 November 2007 there was purchased 100% of the Share Capital of Magic Word – Servicos e marketing Lda, now called Damiani Service Unipessoal Lda, a company with its registered office in Madeira (Portugal) for a total value of € 30 thousand. Currently the company is dormant.
In relation to the shareholdings whose book value is higher than the net equity equivalent the impairment test carried out confirmed the book value of the investments. Below there is given the detail of the other investments:

Description	**Book values in Euros/000**
Fin-or-val S.r.l.	109
Co.in.or S.r.l.	0.1
Consorzio Coral	2
Consorzio Conai	0.3
Banca d'Alba	41
Total	**152**

8. FINANCIAL RECEIVABLES AND OTHER NON CURRENT ASSETS

Below is the breakdown of the item at 31 March 2008 and at 31 March 2007.

in thousands of Euros	31 March 2008	31 March 2007
Receivables from subsidiary companies	8,320	4,320
Receivables from others	268	164
Total financial receivables and other non current assets	**8,588**	**4,484**

The financial receivables from subsidiaries at 31 March 2008 break down as follows and interest bearing at market value:

in thousands of Euros	31 March 2008	31 March 2007
New Mood S.p.A.	6,150	1,550
Damiani International B.V.	1,500	2,500
Laboratorio Damiani S.r.l.	400	
Damiani Japan K.K.	270	270
Total	**8,320**	**4,320**

9. DEFERRED TAX ASSETS; DEFERRED TAX LIABILITIES

Below is the breakdown of the item at 31 March 2008:

in thousands of Euros	31 March 2008	31 March 2007
Deferred tax assets:		
Net impact of the returns reserve	1,980	2,580
Exchange loss differences	155	197
Bad Debts Reserve not deductible	369	443
Emoluments not yet paid to the workers	300	-
Costs of the IPO	1,752	-
Other timing differences of a taxation nature	248	681
Total deferred tax assets	**4,804**	**3,901**

in thousands of Euros	31 March 2008	31 March 2007
Deferred tax liabilities:		
Exchange differences	291	166
Other timing differences of a taxation nature	85	99
Deferred taxation on capital gains	2,837	2,130
Total deferred tax liabilities	**3,213**	**2,395**

It is highlighted that Damiani S.p.A. has properly calculated the deferred tax assets and deferred tax liabilities based on the tax rates that are expected in the period when the timing differences will be reversed. Specifically, the application of the lower tax rates (introduced by 2008 Italian Financial Provisions Act) used in the financial report closed at 31 March 2008 compared to those used in the financial report closed at 31 March 2007 for the timing differences have given rise to higher taxes for the period of € 234 thousand.

10. INVENTORIES

Below there is given the breakdown of the item at 31 March 2008 and at 31 March 2007:

in thousands of Euros	**31 March 2008**	31 March 2007
Raw materials, semi-finished goods and consumable materials	8,086	9,402
Finished products and goods	25,468	30,566
Returns into inventory from customers	6,341	6,967
Total	**39,895**	**46,935**

It is highlighted that the item inventories includes the finished products delivered to customers for which, at the date of the financial statements there has not yet been ascertained the transfer of the risks and benefits.
The Company believes that it is not necessary to put in place any inventory obsolescence reserve considering the type of the goods in the inventories, which are not subject to obsolescence. Furthermore there are no goods in the inventories with values that are higher than their presumed realizable value deducted from the market trend.

11. TRADE RECEIVABLES

Below there is given the breakdown of the item at 31 March 2008 and at 31 March 2007:

in thousands of Euros	**31 March 2008**	31 March 2007
Trade receivables from third companies	62,832	62,255
Trade receivables from subsidiaries	39,183	35,867
Total gross trade receivables	**102,015**	**98,122**
Bad Debts Reserve	(1,532)	(1,833)
Fund for returns on sales from customers	(13,173)	(14,473)
Impact of Net Present Value calculation of receivables	(316)	(758)
Total trade receivables	**86,994**	**81,058**

The balance of the trade receivables is shown net of the bad debts reserve and the fund for returns from customers as well as of the effect of calculating the net present value of the receivables represented by bankers' orders that have been reissued and have due dates that go beyond the next accounting period. Below there is given the movements of the bad debts reserve and the reserve for returns on sales during the twelve months closed at 31 March 2008.

in thousands of Euros	**Fund for returns on sales from customers**	Bad Debts Reserve
Book value at 31 March 2007	**14,473**	**1,833**
Accrual	-	219
Utilization	(1,300)	(520)
Book value at 31 March 2008	**13,173**	**1,532**

It is highlighted that the provisions posted during the period to the bad debts reserve are included in the item "Other net operating (charges) incomes" in the Income Statement. The accrual and the utilization of the fund for returns on sales from customers for the financial year closed at 31 March 2008 are included as a direct change of the item "Revenues from sales and services" of the Income Statement.
There are no receivables with a contractual duration longer than 5 years.

In the table below there are given the receivables from group companies.

in thousands of Euros	31 March 2008	31 March 2007
New Mood S.p.A.	1,596	3,196
Alfieri & St John S.p.A.	2,094	2,072
Damiani Manufacturing S.r.l.	859	1,534
Damiani International B.V.	31,647	26,575
Laboratorio Damiani S.r.l.	65	-
Casa Damiani Espana S.L.	2	-
Damiani Usa Corp.	2,073	1,924
Damiani Japan K.K.	847	566
Total	**39,183**	**35,867**

12. TAX RECEIVABLES

Below there is given the breakdown of the item at 31 March 2008 and at 31 March 2007:

in thousands of Euros	31 March 2008	31 March 2007
Receivables from Tax Authorities for income taxes	565	119
Total tax receivables	**565**	**119**

13. OTHER CURRENT ASSETS

Below there is given the breakdown of the item at 31 March 2008 and at 31 March 2007:

in thousands of Euros	31 March 2008	31 March 2007
VAT receivables from the Tax Authorities	744	-
Prepayments	554	116
Other receivables from subsidiary companies	1,128	662
Receivables from others	7,475	2,703
Total other current assets	**9,901**	**3,481**

Compared to the balance at 31 March 2007 they show an increase of 6,420 thousand mainly relative to receivables from insurance companies amounting to € 6,064 thousand for the reimbursement linked to the robbery suffered by Damiani S.p.A. in the month of February 2008 regarding which the settlement has already been formalized and that will be cashed in during the month of June 2008, (classified among the receivables from others in the Balance Sheet and among the other net operating (charges) incomes in the Income Statement), and to the increase of the receivables from subsidiary companies linked to the fiscal consolidation and the VAT.
The detail of the receivables from subsidiary companies is the following:

in thousands of Euros	31 March 2008	31 March 2007
New Mood S.p.A.	272	237
Alfieri & St John S.p.A.	631	346
Damiani Manufactuing S.r.l.	225	79
Total	**1,128**	**662**

14. CASH AND CASH EQUIVALENTS

Below there is given the breakdown of the item at 31 March 2008 and at 31 March 2007:

in thousands of Euros	**31 March 2008**	31 March 2007
Bank and post accounts	45,849	8,827
Cash on hand	40	38
Total cash and cash equivalents	**45,889**	**8,865**

The balance is the available liquidity in the bank and postal accounts and the petty cash at the closing date of the period. The increase compared to the previous period is relative to the income of cash from the stock exchange quotation with a gross amount before the related costs of 73,850 thousand on 8 November 2007, the date of the start of trading in the shares of Damiani S.p.A. at Borsa Italiana, in the STAR (Segmento Titoli ad Alta Rilevanza) (Highly Relevant Securities Segment) section of the Stock Exchange.

15. SHAREHOLDERS' EQUITY

The main net equity movements for the twelve months closed at 31 March 2008 were the following:

• The shareholders' meeting of 15 June 2007 resolved on the distribution of € 1,847 thousand in dividends to be taken from the profits of the three-month financial year ended 31 March 2007.

• On 26 June 2007 the shareholders' meeting passed a resolution to split the ordinary shares of 513,100 of € 55.00 each into 64,137,500 shares of € 0.44 each. On 8 November 2007, at the conclusion of the process of admission to trading on the computerized Stock Exchange in the STAR segment, of the shares of Damiani S.p.A. (IPO – Initial Purchase) there was carried out the increase of the Share Capital that was resolved upon by the extraordinary Shareholders' Meeting of 26 June 2007 with the issue of 18,462,500 ordinary shares € 0.44 each, subscribed by the Market together with 7,893,000 shares put up for sale by the original shareholders of the company. Following its increase the Share Capital amounted to €36,344 thousand, consisting of 82,600,000 shares with a nominal value of € 0.44 each.

• The Shareholders' Meeting of 22 February 2008 authorized the purchase of the company's own shares, within a period of 18 months from the passing of the resolution, for a maximum of 8,250,000 ordinary shares of Damiani S.p.A.. At 31 March 2008 the shares already purchased were 1,170,536, or 1.42% of the Share Capital for a total disbursement of € 2,337 thousand.

There is given below the detail of the reserves by usability and availability (in thousands of €):

				Usages in the 3 previous financial years	
Description	**Amount**	Usage	**Part available**	to cover losses	for other uses
Share Capital	36,344			-	-
Share Premium Reserve	69,857	1), 2),3)	69,857	-	-
Legal Reserve	1,849	2)		-	-
Other reserves : extraordinary reserve	16,853	1), 2),3)	16,853	-	-
Total	**124,903**		**86,710**		

Notes
1) For Share Capital increases
2) To cover losses
3) To be distributed to shareholders

16. LONG TERM FINANCIAL DEBT: CURRENT AND MEDIUM/LONG-TERM PORTION

Long term financial debt: the breakdown of the current and medium/long term portion at 31 March 2008 and at 31 March 2007 is the following:

in thousands of Euros	31 March 2008	31 March 2007	Note
Non current portion			
Interbanca number 50910/301	4,000	6,000	a
Mediocredito Centrale	4,562	7,036	b
Immobiliare Miralto S.r.l. (correlated party)	-	775	
Unicredit number 509606 1st lot	-	6,000	
Unicredit number 509606 2nd lot	-	5,000	
Banca di Roma	-	5,000	
Financial Leasing	3,511	3,941	c
Total non current portion of medium/long term financial debt	12,073	33,752	
Current portion			
Interbanca number 50910/301	2,000	2,000	a
Mediocredito Centrale	2,474	2,383	b
Interbanca number 34116/30	-	137	
Unicredit number 509606 1st lot	-	2,000	
Unicredit number 509606 2nd lot	-	1,428	
Financial Leasing	215		c
Total current portion of medium/long term financial debt	4,689	7,948	
Total medium/long term financial debt	16,762	**41,700**	

Below there is explained the detail of the loans and financing given by credit institutes and banks to Damiani S.p.A.:

a) The Interbanca loan number 50910/301 was originally issued in June 2005 for the amount of € 10,000,000 and with a repayment plan that lays down the payment of six-monthly equal installments for the period from 28 December 2005 till 31 December 2010. The interest on this loan is at the rate of 3.87%, per annum.

b) The Medio Credito Italiano loan was originally issued in October 2005 for an amount of € 10,000,000 and with a repayment plan in equal installments for the period from 28 November 2005 until 30 November 2010. The interest on this loan is at the rate of 3.68% per annum.

c) The payables for leasing on buildings include the payable relative to the contracts, which qualify as sale and lease back contracts pursuant to the IAS 17, towards correlated parties for a Damiani shop.

The improvement compared to the situation at 31 March 2007, of € 24,938 thousand comes from the payment of the installments that comes from the amortization plans of the loans, from the extinction on 21 August 2007 of the loan of € 5,000,000 issued in 2006 by Banca di Roma and the advance closure of the loans that took place on 28 March 2008, which were issued by Unicredit in two lots of € 14,000,000 in January 2004 and € 10,000,000 in June 2004, which was rendered possible by having the money from the stock quotation. This advance cancellation of these loans has not given rise to any additional costs for Damiani S.p.A..

The table below gives the financial debts of the company at 31 March 2008 and at 31 March 2007:

Net Financial position *in thousands of Euros*	31 March 2008	31 March 2007	change
Medium/Long term loans and financing - current portion	4,474	7,948	(3,474)
Medium/Long term loans and financing with related parties- current portion	215	-	215
Usage of credit lines, short term financing and others	1,658	39	1,619
Payables to factoring companies for sales of receivables	-	5,942	(5,942)
Current financial indebtedness	**6,347**	**13,929**	**(7,582)**
Medium/Long term loans and financing - non current portion	8,562	29,036	(20,474)
Medium/Long term loans and financing with related parties - non current portion	3,511	4,716	(1,205)
Non Current financial indebtedness	**12,073**	**33,752**	**(21,679)**
Total Financial Indebtedness	**18,420**	**47,681**	**(29,261)**
Bank and postal deposits	(45,849)	(8,827)	(37,022)
Money and securities in petty cash	(40)	(38)	(2)
Net Financial position	**(27,469)**	**38,816**	**(66,285)**

The net financial position at 31 March 2008 shows a net positive balance of € 27,469 thousand both for the effects of the positive cash flows generated by company operations and for those linked to the increase of the Share Capital that was carried out on 8 November 2007 at the conclusion of the process stock exchange quotation of the Group Parent Company Damiani S.p.A. that brought in cash of € 68,696 thousand, (net of the ancillary costs already paid at 31 March 2008), also for the payments regarding investments made during the period, for the openings of new points of sale, as well as for those relative to the purchase plan of the company's own shares following the resolution passed by the Shareholders' Meeting of 22 February 2008 and that at 31 March 2008 amounted to € 2,337 thousand.

17. TERMINATION INDEMNITIES

During the twelve months closed at 31 March 2008 the Employee Leaving Indemnity ("ELI") moved as follows:

in thousands of Euros

Termination Indemnities at 31 March 2007	**3,481**
Financial expenses	91
Paid benfits	(316)
Actuarial Loss (Profit)	(162)
Termination Indemnities at 31 March 2008	**3,094**

The movements consist of the provisions posted and the payments out, including any advances, that have been carried out during the accounting period of twelve months closed at 31 March 2008.
The Employee Leaving Indemnity falls within the defined benefits plans.
To calculate the liability there was used the methodology called the Project Unit Cost slit into the following stages:
• There were forecasted, based on a reasonable series of financial hypotheses like the possible increase in living costs, the expected wage increases of the employees and all the possible future services and benefits that could possibly be provided to each employee in the case where they go onto pension, if they die, become invalids or are forcibly retired etc. The estimate of all these possible future services shall also include any increases of wages and benefits due to acquired seniority, as well as to the presumable growth of the level of retribution received at the date of the valuation.
• There was calculated the current present average value of the future supplies of services based on the yearly interest rate and the probability that each supply of service was actually carried out at the date of the financial statements.
• There was defined the relative liability for the company by identifying the current average value of the future services that would be supplied and that refer to the period of service that has already been accrued to the employee of the company who was within the company at the date when the valuation exercise was carried out.
• There was identified, based on the value of the liability calculated according to the example given in the above point and the reserve that had been provided for in the financial statements for Italian statutory purposes, the reserve that was recognized as being valid for the purposes of the IFRS.
More in detail the hypotheses that have been used are the following:

Financial hypotheses	
Annual rate for the Net Present Value	4,60%
Annual inflation rate	2,50%
Annual rate of increase in the Employee Leaving Indemnity	3,38%

Demographic hypotheses	
Mortality	ISTAT 2000 (Italian National Statistics Institute)
Inability	INPS tables by age and sex
Pensionable age	Reaching the general obligatory social security requirements

You are reminded that Damiani has decided not to adopt the "corridor method" that is laid down by the IAS 19, therefore, the profits and the losses that come from the carrying out of the actuarial calculations are periodically posted to the Income Statement as the labor cost.
Starting from 1 January 2007 the Financial Law (Annual Italian Budget) and the relative actuating decrees have introduced big changes into the treatment of the ELI, among which there is the choice of the worker regarding where there ELI fund should go. Specifically, the new amounts of the ELI can be, at the worker's choice, be put into different forms of pensions or kept within the company and in this latter case the company will pay the ELI contributions into a treasury account set up within INPS (Italian National Social Security Institution). The introduction of the new legislation did not have any significant impacts for the company.

18. TRADE PAYABLES

Below there is given the breakdown of the item at 31 March 2008 and 31 March 2007:

in thousands of Euros	**31 March 2008**	31 March 2007
Trade payables to third parties due in less 12 months	33,667	35,047
Trade payables to subsidiaries due in less 12 months	16,555	17,035
Bill payable, other credit securities and advances	193	17
Total	**50,415**	**52,099**

The detail of the trade payables to the subsidiary companies is the following:

in thousands of Euros	**31 March 2008**	31 March 2007
New Mood S.p.A.	10	-
Damiani Manufacturing S.r.l.	4,101	4.506
Laboratorio Damiani S.r.l.	59	-
Damiani International BV	9,765	8,942
Casa Damiani Espana S.L.	721	696
Alfieri & St John S.p.A.	-	20
Damiani Usa Corp.	1,581	2,553
Damiani Japan KK	318	318
Total	**16,555**	**17,035**

19. SHORT TERM BORROWINGS

Below there is given the detail of the breakdown of the item at 31 March 2008 and 31 March 2007:

in thousands of Euros	**31 March 2008**	31 March 2007
Usages of short term credit lines and bank loans	1,658	39
Payables to factor for receivables yielded	-	5,942
Total short term borrowings	1,658	**5,981**

The use of short-term credit lines is used for financing the working capital.
The decrease of payables to factor companies for receivables yielded is due to the fact that the Company, after the IPO, has a positive net financial position, and so has not requested funds in advance from factor.

20. INCOME TAX PAYABLES

This shows a balance at 31 March 2008 of € 7,407 thousand against a balance of € 5,228 thousand at 31 March 2007. The increase of € 2,179 thousand is basically linked to the increase in the payables for taxes is due to the improvement in the financial result.

21. OTHER CURRENT LIABILITIES

This shows a balance at 31 March 2008 of € 4,669 thousand against a balance of € 4,290 thousand at 31 March 2007.
The item mainly consists of payables to social security institutions, payables to employees for holidays and leave not taken as well as the accruals for the 13th and 14th months and the payables to subsidiary companies.
The payables to subsidiary companies are the following:

in thousands of Euros	**31 March 2008**	31 March 2007
New Mood S.p.A.	6	-
Damiani Manufacturing S.r.l.	78	119
Alfieri & St John S.p.A.	68	-
Total	**152**	119

Below there are given the Explanatory Notes relative to the Income Statement and there is highlighted the obvious lack of any meaning in the comparison of the financial year of twelve months closed at 31 March 2008 with the financial year of three months closed at 31 March 2007.

22. REVENUES

In the table below there are given the revenues of the financial year of twelve months closed at 31 March 2008 and of the financial year of three months closed at 31 March 2007:

In thousands of Euros	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Revenues from sales and services	101,273	12,776
Other recurring revenues	212	87
Other non recurring revenues to Group	-	9,397
Total revenues	**101,485**	22,260

The item other non recurring revenues of the financial year of three months closed at 31 March 2007 includes the capital gain from the sale of the trademarks to the subsidiary Damiani International BV for € 8,804 thousand. These trademarks were sold during the process of reorganization before Damiani's quotation, in order to centralize all the trademarks with an international value in the Swiss subsidiary Damiani International BV. These trademarks are used by Damiani S.p.A. on the basis of a loan agreement.

23. COSTS OF RAW MATERIALS AND CONSUMABLES

In the table below there are given the costs for raw materials and other materials, including the purchases of finished products, of the accounting period of twelve months closed at 31 March 2008 and of the accounting period of three months closed at 31 March 2007:

in thousands of Euros	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Total costs of raw materials and consumables	53,181	6,501

The cost relative to the financial year closed at 31 March 2008 includes the negative impacts of the robbery in the Milan show room of Damiani S.p.A. on 24 February 2008. The value of the jewelry stolen is fully covered by insurance policies with leading companies who, as already explained above have already formalized the legal act of settlement and the insurance reimbursement has been posted among the other net operating (charges) incomes for € 6,064 thousand (see note 27). Therefore the margin of the financial year closed at 31 March 2008 has not been significantly impacted by this event.
The purchases, net of the changes in inventories, as a percentage of revenues are about 52% at 31 March 2008 (51% at 31 March 2007).

24. COSTS OF SERVICES

In the table below there are shown costs for services of the financial year of twelve months closed at 31 March 2008 and of the financial year of three months closed at 31 March 2007:

in thousands of Euros	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Costs of services	23,626	7,102

The costs of services mainly consist of advertising expenses, functional expenses, and usage of third party property, directors' fees, sales expenses and consultancy that are shown in the attached table.

in thousands of Euros	**FY of 12 month closed at 31 March 2008**
Functional expenses	3,909
Advertising expenses	5,589
Other commercial expenses	1,377
Production costs	4,024
Consultancy	2,116
Travel/transport expenses	1,985
Directors fees	2,262
Usage of third party properties	2,364
Total costs of services	**23,626**

25. PERSONNEL COSTS

Below there is shown the breakdown of the item for the financial year of twelve months closed at 31 March 2008 period of three months closed at 31 March 2007:

in thousands of Euros	**FY of 12 months closed at 31 March 2008**	FY of 3 months closed at 31 March 2007
Wages and salaries	8,675	2,015
Social security costs	2,743	687
Termination indemnity	518	147
Other personnel costs	1,627	110
Total personnel costs	**13,563**	**2,959**

The following table shows the average number of employees of the Company for the financial year closed at 31 March 2008

Labor Category	**FY of 12 months closed at 31 March 2008**
Managers	29
Clerks	211
Workers	18
Total	**258**

26. OTHER NET OPERATING (CHARGES) INCOMES

There is given below the breakdown of the item for the financial year of twelve months closed at 31 March 2008 and the period of three months closed at 31 March 2007:

in thousands of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Other operating (charges) incomes	9,129	(850)
Net exchange difference from trade receivables	881	1,675
Total other net operating (charges) incomes	**10,010**	**825**

The item includes e 6,064 thousand for the insurance reimbursement for the robbery suffered by Damiani S.p.A. in the month of February 2008 regarding which the insurance companies have already formalized the legal act of settlement and the amount will be actually received during the month of June 2008.

27. AMORTIZATION AND DEPRECIATION

There is given below the breakdown of the item for the financial year of twelve months closed at 31 March 2008 and the period of three months closed at 31 March 2007:

in thousands of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Amortization and depreciation of intangible and tangible assets	994	350
Total	**994**	**350**

28. FINANCIAL EXPENSES AND INCOMES

In the table below there are shown the financial incomes and charges of the financial year of twelve months closed at 31 March 2008 and of the financial year of three months closed at 31 March 2007.

in thousands of Euros)	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
(Financial expenses)	(2,861)	(2,574)
Financial incomes	2,248	1,319
Total financial (expenses) and incomes	**(613)**	**(1,255)**

The item mainly consists of interest payable on loans, exchange gains and losses and financial incomes coming from the stating at their net present value of the bankers' orders.

29. INCOME TAXES

There is given below the breakdown of the item for the financial year of twelve months closed at 31 March 2008 and the period of three months closed at 31 March 2007:

in thousands of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Current taxes	7,852	634
Deferred tax (assets)/Liabilities	696	1,082
Total income taxes	**8,548**	**1,716**

The current taxes include both the income taxes, mainly IRES (Corporate Tax) and the IRAP (Regional Tax on Productive Activities) belonging to the period. The reconciliation between the fiscal charge from the financial statements for the accounting period and the theoretical tax charge calculated based on the IRES rate applicable to Damiani S.p.A. for the financial year of twelve months closed at 31 March 2008 is shown below:

Reconciliation between theoretical and effective tax charges

in thousands of Euros

	FY of 12 months closed at 31 March 2008
Profit before taxes	19,518
IRES (Corporate) Tax Rate in force for the period	33%
Theoretical Tax Burden	**(6,441)**
IRAP (Regional Tax on Productive Activities) effect	(1,405)
Change in the tax rate	(234)
Other non deductible costs	(442)
Other minor differences	(26)
Total of the differences	**(2,107)**
Total taxes from the Income Statement	**(8,548)**
Effective Tax Rate	43.8%

30. TRANSACTIONS WITH RELATED PARTIES

In this paragraph there are described the relations between Damiani S.p.A. and its subsidiary companies and correlated parties during the financial year of twelve months closed at 31 March 2008 and the accounting period of three months closed at 31 March 2007, giving their percentage weight on the Income Statement and Balance Sheet figures of the Company.

The relations with subsidiary companies during these periods are mainly of a commercial and production nature such as purchase of finished products and services from manufacturing companies and sales of jewelry products to the commercial companies who operate in foreign markets. Moreover Damiani S.p.A. recharges to the subsidiaries costs regarding services performed at head office level in the area of his prerogative of strategic address and coordination of the Group.

The relations with correlated parties during these periods are of a real estate nature, such as rentals; sale and lease back operations, the renting of branches, mainly with the company Immobiliare Miralto S.r.l., and of a commercial nature such as sales of jewelry products and cooperation agreements, mainly with the Rocca Group.

In the following table there are given the details of the relations between Damiani S.p.A., its subsidiary companies and its correlated parties for the accounting period closed at 31 March 2008.

	FY of 12 months closed at 31 March 2008				Balance at 31 March 2008						
in thousands of Euros	Revenues	Other net operating incomes	Operating Costs	Financial (Expenses) Incomes	Financial receivables	Trade receivables	Other current assets	Financial payables (including leasing)	Trade payables	Other current liabilities	Real estate in lease back
Damiani International B.V.	22,865	972	(752)	81	1,500	31,647			(9,765)		
Alfieri & St.John S.p.A.	1,038	818	(662)			2,094	631			(68)	
Damiani Manufacturing S.r.l.	1,176	285	(7,884)			859	225		(4,101)	(78)	
New Mood S.p.A.	15	793	(891)	250	6,150	1,596	272		(10)	(6)	
Damiani Japan K.K.		277		4	270	847			(318)		
Damiani Usa Corp.		187				2,073			(1,581)		
Laboratorio Damiani S.r.l.	31	25	(219)	3	400	65			(59)		
Casa Damiani Espana S.L.			(25)	1		2			(721)		
Rocca S.p.A.	4,254					1,135			(80)		
Idea Rocca S.r.l	813					1,717					
Imm.re Miralto S.r.l.			(782)	(357)				(3,726)	(287)		3,588
Courmayeur Rocca S.r.l.	145										
Famiglia Grassi Damiani	25		(239)						(5)		
Totals with correlated parties	30,363	3,357	(11,454)	(18)	8,320	42,035	1,128	(3,726)	(16,927)	(152)	3,588
Totals from Financial Statements	101,485	11,189	(81,354)	(613)	8,588	86,994	9,901	(16,762)	(50,415)	(4,669)	
%age weight	30%	30%	14%	3%	97%	48%	11%	22%	34%	3%	

• the revenues from the subsidiary companies Damiani International B.V., Alfieri & St John S.p.A., Damiani Manufacturing S.r.l., New Mood S.p.A., and Laboratorio Damiani S.r.l. include jewelry sales of the brands Damiani and Salvini regarding which there are trade receivables;
• the other operating incomes from the subsidiary companies Damiani International B.V., Alfieri & St John S.p.A., Damiani Manufacturing S.r.l., New Mood S.p.A., Damiani Japan K.K., Damiani USA Corp. and Laboratorio Damiani S.r.l. include the supply of services of a publicity and consultancy nature regarding which there are trade receivables;
• the costs from subsidiary companies Damiani International B.V., Alfieri & St John S.p.A., Damiani Manufacturing S.r.l., New Mood S.p.A., Laboratorio Damiani S.r.l. and Casa Damiani Espana S.L. are relative to the purchase of merchandise and supplies of services, i.e. repairs, work done etc., regarding which there are trade payables;
• the financial incomes from the subsidiary companies Damiani International B.V., New Mood S.p.A., Damiani Japan K.K., Laboratorio Damiani S.r.l. and Casa Damiani Espana S.L. are relative to interest receivable relative to the loans given to those companies;
• the Balance Sheet amounts relative to other current assets/(liabilities) with subsidiary companies are linked to the balances are relative to the fiscal consolidation of which the consolidator is Damiani S.p.A.;
• the revenues from Rocca S.p.A. includes the sales of jewelry of the brands Damiani and Salvini for € 4,088 thousand and the installments received for a total of € 166 thousand for the rental of two single brand shops;
• the revenues from Idea Rocca S.r.l. include jewelry sales for € 808 thousand and rents receivable for € 5 thousand;
• the costs from Immobiliare Miralto S.r.l. are relative to rents paid for offices in Milan and Valenza (AL) for a total of € 453 thousand. Furthermore, among the operating costs there is also included the amount of the depreciation of € 329 thousand relative to the real estate in Milan and the Damiani and Portofino boutiques. These two real estate properties, owned by correlated parties were, in the past, the subject of sale and lease back and accounted for based on what is e laid down by the IAS 17. Consequently they also give rise to financial charges for the amount of the interest linked to the reimbursement of the financial debt for € 357 thousand, which are shown in the table. Regarding these sale and lease back operations, the remaining financial debt amounts to € 3.726 thousand and the corresponding net book value of the real estate to € 3,588 thousand.
• the revenues from Courmayeur Rocca S.r.l., a company that runs a boutique in the tourist town of the same name, are relative to jewelry sales;
• the revenues from the "Famiglia Grassi Damiani" for € 25 thousand are relative to jewelry sales and the costs from "Famiglia Grassi Damiani" for € 239 thousand are relative to the rents for premises used as offices in Valenza (AL);

In the following table there are shown the details relative to the relations between Damiani S.p.A., its subsidiary companies and its correlated parties in the accounting period of three months closed at 31 March 2007.

	FY of 3 months closed at 31 March 2007				Balance at 31 March 2007						
in thousands of Euros	Revenues	Other operating incomes	Operating Costs	Financial (Expenses) Incomes	Financial Receivables	Trade receivables	Other current assets	Financial payables (including leasing)	Trade payables	Other current liabilities	Real estate in lease back
Damiani International B.V.	11,163	224	(1,280)	17	2,500	26,575			(8,942)		
Alfieri & St.John S.p.A.	164	217	(18)			2,072	346		(20)		
Damiani Manufacturing S.r.l.	443	113	(2,388)			1,534	79		(4,506)	(119)	
New Mood S.p.A.		259	(45)	23	1,550	3,196	237				
Damiani Japan K.K.		91			270	566			(318)		
Damiani Usa Corp.		49				1,924			(2,553)		
Casa Damiani Espana S.L.									(696)		
Rocca S.p.A.	584					616			(1,129)		
Idea Rocca S.r.l	649					5,035					
Imm.re Miralto S.r.l.			(122)	(22)				(4,716)	(320)		3,941
Famiglia Grassi Damiani	1		(59)						(62)		
Totals with correlated parties	13,004	953	(3,911)	18	4,320	41,518	662	(4,716)	(18,546)	(119)	3,941
Totals from Financial Statements	22,260	2,691	(16,087)	(1,255)	4,484	81,058	3,481	(41,700)	(52,099)	(4,290)	
%age weight	58%	35%	24%	-1%	96%	51%	19%	11%	36%	3%	

• The revenues from Damiani International B.V. refers, for € 8,803 thousand, to the capital gain from the sale of the brands Damiani and Salvini that took place in March 2007 and for € 2,360 thousand to the sales of jewelry with the brands Damiani and Salvini while the other operating incomes refer to supplies of services of an advertising and publicity nature and consultancy regarding which there are trade receivables;
• The revenues from Alfieri & St John S.p.A.and Damiani Manufacturing S.r.l. include sales of jewelry with the brands Damiani and Salvini regarding which there are trade receivables;
• The other net operating revenues from Alfieri & St John S.p.A., Damiani Manufacturing S.r.l., New Mood S.p.A., Damiani Japan K.K. and Damiani USA Corp. include supplies of services of an advertising and publicity nature and consultancy regarding which there are trade receivables;
• The costs from Damiani International B.V., Alfieri & St John S.p.A., Damiani Manufacturing S.r.l. and New Mood S.p.A. are relative to the purchase of merchandise and the supplies of services such as repairs, work done etc., regarding which there are trade payables;
• The financial incomes from Damiani International B.V. are New Mood S.p.A. are relative to interest receivable for loans given to these companies;
• The Balance Sheet amounts relative to other current assets/(liabilities) towards subsidiary companies are linked to the fiscal consolidation of which the consolidator is Damiani S.p.A.;
• Rocca S.p.A.: the revenues are relative to the sale of jewelry products of differing brands and for the rents of shops in Italy. The trade payable is relative to advertising contributions that have been recognized to the company;
• Idea Rocca S.r.l.: the revenues and linked trade receivables are relative to the sales of products with the Damiani trademark during its business activities which, starting from the end of March 2007, following the stipulation of a five-year "cooperation agreement" with Damiani S.p.A., that also foresees the management of the shop in Venice. This contract fixes a royalty of 8% of sales but with a minimum guaranteed compensation of € 250 thousand for the first two years and of € 330 thousand for the following ones;
• Immobiliare Miralto S.r.l.: the costs are relative rents for offices in Milan. The financial payable has increased during the period following the sale and lease back operation defined with Damiani S.p.A. on 27 March 2007 and relative to the sale of the real estate in Via Montenapoleone, 10, for an amount of € 5,500 thousand which was, afterwards, leased back to Damiani S.p.A. with a yearly rent of € 350 thousand for the first year, of € 500 thousand for the second and of € 700 thousand for the following ones. This operation gave a gain of € 1,769 thousand posted directly into the net equity accounts, because it is a transaction between entities subject to the same control. The financial payable also includes a loan given by the company to Damiani S.p.A. for € 775 thousand that was paid off during the accounting period closed at 31 March 2008;
• "Famiglia Grassi Damiani": the costs are relative to rents for offices in Valenza (AL);

In both periods there were also in existence loan contracts between Damiani S.p.A. and some of its subsidiary companies that were negotiated at normal arm's length market conditions.

31. COMMITMENTS AND POTENTIAL LIABILITIES

At the date of drafting of this document there were no commitments that were not already included in the financial statements at 31 March 2008. Specifically, it is highlighted that the special privilege over the inventories relative to the loan obtained by Damiani in 2004 from Unicredit Banca d'Impresa S.p.A. (2 lots for a total of € 24 million) was extinguished when the loan was fully paid off in advance on 28 March 2008.

32. ATYPICAL AND/OR UNUSUAL AND NON RECURRING TRANSACTIONS

There are no balances or transactions regarding any atypical and/or unusual and non-recurring transactions as these are defined by the CONSOB (Italian SEC) Resolution number 15519 of 27/07/2006.

33. STOCK OPTION PLAN

On 26 September 2007 the Ordinary Shareholders' Meeting of the company passed a resolution to put in place a Stock Option Plan in favor of employees, directors, agents and consultants of Damiani and its subsidiary companies who occupy important roles or positions. The plan foresees the assignment of a maximum number of 1,600,000 options that give the right to purchase or subscribe 1 share at the offering price when the assignment was before the beginning of trading on the Computerized Stock Market, which took place on 8 November 2007. If, on the other hand the assignment took place after the beginning of trading, the exercising price of the option shall be equivalent to the arithmetic average of the official reference prices of the share during the period running between the date of assignment and that of the same day of the preceding calendar month, in conformity with the relative fiscal legislation that is currently in force.
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 plan beneficiaries among the Directors, the employees, the agents and the consultants and collaborators of the Group and assigned 1,543,000 options at the offering price of € 4.00 for each option.
Therefore, the Board of Directors has set the general goal whose achievement is absolutely essential in order to be able exercise their option right by each plan beneficiary. The Chairman of the Board has been given the mandate to fix the individual goals for each beneficiary and to which there are subordinated their faculty of being able to exercise their options. Specifically, the exercising of the options is subject to the achievement of a general

goal, which consists of a consolidated group EBITDA at the end of the three-year period 2008-2010 in line with the Group's Industrial Plan and individual goals that that are set for each one of the three financial years.
For the financial year of twelve months closed at 31 March 2008 the impact on the Income Statement of Damiani S.p.A. comes from the valuation, at their fair value, of the aforesaid options at the date of the assignment, carried out by an actuary, according to the criteria laid down by the International Financial Reporting Standard 2 amounts to € 58 thousand.
Specifically, the binomial Black-Scholes model used by the actuary is based on the following main principles:
• The volatility rate of comparable companies quoted in Italy of 23.5%.
• Risk-free rate of 4.10%.
• A dividend yield of 0%.
• The due date of the right to exercise the options is 31 March 2011 and the vesting date is 5 April 2010 as per the Informational Document of the Stock Option Plan approved by the Shareholders' Meeting of Damiani S.p.A. on 26 September 2007.

The following table gives the detail of the stock options assigned to Directors, General Managers and executives with strategic responsibilities:

Individual	**Position held**	**Number of options**
Giulia De Luca (*)	Board Member, Director General	500,000
Stefano Graidi	Board Member	50,000
Simone Rizzetto	Administrator Damiani Manufacturing	12,500
Cristian Rizzetto	Administrator Damiani Manufacturing	12,500
Maurizio Ponta	Administrator Laboratorio Damiani	12,500
Executives with strategic responsibilities		312,500

(*) On 21 May 2008 Damiani S.p.A. communicated that Dr.Giulia De Luca had presented her resignation from the position of Director General and CFO of the Damiani Group and her handing over is settled within the month of August 2008

34. CAPITAL MANAGEMENT

The main goal of the company is to guarantee that there is always a balance between the profitability ratios, which means the ability of the company to transfer the profits gained into cash, the solvency ratios, which means the ability of the company to maintain a proper balance between its assets and liabilities and the growth ratios, which means the ability of the company to ensure the company's ongoing growth without endangering the solidity of its equity.
Specifically, with reference to its Capital Management, the company believes that it is absolutely fundamental to maintain a solid equity situation in order to maximize its credit rating and therefore o is able to sustain the company's growth plans in the best possible financial conditions.
The company manages its capital and the changes to it according to changes in general economic conditions and the goals contained in its strategic plans. To maintain or update the structure of its equity the company can, over time, review its policies of dividend distribution, sell its own shares that it has in its portfolio, purchase other ones or even issue new shares.

35. REMUNERATIONS FOR COMPANY BODIES

The following table shows the fees accrued during the period to members of the administrative and control bodies, to the director general and to executives who have strategic responsibilities, as asked for by Attachment 3C, Layout 1, which is laid down by the Share Issuers Regulation.

Individual *(in Euros)*	**Office**	**Duration of office**	**Remuneration from Damiani S.p.A.**	**Not monetary benefits**	**Bonus and other incentives**	**Other remunera-tions***	**Total**
Guido Roberto Grassi Damiani	Chairman and CEO Damiani S.p.A., Chairman Alfieri & St. John S.p.A., Laboratorio Damiani S.r.l.,New Mood S.p.A. e Damiani Japan KK, Director Damiani Manufacturing S.r.l., Damiani International BV e Damiani Usa Corp.	2007-2010	1,110,000	10,154	-	154,000	1,274,154
Giorgio Andrea Grassi Damiani	Director Damiani S.p.A., Alfieri & St. John S.p.A., New Mood S.p.A. and Damiani Japan KK, Chairman Damiani Manufacturing S.r.l. and Damiani USA Corp.	2007-2010	432,000	8,879	-	92,000	532,879
Silvia Maria Grassi Damiani	Director Damiani S.p.A	2007-2010	375,000	4,954	-	-	379,954
Giulia De Luca (**)	Director e Managing director Damiani S.p.A., CEO Alfieri & St. John S.p.A. and New Mood S.p.A., Director Damiani Manufacturing S.r.l., Laboratorio Damiani S.r.l., Damiani Japan KK, Damiani USA Corp., Damiani International BV	2007-2010	180,000	18,151	1.500	687,563	887,214
Stefano Graidi	Director Damiani S.p.A.and Damiani International BV	2007-2010	30,000	-	-	10,000	40,000
Giancarlo Malerba	Director Damiani S.p.A.	2007-2010	30,000	-	-	2,500	32,500
Fabrizio Redaelli	Director Damiani S.p.A.	2007-2010	30,000	-	-	2,500	32,500
Lorenzo Pozza	Director Damiani S.p.A.	2007-2010	30,000	-	-	2,500	32,500
Gabriella Colombo Damiani	Honorary Chairman Damiani S.p.A. (***)		125,000	-			125,000
Gianluca Bolelli	Chairman of the Board of Statutory Auditors	2007-2010	8,830				8,830
Simone Cavalli	Acting Statutory Auditor	2007-2010	8,363				8,363
Fabio Massimo Micaludi	Acting Statutory Auditor	2007-2010	7,900				7,900
Stategic Managers						763,988	763,988

(*) Other remuneration include fees received as member of Board of Directors or Statutory Auditors of other subsidiaries, wages (if any) and further remunerations that become from other services supplied.
(**) On May 21 2008 Damiani S.p.A. announced that Giulia De Luca has resigned from her positions as General Manager and CFO of Damiani Group and her handing over is settled within the month of August 2008.
(***) The honorary office does not have a duration, but from 10/1/2007 does not receive any remuneration.

36. FINANCIAL RISKS MANAGEMENT AND OTHER INFORMATION REQUIRED BY THE APPLICATION OF IFRS 7 STANDARD

Considering the current equity/financial situation of the recent conclusion of the stock quotation process that has brought a significant amount of cash into the company, Damiani S.p.A. has not had any necessity to put in place a general plan for covering possible financial risks but such risks are not ignored and they are looked at in the context of specific projects that are intended to be developed.

Interest Rate Risk

Currently there do not exist within the Company any loans of such a large amount as to create a significant exposure of the company to any interest rate risk and consequently there are no financial derivatives in place to cover such risks.
In fact, due to the cash intake from the stock market quotation there was repaid, in advance, the medium/long term loan that was given in two lots by Unicredit for a total of € 24,000 thousand and at the same time there were extinguished the interest rate swap contracts that had been stipulated by the company and that were aimed at converting the variable interest rate of the loan in question to a fixed rate. The extinction of these IRS contracts took place on 27 March 2008.
Therefore, the current interest rate exposure risk of Damiani S.p.A. is negligible and the company basically uses short-term credit lines in order to manage its working capital.

Exchange Rate Risk

Damiani S.p.A. has commercial transactions in currencies that are different from the Euro and which are mainly in USD and Yen for the purchasing of raw materials, i.e. diamonds and pearls, and that are subject to an exchange risk. Relative to the size and the level of exposure entailed in these transactions, if the risk is particularly weighty, foreign currency futures contracts are put in place regarding them.
The exchange risk coverage policies have not varied for the accounting period closed at 31 March 2008 compared to any previous accounting periods.

Liquidity risk

The liquidity risk for Damiani S.p.A. is very limited at present because it has more than enough cash in hand to cover its current payment commitments.
The exposure, of Damiani S.p.A., in this context is mainly for trade payables relative to its supplies received.
In the following table there is shown the exposure of Damiani S.p.A. at 31 March 2008 and at 31 March 2007.

Liquidity risk

Analysis of the due dates at 31 March 2008

in thousands of Euros

	within 1 year	1 to 5 years	over 5 years	Total
Trade payables	50,415	-	-	50,415
Long term financial debt to banks	4,474	8,562	-	13,036
Long term financial debt to leasing companies	215	860	2,651	3,726
Short term borrowings	1,658	-	-	1,658
Other current liabilities	12,076	-	-	12,076
Total Exposure	**68,838**	**9,422**	**2,651**	**80,911**

Liquidity risk

Analysis of the due dates at 31 March 2007

in thousands of Euros

	within 1 year	tra 1/5 anni	1 to 5 years	Total
Trade payables	52,099	-	-	52,099
Long term financial debt to banks	7,948	29,036	-	36,984
Long term financial debt to leasing companies	-	860	3,081	3,941
Long term financial debt to correlate parties	-	775	-	775
Short term borrowings	5,981	-	-	5,981
Other current liabilities	9,518	-	-	9,518
Total Exposure	**75,546**	**30,671**	**3,081**	**109,298**

Credit Risk

The credit risk is defined as incurring a financial loss due to the non-fulfillment of its contractual obligations by a counterpart.
Regarding the amounts of cash in current accounts, that are very high compared to previous periods due to the inflow from the stock market quotation, there is a very limited risk because the organizations involved are all leading banks and financial institutions with very high credit ratings.
Regarding its commercial operations the company deals with a highly selected customer base, which is extremely trustworthy and consists mainly of jewelers. Given the solidity of the clientele no collateral guarantees are asked for. The policy of Damiani S.p.A. is to subject new customers to preliminary financial investigation by the company Federalpool and it monitors all its customers giving them a specific credit level. All this is automatically controlled withy the support of a company that gives information that flags negative possibilities, such as dishonored financial instruments and this immediately triggers credit blocking and speeded up collection procedures. Furthermore, the receivables balances are constantly monitored so as to in order to avoid and limit the credit defaults which, historically, can be seen to have been fairly insignificant.
The following table shows the maximum potential exposure to the credit risk at 31 March 2008 and at 31 March 2007.

Credit Risk *in thousands of Euros*	31 March 2008	31 March 2007
Cash and cash equivalents	45,889	8,865
Trade receivables	86,994	81,058
Financial receivables from subsidiary companies	8,320	4,320
Other non current assets	268	164
Other current assets	10,467	3,600
Total maximum exposure to the Credit Risk	**151,938**	**98,007**

Price Risk

Damiani S.p.A. uses raw materials, mainly precious stones, gold, platinum, silver pearls and other highly prized materials, the price and availability of which on the market can notably vary in relation to factors such as government laws and regulations, market trends and macroeconomic scenarios in general, exchange rates compared to the US dollar, the currency in which these purchases are settled, relations with customers, e.g. the Diamond Trading Company controlled by De Beers and the conditions of supply.
The prevalence of the purchases of finished products from suppliers with whom there have been established very solid relations over a long time and with agreements that have been set for a medium time period have enabled Damiani S.p.A. to substantially mitigate the impacts linked to the recent fluctuations in the prices of some raw materials.

Other information asked for by the IFRS 7

In the table below there are listed the financial assets and financial liabilities classified based on the categories that are laid down by the IAS 39.

in thousands of Euros	Book Value						Fair value	
	Total		of which current		of which non-current			
	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007
Cash and cash equivalents	45,889	8,865	45,889	8,865	-	-	45,889	8,865
Trade receivables	86,994	81,058	86,994	81,058		-	86,994	81,058
Other financial assets	10,735	3,764	10,467	3,600	268	164	10,735	3,764
Financial receivables from subsidiary companies	8,320	4,320	-	-	8,320	4,320	8,320	4,320
Total financial assets	**151,938**	**98,007**	**143,350**	**93,523**	**8,588**	**4,484**	**151,938**	**98,007**
Trade payables	50,415	52,097	50,415	52,097	-	-	50,415	52,097
Payables to banks and other financial liabilities	30,496	57,201	18,423	23,449	12,073	33,752	30,496	57,201
Total financial liabilities	**80,911**	**109,298**	**68,838**	**75,546**	**12,073**	**33,752**	**80,911**	**109,298**

In the table below there are listed the incomes and charges attributable financial assets and liabilities classified based on the categories laid down by IAS 39:

Profits and losses from financial instruments

in thousands of Euros	FY of 12 months closed at 31 March 2008	FY of 3 months closed at 31 March 2007
Net profits on fair value instruments with changes posted to the Income Statement	109	-
Interest receivable on financial assets not valued at fair value:		
- on deposits	1,056	-
- on financial receivables from correlated parties	339	40
Total incomes	**1,504**	**40**
Net losses on financial derivatives	-	803
Interest payable on financial liabilities not valued at fair value:		
- short term payables to banks	673	177
- loans and financing	1,308	430
- bonds issued	-	-
others	-	-
Losses from write downs of financial instruments		
- trade receivables	2	89
Bank charges and commissions	426	135
Totale charges	**2,409**	**1,634**
Total	**(905)**	**(1,594)**

37. AUDITING COSTS

The following table, drawn up according to article 149, part twelve of the CONSOB (Italian SEC) Regulation for share issuers, shows the fees paid for the accounting period of twelve months closed at 31 March 2008 for services supplied by the external auditing company and by units that appertain to its network.

in thousands of Euros

Type of service	Supplier	Receiver	Fees
Accounting audit	Reconta Ernst & Young S.p.A.	Parent Company	119

Furthermore, during the financial year closed at 31 March 2008, for the services supplied in the context of the quotation process of Damiani S.p.A., concluded on 8 November 2007 with the start of trading on Borsa Italiana, STAR segment, fees were paid to the external auditing company of €1,350 thousand (€ 1,572 thousand inclusive of ancillary costs).
Audit services linked to the quotation process regarded :

- audit of Consolidation Financial report according to IFRS for the twelve months closed at 31 March 2007 and 31 March 2006, as well as for the Financial Statements closed at 31 December 2006, 2005 and 2004;
- limited accounting review of Intermediate Consolidation Financial Statements according to IFRS for the quarters closed at 30 June 2007 and 30 June 2006;
- audit of Consolidation Financial report according to IFRS for the three months closed at 31 March 2007 ;
- the issuing of Comfort Letters and Bring-Down Letters regarding the"Prospetto Informativo" and related activities (the carrying out of the post report review procedures and checking the financial data included in the "Prospetto Informativo")
- the issuing of Comfort Letters and Bring-Down Letters on the Offering Circular and the related activities (the carrying out of the post report review procedures and checking the financial data included in the "Prospetto Informativo");
- the declaration of the forecasted data included in the Business Plan according to the International audit standard ISAE 3400.

38. FIRST APPLICATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 8 November 2007 Damiani S.p.A. was listed on the stock market organized and managed by Borsa Italiana, STAR segment.
Applying the EC Regulation number 1606/2002 of 19 July 2002, the financial statements closed at 31 March 2008, will therefore be the first ones of Damiani S.p.A. drawn up according to the European Union's International Financial Reporting Standards ("IFRS"). The opening Balance Sheet at 1 January 2007, the date of transition to the IFRS, was prepared.

Following the change in the closing date of the company's financial year from 31 December to 31 March, resolved upon by the Shareholders' Meeting of 14 December 2006, the financial year closed at 31 March 2007 was a short accounting period of only 3 months.
In this document there are described the impacts of applying the IFRS in the financial statements of Damiani S.p.A. for the three month accounting period closed at 31 March 2007, as laid down by the CONSOB (Italian SEC) communication number DEM/60643113 of 28 July 2006.

The reconciliation and the description of the impacts of the transition from the financial statements, drawn up according to Italian legislation and Italian GAAP, to those using the IFRS on the net equity and the financial result for the three months closed at 31 March 2007 are shown below. The notes and reconciliations include the following:

- Note relative to the discretionary exemptions foreseen by IFRS 1.
- Reference accounting principles.
- Reconciliation table between the net equity of Damiani S.p.A. as per Italian GAAP and the one arising from the application of the IFRS at 1 January 2007, at 31 March 2007 and the result for the accounting period of three months at 31 March 2007 with the comments on the most significant differences caused by the application of the IFRS compared to financial statements drawn up according to Italian GAAP
- Balance Sheet of Damiani S.p.A. at 1 January 2007 and at 31 March 2007 with the highlighting, for each item, of the differences arising from the application of the IFRS compared to the financial statements drawn up according to Italian GAAP.
- Income Statement of Damiani S.p.A. for the shortened accounting period of three months closed at 31 March 2007 with the highlighting, for each item, of the differences arising from the application of the IFRS compared to the financial statements drawn up according to Italian GAAP.

The reconciliation tables, as well as the accounting tables regarding the Balance Sheet and Income Statement, because they have only been drawn up for the purposes of transition to the first complete set of financial statements prepared according to the IFRS, i.e. financial statements for the accounting period closed at 31 March 2008, lack the comparison data and the necessary explanatory notes that would be required in order to truly present the complete equity/financial situation and the financial result of Damiani S.p.A. in conformity with the principles contained in the IFRS.

Following what is laid down by the CONSOB (Italian SEC) communication number DEM/5025723 del 15 April 2005, the reconciliation tables have been subjected to an accounting audit by Reconta Ernst & Young.
The reconciliation tables were published as an attachment to the half-yearly consolidated report at 30 September 2007, approved Board of Directors of Damiani S.p.A. on 14 November 2007.

For the purposes of having a clearer and more complete comparison with the financial statements for twelve months at 31 March 2008 of Damiani S.p.A. it was necessary to reclassify some items in the Balance Sheet and Income Statement for the accounting period of three months closed at 31 March 2007. These changes are relative to the following items:

Balance Sheet assets:
• Financial receivables and other non current assets
• Trade receivables
• Other current assets

Income Statement:
• Other (charges) and incomes net
• Amortization, depreciation and write-downs

The changes have been taken into the layouts of the financial statements that are contained in this document.

<u>Discretionary exemptions foreseen by IFRS 1 that the Company has availed itself of</u>

The main options the company has applied are the following ones:

• Aggregations of enterprises: IFRS 3 lays down that aggregations of enterprises are to be accounted for using the "Purchase method", which means posting the assets and liabilities at their relative fair values at the date of acquisition. The company, in conformity with what is allowed by IFRS 1, has not applied IFRS 3, retroactively, to the aggregation of enterprises operations that took place before the date of the transition to the IAS/IFRS, which were, therefore, accounted for based on the previously applied accounting principles.

<u>Reference accounting principles</u>

Presentation of the financial statements

The Balance Sheet structure chosen by the company follows the classification between "current assets" and "non current assets", according to what is laid down by IAS 1 while, regarding the Income Statement the company has kept the classification by item type, a format that is believed to be more representative of the real situation that the so-called presentation by destination, also called at "cost of sales".

Goodwill

The goodwill acquired in an aggregation is valued, after the initial posting, at cost reduced by any eventual accumulated losses of value. The goodwill is subjected to a yearly impairment test, or more often when any events or changes take place that could give rise to losses of value.
For the purposes of these impairment tests the goodwill acquired through aggregations of enterprises is allocated, at the date of acquisition, to each of the financial flow generating units, or group of units, that are believed will benefit from the synergic impacts of the acquisition, regardless of the other assets and liabilities that have been acquired. Each unit, or group of units, to which the goodwill is allocated:
– represents the lowest level, within the Company, at which the goodwill is monitored for internal management purposes;
– it is not greater than a primary, or secondary, sector of the company as the same is defined in the layout by sectors pursuant to IAS 14.
The loss of value is calculated by defining the recoverable value of the unit, or group of units, that generates cash flows and to which the goodwill is allocated. When the recoverable value of the unit, or group of units, that generates cash flows is lower than the book value, a loss of value is posted.
In the cases where the goodwill is attributed to unit, or group of units, that generates cash flows whose assets are partially disposed of the goodwill associated with the asset disposed of is taken into consideration for the purposes of calculating the eventual capital gain or loss arising from the operation. In these circumstances the goodwill ceded is measured based on the values relative to the asset disposed of, compared to the value of the asset that is still held with reference to the same unit.

Intangible Fixed Assets

The intangible assets acquired separately are posted at cost, while those acquired through the aggregation of enterprises are accounted for at their fair value at the acquisition date. After the initial posting the intangible assets are posted at costs net of the cumulative amortization and any accumulated losses in value. The intangible assets produced internally are not capitalized and they are posted to the Income Statement in the period when the relative costs are incurred.
The useful life of the intangible assets is evaluated as definite or indefinite. The intangible assets with a definite lifespan are amortized over their useful life and subject to an impairment test whenever there are signs of a possible loss of value. The time period and the amortization method applied to it are reviewed at the end of each financial year, or more frequently if necessary. Changes in the expected useful life, or in the methodologies through which the future financial benefits linked to the intangible asset are achieved by the company are obtained by changing the time period or the amortization method, as appropriate, and treated as changes to the accounting estimates. The amounts of the amortization of the intangible assets with a definite life are posted to the Income Statement within the cost category that is in line with the function of the intangible asset itself.
The intangible assets with an indefinite useful life are checked for any loss of value, on a yearly basis, at either individual or cash generating unit level. These assets are not amortized. The useful life of an intangible asset with an indefinite lifespan is reviewed yearly for the purpose of ascertaining whether the conditions, on which this lifespan classification is based, are still ongoing. In the case where this is not so the change in the asset's useful life from indefinite to definite is calculated on a forecasted basis.

The gains or losses arising from the disposal of an intangible asset are measured as the difference between the net income from its sale and the net book value of the asset and they are posted into the Income Statement at the time when the asset is disposed of.
For those intangible assets with a definite lifespan the amortization rates that are applied are the following ones:

Category	**Rate**
Software license	20%
Key money (Indemnities paid for renewal of shop rental contracts)	Duration of contract

Research and development costs

The research costs are posted directly to the Income Statement during the financial year in which they are actually incurred.
The development costs incurred relative to a specific project are only capitalized when the company can actually demonstrate the technical possibility of completing the intangible asset in such a way as to make it available for either use or sale, its intention to complete the asset in order to use it or cede it to third parties, the methodologies through which it will generate probable future financial benefits for the company, the availability of the technical, financial or any other type of resources that are necessary to complete the development, its ability to evaluate the costs to be attributed to the intangible asset during its development in a dependable manner and the existence of a market for the goods and services that will be derived from the intangible asset, or its usefulness for internal purposes. The capitalized development costs only include the incurred expenses that can be directly imputed to the development process.
After the initial posting the development costs are posted at their cost net of the cumulative amortization and of any eventual losses of value that are discovered following the methodologies described above, for intangible fixed assets with a definite useful life.

Tangible fixed assets

The real estate, plant and machinery that are acquired separately, both on the basis of purchase contracts and through financial leasing, are posted at cost, while those acquired through operations regarding the aggregation of enterprises are accounted for based on their fair values calculated at the date of acquisition.
The real estate, plant and machinery are shown at cost, including all those ancillary costs that can be directly imputed to them and that are necessary to put the asset into a functioning condition so that it can be used for the reason for which it was acquired, increasing its posted value, when it is relevant and there are actual current obligations regarding it, by the current value of the estimated cost for dismantling and removing the asset. Whenever significant parts of these tangible assets have a differing useful lifespan, these components are accounted for separately. Tracts of land, both empty and with buildings on them, are not depreciated because they have an unlimited useful lifespan.
The book value of the tangible fixed assets is subjected to a check in order to find out if there are any losses of value, when any events or changes indicate that the book value cannot be recovered, following the depreciation plan that has been put in place. If there is any indication of this nature and in the case where the book value is greater than the presumed realizable value the assets, or the cash generating units to which the assets are allocated are written down so that they reflect their realizable value.
The remaining net book value of the asset, its useful life and the methods applied to it are reviewed yearly and, if necessary, updated at the end of each period.

The rates relative to the financial/technical lives that are used are the following:

Category	**Rate**
Land and Buildings	3%
Plant and machinery	12.5%
Industrial and commercial equipment	Da 12% a 35%
Other assets	Da 12% a 25%

Leased assets

The financial leasing contracts, which basically transfer to the company all the risks and benefits arising from the ownership of the leased asset, are capitalized at the start date of the leasing at fair value of the leased asset or, if lower, at the current value of the leasing installments. The installments are split pro rata between principal and interest in order to obtain the application of affixed interest rate on the remaining balance of the debt. The financial charges are posted directly to the Income Statement.
The capitalized leased assets are depreciated over a timeframe that is shortest between the estimated useful life of the asset and the duration of the leasing contract, if there is no reasonable certainty that the company will obtain ownership of the asset at the end of the contract.
The operational leasing installments are posted as cost to the Income Statement in equal amounts split over the duration of the contract.

Loss of value of the assets (impairment)

At the closing of each set of financial statements the company evaluates if there exist any signs of a loss in value of the intangible fixed assets with a definite useful life, of the tangible fixed assets and of the assets in financial leasing. In the case where any such signs emerge a check is made on the possible loss of value by means of an impairment test.
The goodwill and the other intangible assets with an indefinite useful life undergo a yearly impairment test, whether or not there are any signs of a loss of value. The tangible fixed assets and the intangible ones with a definite useful life also undergo an impairment test when there are any signs of a loss of value.
The recoverable value is calculated as being the greater between the fair value of an asset or cash flow generating unit net of the cost of sales and its usage value and it is calculated for each individual asset, with the exception of the case where the asset generates cash flows that are not largely independent of those generated by other assets, or groups of assets in which case the company estimates the recoverable value of the cash flow generating unit to which the asset belongs. Specifically, because the goodwill does not generate cash flows independently of those generated by other assets, or groups of assets, the impairment test is relative to the unit or group of units to which the goodwill has been allocated.
In calculating the usage value, the company discounts the estimated future cash flows at net present value, using a discounted cash flow rate before tax that reflects the market values of money over time and the specific risks appertaining to the asset.
For the purpose of estimating the usage value the future cash flows are taken from the company plans approved by the Board of Directors, which are the best estimate that the company can make regarding the forecasted economic conditions for the plan period. The plan forecasts usually cover a timeframe of three financial years. The long-term growth rate used for estimate the ending value of the asset, or the unit, is normally lower than the average long-term growth rate of the sector, the country or the reference market. The future cash flows are estimated by referring to current conditions and, therefore, the estimates do not take into consideration either the benefits arising from any future restructurings to which the company is not yet committed or any future investments for improving, or optimizing, the asset or the unit.
If the book value of an asset, or of a cash flow generating unit, is higher than its recoverable value then it has suffered a loss in value and is written down to take it to its recoverable value.
The losses in value suffered by functioning assets are posted to the Income Statement within the cost categories that are in line with the function of the asset that has shown a loss in value. Furthermore, at each closure of the financial statements the company checks if there are any signs of a reduction in the loss of value provided for previously and, where such signs exit, it makes anew estimate of the recoverable value. The value of an asset that has been previously written down, with the exception of the goodwill, can only be reinstated if there are changes in the estimates used to calculate the recoverable value of the asset after the last finding of a loss in value. In this case the book value of the asset is taken to the recoverable value but, however, the increased value in question cannot be higher than the book value, net of amortization and depreciation, which the asset would have if there were no losses of value in previous years. Each reinstatement is posted as an income to the Income Statement. After the posting of a reinstatement of value, the amount of the asset's amortization or depreciation is adjusted in future years, for the purpose of splitting the adjusted book value, net of any eventual residual values, in equal amounts over the remaining useful life of the asset.
The value of the goodwill, previously written down, can never be reinstated at the original value.

Holdings in subsidiary companies, affiliates and in other enterprises

Applying IAS 27 and IAS 28 the holdings in subsidiary enterprises, i.e. those over which the company exercises control, and affiliates, i.e. those over which the company exercises a notable influence although it does not have control and a notable influence is presumed when the company has a holding of at least 50%, are posted at cost at the time of their acquisition. Afterwards, the net value of the holdings in subsidiary companies and affiliates are subject to a yearly impairment test on their book value, carried out in conformity with IAS 36, i.e. an enduring reduction in the value of the asset.

The holdings in enterprises that are different from subsidiaries and affiliates are considered, at the time of their acquisition to be, "financial assets available for sale" or "assets valued at fair value with the other side of the posting to the Income Statement", within the non current assets or the current ones. In line with what is laid down by IAS 39, the above holdings are valued at their fair value or, in the case of holdings that are not quoted, or of holdings for which the fair value is not dependable, or cannot be calculated, at cost, adjusted for reductions in value.
The changes in the value of the holdings classified as "Assets available for sale" are posted to a reserve in the Net Equity that will be reversed to the Income Statement at the time of their sale or when there is a reduction in their value. The changes in the value of the holdings classified as "Assets valued at fair value with the other side of the posting to the Income Statement" are posted directly to the Income Statement.

Other non current assets

The receivables and the loans and financing included among the non current assets are valued based on the amortized cost method. The receivables with a due date of over one year, either non interest bearing or that bear interest at lower than the market rate are stated at their Net Present Value using interest rates in line with the relative market reference ones.

Closing inventories

The inventories are posted at the lower of their purchase or production cost and their net realizable value, which is the amount that the company expects to obtain from selling them in the normal course of its business activities. The costing method used is that of the average weighted cost. The average weighted cost includes the accrued ancillary costs relative to the purchases for the accounting period. The valuation of the inventories includes the direct costs of material and labor and the indirect costs of production. Furthermore, there have been provided write-down funds for materials, finished products, spare parts and for other supplies considered to be obsolete, or slow moving, taking into account their expected future use and their realizable value.
The inventories also include the cost of production relative to the expected returns in future financial years of goods already delivered, estimated on their sales value less their average margin.

Trade receivables and other current assets

The trade receivables and the other current assets are posted at their fair value identified by taking their nominal value and then reducing it for any losses in value by making provision to a specific bad debts reserve, which adjusts the value of the asset. The trade receivables are shown in the financial statements less the reserve for products that the company estimates will be returned by customers. This reserve is relative to the amounts invoiced at the time of shipment of the goods for which, also based on historical experience, it can be reasonably forecasted that, at the date of the financial statements not all the significant risks and benefits linked to ownership of the have been transferred.
The trade receivables the other current assets who's due dates do not fall within normal trading timeframes and that are not interest bearing are taken to their net present value.

Financial instruments

IAS 39 foresees the following types of financial instruments: 1) financial assets at fair value with changes posted to the Income Statement; 2) loans and financing and receivables; 3) investments held until redemption; 4) assets available for sale.
Initially all the financial assets are shown at fair value, increased, in the case of assets different from those at fair value, by the ancillary charges posted to the Income Statement. The company makes the classification of its financial assets after the initial posting and, where appropriate and allowed, it reviews this classification at closing time each financial year.
All the purchases and sales of financial assets are posted at the date of the deal, or at the date when the company makes the commitment to acquire the asset.

• Financial assets at fair value with changes posted to the Income Statement

This category contains the financial assets held for trading, which means all the assets acquired for the purpose of being sold in the short-term. Derivatives are classified as I financial instruments held for trading unless they are designated as effective coverage instruments. Gains or losses on assets held for trading are posted to the Income Statement.

• Loans and financing and receivables

The loans and financing and receivables are non-derivative financial assets with payment dates that are fixed or calculable and that are not quoted on a stock market. These assets are posted according to the criterion of amortized cost using the effective discount rate method. The gains and losses are posted to the Income Statement when the loans and financing and receivables are written off the accounting books, or when they show losses of value, as well as through the process of amortizing them.

• Investments held until redemption

The financial assets that are not derivatives and that are characterized by payments or fixed or calculable redemption dates are classified as "investments held until redemption" when the company has the intention and the ability to hold them in its portfolio until their redemption date. The financial assets that the company decides to hold in its portfolio for an indefinite period do not fall within this category. The other long-term financial investments that are until their redemption date, like bonds, are afterwards valued using the criterion of amortized cost. This cost is calculated as the initially posted value less the reimbursements of the amounts of the principal, plus or minus the cumulative amortization using the effective interest rate method of any eventual difference between the initially posted value and the amount at the date of redemption. This calculation includes all the commissions, or basis points, paid between the parties, which are an additional part of the effective interest rate, the transaction costs and any other bonuses or discounts. For the investments valued at amortized cost the gains and losses are posted to the Income Statement at the time when the investment is written off the accounting books, or shows a loss of value, as well as through the process of amortizing it.

• Assets available for sale

The financial assets available for sale are those financial assets, excluding the financial derivatives, that are designated as such or that are not classified in any of the three previous categories. After their initial posting at cost the financial assets held for sale are valued at their fair value and the gains and losses are posted to a separate item within the Net Equity until the asset are written off the accounting books or until it is ascertained that they have suffered a loss of value. The gains and losses accumulated up till then in the Net Equity are then posted to the Income Statement.
In the case of securities that are widely traded on regulated stock markets the fair value is calculated by referring to the stock market quotation at the end of trading on the closing date of the period. For those investments for which there is no stock market the fair value is calculated using valuation

techniques based on the prices of recent transactions for similar items among independent parties, on the current market value of an instrument that is basically similar, on the analyses of the discounted cash flows taken to net present value and on options pricing models.

• The writing off of financial assets and liabilities

A financial asset, or where applicable, part of a financial asset, or part of a group of similar financial assets, is written off when the following occur:
– the rights for receiving the cash flows are extinguished;
– the company keeps the right to receive the cash flows of the asset but has taken on the contractual obligation to pay them over, without delay, to a third party;
– the company has transferred the right to receive the cash flows of the asset and (i) has actually transferred all the risks and benefits of the ownership of the financial asset, or (ii) has neither actually transferred, or retained, all the risks and benefits of the asset, but has transferred the control of it.
In the cases where the company has transferred the rights to receive the cash flows from an asset and has neither actually transferred, or retained, all the risks and benefits, or lost the control of it, the asset is shown in the financial statements of the company in the measure to which it remains involved with the asset. The remaining involvement that takes the form of a guarantee on the transferred asset, is valued at the lower between the initial book value of the asset and the maximum value of the amount that the company could be called upon to pay over.
A financial liability is written off the books when the obligation underlying the liability is extinguished, annulled or fulfilled.
In the cases where an existing financial liability is replaced by another one from the same lender, at substantially different conditions, or when the conditions of an existing financial liability are substantially changed, this exchange or change is treated as an accounting write off of the original liability and the posting of a new liability, with the posting to the Income Statement of any differences between the book values.

Hedge accounting

For the purposes of hedge accounting, the coverage is classified as follows:
• coverage of the fair value, if they are put in place to cover the risk of a change in the fair value of the underlying asset or liability; or an irrevocable commitment, with the exception of an exchange risk; or
• coverage of cash flows, if they are put in place to cover the exposure to fluctuations of the cash flows that is attributable to a specific risk associated with a posted asset or liability, or a planned operation that is highly probable, or to the exchange risk in an irrevocable commitment;
• coverage of a net investment in a foreign enterprise (net investment hedge).
At the start of a coverage operation, the company formally lays out and documents the coverage relationship to which it intends to apply hedge accounting, its risk management goals and the strategy followed. The documentation includes the identification of the coverage instrument, of the element or operation that is the subject of coverage, the nature of the risk and of methodologies with which the enterprise intends to evaluate the effectiveness of the coverage in its offsetting of the exposure to changes in the fair value of the element covered, or of the cash flows linked to the risk covered.
It is expected that these coverages are highly effective in offsetting the exposure of the element covered for changes in the fair value or of the cash flows attributable to the risk covered. The valuation of the fact that these coverages have actually shown that they are highly effective is carried out on a continuous basis during the financial years when they are put in place.
The change in the fair value of the coverage derivatives is posted to the Income Statement. The change in the fair value of the element covered and attributable to the risk covered is posted as part of the book value of the covered element and the opposite side of the entry goes to the Income Statement.
Regarding the coverages of the fair value relative to elements that are accounted for following the amortized cost criterion, the adjustment to the book value is amortized in the Income Statement for the remaining period until expiry. Any adjustments to the book value of a covered financial instrument, to which the effective interest rate method is applied, are amortized in the Income Statement.
Any gains or losses arising from changes in the fair value of derivatives, which are not suitable for hedge accounting, are posted directly to the Income Statement during the period.

Available liquidity and equivalents

Cash and the other available liquidity equivalents are posted, according to type, at nominal value, or amortized cost.

Financial liabilities

The financial liabilities consist of the financial payables and of the financial liabilities relative to derivatives. The financial liabilities that are different from the derivative financial instruments are initially posted at fair value increased by the costs of the operation. Afterwards they are valued at amortized cost, which means at their initial value, net of the amounts of the principal already repaid, adjusted up or down based on the amortization, using the effective interest rate method, of any differences between the initial value at the value at the expiry date.

Employee benefits

The benefits guaranteed to the employees that given at the same time as their employment ends through defined benefit plans, i.e. for Italian companies the employee leaving indemnity are recognized in the period when the right to the benefit matures.
The liability relative to the defined benefit plans, net of any assets that service the plans is calculated based on actuarial hypotheses and posted on an accruals basis in line with the supplying of the labor that is necessary in order to obtain the benefits. Independent actuaries carry out the valuation of the benefit.
The company has decided not to apply the "corridor method" laid down by IAS 19 and, therefore, the gains and losses that come from the actuarial calculations are periodically posted to the income statement as labor costs or financial incomes.

Trade payables and other current liabilities

The trade payables ed other current liabilities, whose due dates fall within normal commercial and contractual timeframes are not taken to their net present value and are posted at their nominal value.

Revenues from sales and services

The revenues and incomes, shown net of discounts, allowances and returns, are posted at their fair value in so far as this can be dependably calculated and it is possible that the relative financial benefits will actually come in.

The revenues from the sales of goods are posted when the following conditions are satisfied:
a) there have been transferred to the purchaser the significant risks and benefits linked to the ownership of the goods;
b) there are no longer carried on the usual continuous activities associated with the ownership of the goods, as well as there not being carried on any effective control over the goods sold;
c) the amount of the revenues can be dependably calculated;
d) it is possible that the relative financial benefits will actually come in;
e) that the costs incurred, or to be incurred, can be dependably calculated.

In some cases, for commercial reasons and in line with custom and practice within the sector, the company accepts returns from customers relative to goods that have been delivered to them, even in previous financial years. Relative to this practice, the company adjusts the amounts invoiced at the time of shipping the goods by those amounts for which, based on its historical experience, it is reasonable to assume that, at the date of the financial statements, not all the significant risks and benefits linked to the ownership of the goods have been transferred. The returns calculated in this way are posted to the Income Statement as a reduction of the revenues and to the Balance Sheet in a specific adjustment fund relative to receivables from customers, while the estimated cost of production is included in inventories.

Exchanges of goods

The sale of goods in exchange for the acquisition of publicity and advertising services are posted separately to the financial statements, split between sales revenues and services costs. The revenues from the sales of goods are calculated at the fair value of the services received, adjusted for the amount of any payments made in cash or equivalents and they are posted at the time of shipping the goods.

Other revenues

The other revenues include the flows of financial benefits, achieved during the period, coming from the enterprises normal business activities.
The key monies cashed in due to the advance dissolution of rental contracts for prestigious commercially used real estate are posted among the other revenues at the time they are cashed in, which coincides with the signing of the agreement dissolving the original real estate rental contract.

Costs

Costs are posted on an accruals basis and, specifically, as follows:

• Costs of advertising campaigns and testimonials
The commissions due to advertising agencies and the production expenses of the advertising campaigns, i.e. spots and photo shoots etc., are posted to the Income Statement when they are incurred.
The costs relative to the advertising campaigns and to promotional activities are recognized in the Income Statement of each accounting period for the services that have been received, i.e. advertising already issued, transmitted or published and testimonials already given.
There are carried forward to their proper time periods any advances paid out for services still to be received.
The commissions due to advertising agencies and the production expenses of the spots and photo shoots etc., are posted to the Income Statement in the accounting period when the relative services are received. The costs relative to publicity services acquired are accounted for on an accruals basis, in the accounting period when the relative services are received.

• Financial incomes and charges
Interest receivable is posted as a financial income on an accruals basis when its amount has been ascertained. This ascertainment is made using the effective interest method, represented by the rate that takes the expected future cash flows, based on the forecasted life of the financial instrument, to their net present value.
The financial charges are posted to the Income Statement on an accruals timing basis and are posted for the effective amount of the interest payable.

Dividends

The dividends are posted when there arises the right of the shareholders to receive the payment, which is at the time when they are resolved upon. The dividends from other companies are classified in the Income Statement among the other operating incomes, because they come from holdings within the sector in which the company operates and that are long-term investments. The dividends from other companies for holdings that are merely kept for financial investment purposes are classified among the financial incomes.

Income Taxes

• Current taxes

The current taxes are calculated based on the estimate of the taxable income for the period. The taxable income differs from the result shown in the Income Statement because there are excluded from it both positive and negative items that are taxable, or deductible, in other financial years and, furthermore, it excludes items that shall never be taxable or deductible. The liability for current taxes is calculated using the tax rates that are currently in force, or that have been officially approved, at the closing date of the accounting period.

• Deferred and prepaid taxes

The deferred and prepaid taxes consist of the taxes on the timing differences between the accounting book values of the assets and liabilities in the financial statements and the corresponding fiscal values used to calculate the taxable income, according to the Balance Sheet liability method. The deferred taxes liabilities are posted for all the taxable timing differences, with the exception of the following cases:

– the deferred taxes liabilities come from the initial posting of the goodwill, or of an asset or a liability, in a transaction that is not a company aggregation and that, at the time of the transaction itself, does not have any impacts either on the profit for the period calculated for the purposes of the financial statements, or on the profit or loss calculated for fiscal purposes;

– with reference to timing differences associated with holdings in subsidiaries, affiliates and joint ventures, the reversal of these timing differences can be controlled and it is probable that it will not take place in the foreseeable future.

The deferred tax assets, i.e. prepaid taxes, are posted to the extent to which it is felt probable that there will be sufficiently large future taxable incomes that will enable the absorption of the deductible timing differences, with the exception of the following cases:

– the prepaid tax comes from the initial posting of an asset or a liability in a transaction that is not accompany aggregation and that, at the time of the transaction itself, does not influence either the profit for the period calculated for the purposes of the financial statements, or the profit or loss calculated for fiscal purposes.

The book value of the prepaid taxes is reviewed at each closing date of the financial statements and reduced, to the extent that it does not seem probable that, in the year of the foreseen reversal of the timing difference there will be a large enough taxable income to allow it to wholly, or partially, recovered. The unrecognized prepaid taxes are reviewed yearly at the closing date of the financial statements and posted to the extent to which their recovery has become probable.

The prepaid and deferred taxes are calculated based on tax rates that, according to the legislation currently in force, are forecasted to be in force at the time of realizing the assets or the extinguishing of the liabilities.

The deferred and prepaid taxes are posted directly to the Income Statement, with the exception of those relative to items that are posted directly among the components of Net Equity, in which case also the relative prepaid and deferred taxes are accounted for in the same way without being posted to the Income Statement.

The prepaid and deferred taxes are set off, when a legal right of set off exists, and the deferred taxes refer to the same fiscal entity and the same fiscal authority.

The assets for prepaid taxes and the liabilities for deferred taxes are classified among the non current assets and liabilities.

Conversion of the balances in foreign currencies

The presentation and functional currency of Damiani is the Euro.

The transactions in currencies other than the Euro are initially posted at the exchange rate of the functional currency at the transaction date. The monetary assets and liabilities in currencies other than the Euro are reconverted into the functional currency at the closing date of the financial statements. All the exchange differences are posted to the Income Statement. The non-monetary balances valued at historical cost, in a currency different from the Euro, are converted using the exchange rates in force at the initial posting date of the transaction. The non-monetary balances posted at fair value, in a currency different from the Euro, are converted using the exchange rate at the date of calculating the fair value.

Own shares

The company's own shares are classified as a direct reduction of the Net Equity. The original cost of the company's own shares and incomes coming from any successive sales of them are posted as movements of Net Equity.

Reconciliation between the Net Equity and the Result from the financial statements drafted according to Italian GAAP and the Net Equity and the Result from the financial statements drafted according to the IAS/ IFRS

The differences arising from the application of the IAS/IFRS, compared to that of Italian GAAP, on the opening Balance Sheet situation at 1 January 2007 and on the short accounting period of three months closed at 31 March 2007 of Damiani S.p.A., are shown in the reconciliation table below.

The individual items are shown in the table gross of taxes, while the relative fiscal impacts are shown cumulatively in two separate adjustment items, i.e. deferred taxes and prepaid taxes.

in thousand Euros	Note	Shareholders' Equity 31 December 2006	Result for the FY of 3 months closed at 31 March 2007	Shareholders' Equity 31 March 2007
According to Italian GAAP		**63,320**	**4,410**	**64,650**
IAS 16				
Break out of the value of land	1	15	(15)	-
IAS 38				
Reversal of intangible fixed assets and relative amortization	2	(412)	138	(274)
IAS 36				
Goodwill	3	244	16	260
IAS 18				
Returns on sales	4	(6,861)	(66)	(6,927)
IAS 19				
Employee benefits: change compared to ELI and other benefits	5	282	(17)	265
IAS 1				
- Elimination of realized gains with correlated parties	6	0	(1,769)	-
- Reversal of fiscal impact on gains with correlated parties	6		659	-
IAS 17				
Recognition of financial leasing	6	-	-	-
IAS 32-39				
Derivatives: adjustment to fair value	7	78	(232)	(131)
IAS 18				
Net present value impact of trade receivables and other assets	8	(769)	11	(758)
IAS 8				
Write-down of holding		(375)	-	(375)
IAS 12				
- Deferred taxes on the adjustments	9	(140)	50	(99)
- Prepaid taxes on the adjustments	9	3,135	18	3,153
According to the IFRS		**58,517**	**3,203**	**59,765**
Changes		**4,803**	**1,207**	**4,885**

Explanatory notes - adjustments

(1) IAS 16 Real estate, plant and machinery: reversal of depreciation to break out the value of land

According to Italian GAAP the land on which there is buildings were depreciated together with the buildings, while according to the IAS/IFRS the land must be classified separately and no longer depreciated. The impacts of the application of this different accounting treatment, on the Net Equity at 1 January 2007 and at 31 March 2007, and on the Income Statement for the 3-month period closed at 31 March 2007, are shown in the foregoing reconciliation.

(2) IAS 38 Intangible assets

Some items that were previously posted among the intangible fixed assets, do not have the requisites to be capitalized according to the IAS/IFRS. Specifically, the adjustments mainly concern the following:

- improvements to non-separable third party property capitalized according to Italian GAAP;
- patent and trademark rights and licenses posted among the intangible fixed assets, as allowed by Italian GAAP.

These intangible assets do not possess the recognition criteria laid down by IAS 8 and have, therefore, been reversed out of the Balance Sheet assets for IAS/IFRS purposes. This different accounting treatment has brought about the following impacts:

in thousands of Euros	Shareholders' Equity 31 December 2006	Result for the FY of 3 months closed at 31 March 2007	Shareholders' Equity 31 March 2007
Reversal patent rights	(69)	2	(67)
Reversal trademarks, concessions, licenses	(166)	117	(49)
Reversal of other intangible fixed assets	(177)	19	(158)
Total impact of reversals of intangibles	**(412)**	**138**	**(274)**

(3) IAS 36 Goodwill and the impairment test

According to the IAS/IFRS the goodwill is not subject to systematic amortization but is an intangible asset, with an unlimited useful life, subject to valuation for the purpose of identifying any eventual loss of value, i.e. the impairment test. At the time of the first application of the IFRS, Damiani S.p.A. has chosen not to apply IFRS 3 *"Aggregation of enterprises"* retroactively, for those operations that took place before the date of transition to the IAS/IFRS. Consequently, the goodwill has been kept at its previous value calculated according to Italian GAAP, subject to a prior check on whether it is recoverable. The impairment test has not revealed any need to adjust the value of the goodwill posted based on Italian GAAP.
The impacts of the application of this different accounting treatment, on the Net Equity at 1 January 2007 and at 31 March 2007, and on the Income Statement for the 3-month period closed at 31 March 2007, are shown in the foregoing reconciliation.

(4) IAS 18 Revenues

Damiani S.p.A., in some cases, for commercial reasons and in line with custom and practice within the sector, accepts returns from customers relative to goods delivered in previous financial years. Relative to this practice the accounting treatment of the returns that is followed by Damiani S.p.A. for the purposes of the financial statements drawn up according to Italian GAAP, giving prevalence to the formal aspect, which does not foresee the right of the customer to make returns, consisted of posting the returns on sales during the financial year when the decision to accept the return was accepted, then during the financial year in which they are actually received, because this is considered to be a sales policy equivalent to discount and, therefore, linked to the revenues of the financial year when the returns were decided upon and accepted and not to the revenues of the financial year when the original sales took place. This accounting treatment arises from the belief that the returns are a specific negotiating instrument of Damiani S.p.A., and not a specific initiative of the customer, generally used as the result of a negotiation linked to the definition of the volume goals for a specific year and, therefore, an incentive given to specific customers regarding forecasted purchases.
The IAS/IFRS do not allow this accounting treatment, and lay down that, whenever returns are expected that are linked to the revenues of the period and their amount can be dependably estimated, the revenues are accounted for by also posting a liability for future returns. Relative to this different accounting treatment, Damiani S.p.A. adjusts the invoiced amounts at the time of the shipment of the goods, by those amounts for which, also based on experience, it can be reasonably foreseen that not all the significant risks and benefits linked to the ownership of the goods have been transferred. The returns calculated in this way are posted to the Income Statement as a reduction of the revenues and to the Balance Sheet in a specific adjusting fund for customer receivables, while relative production costs are included in the inventories.

The impacts of this different accounting treatment are detailed in the table below:

in thousands of Euros	**Shareholders' Equity 31 December 2006**	**Result for the FY of 3 months closed at 31 March 2007**	**Shareholders' Equity 31 March 2007**
Returns fund	(14,333)	(139)	(14,472)
Inventories	6,899	68	6,967
Provisions	573	5	578
Net impact	**(6,861)**	**(66)**	**(6,927)**

(5) IAS 19 Employee benefits

Italian GAAP requires that the liability be posted for the Employee Leaving Indemnity (ELI) based on the nominal value of the debt matured according to the statutory accounting rules in force at the closing date of the financial statements. According to the IAS/IFRS the ELI, as it was defined until 31 December 2006, falls within the type of defined plans and benefits that are subject to actuarial valuations based on mortality rates, forecasted salary changes etc., for the purpose of arriving at the net present value of the benefit, payable at the end of the employment relationship, which the employees have matured at the date of the financial statements.
For IAS/IFRS purposes the actuarial gains and losses at 1 January 2007 and at 31 March 2007 have been posted at the date of transition to the IAS/IFRS. The application of this different accounting treatment has brought about the impacts shown in the foregoing reconciliation.
The new legislation introduced, starting from 1 January 2007, by the finance law and its relative actuating decrees has not brought about any significant impacts.

(6) IAS 17 Leasing and capital gains with companies subject to common control

In agreement with what is laid down in IAS 17 financial leasing is shown in the financial statements following the financial method that foresees the posting of the asset involved among the fixed assets and the relative debt among the liabilities.
According to Italian GAAP this leasing, identified as operational is treated by debiting the relative installments to the Income Statement. At the time of the first application of the IAS/IFRS it was posted as financial leasing. Specifically, Damiani S.p.A., on 27 March 2007, sold the real estate located in Via Montenapoleone, 10, to Immobiliare Miralto S.p.A., a company that is controlled by the shareholders of Damiani S.p.A. and, afterwards, it was leased back to Damiani S.p.A.. Based on what is laid down by IAS 17, this operation is a sale and lease back transaction and, therefore, it was accounted for based on the financial method described above.
From this operation a capital gain arose for Damiani S.p.A. for € 1,769 thousand.

The IAS/IFRS lay down that capital gains realized on operations between companies "under common control", in the context of company reorganizations are to be posted directly among the balances of the Net Equity, instead of to the Income Statement as laid down by Italian GAAP. Therefore, this capital gain was eliminated from the Income Statement of the shortened accounting period closed at 31 March 2007 crediting it directly to the reserves in Net Equity. The consequent elimination of the correlated fiscal impact has given rise to the elimination of taxes for the shortened accounting period closed at 31 March 2007, of € 659 thousand with the opposite side of the entry posted to the reserves in the Net Equity.

(7) IAS 39 Valuation of the financial derivatives

In order to minimize the risks linked to the fluctuations of the interest and exchange rates, financial derivatives contracts have been stipulated by the company, which avails itself of the financial instruments that the market offers.
Specifically, for the purpose of reducing the risk linked to the change in the interest rate on existing loans and financing, interest rate swaps were signed on loan contracts.
Theses instruments, which Italian GAAP considers to be for coverage, were posted only for the existing losses, at the closing date of the financial statements, without considering the latent gains.
For IFRS purposes, in order to check if these financial instruments have the requisites to be considered to be of coverage, the effectiveness test was carried out. Consequently, based on the IFRS, the financial instruments that have passed this test are accounted for with the other side of the entry being posted to the Net Equity, in the cash flow hedge reserve, while those that cannot be considered to be of coverage are accounted for by posting the changes in their fair value to the Income Statement.
Furthermore, Damiani S.p.A. has in existence US dollar futures contracts that cannot be considered to be contracts for coverage according to what is laid down by IAS 39.
The application of this different accounting treatment has brought about the impacts shown in the foregoing reconciliation.

(8) IAS 18 Trade receivables and other assets

According to IAS 18 all the revenues must be valued at fair value, which means at the current value of the amount that will be cashed in. Therefore, in all the cases where extended payment terms are conceded to customers. Without interest, or with interest that is lower than the market rate, the amount that will be cashed in must be taken to its net present value in order to calculate the true value of the sale, while the difference between the NPV and the amount cashed in is a financial income to be accounted for on an accruals basis and also to be partially deferred for extensions beyond the financial year.
The stating at NPV and the carrying forward to future financial years of the amount of the income that is not applicable to the current one has brought about the impacts described in the foregoing reconciliation.

(9) IAS 12 Income taxes

The adjustment is relative to the fiscal impacts of the differences commented on above that have been specifically brought about by each individual difference.

(10) IAS 12 Holdings in subsidiary companies, affiliates e other holdings

In line with IAS 27 and 28 the historical costs of the holdings in subsidiary companies, affiliates and of the other holdings were reconstructed and the impairment test that was carried out confirmed the book value of the holdings. Therefore, there were confirmed the write-downs of the holdings in the subsidiary company Damiani Espana that were carried out previously.
Regarding the other holdings there emerged the need to make a write down of € 375,000.00 of a minority holding.

IAS/IFRS Balance Sheets at 1 January 2007 and at 31 March 2007 and the Income Statement for the shortened accounting period of three months at 31 March 2007

As an addition to the reconciliation tables of the Net Equity and the profit, together with the comments on the adjustments made to the balances drawn up according to Italian GAAP, there are attached the tables of the Balance Sheets at 1 January 2007 and at 31 March 2007 and of the Income Statement for the shortened accounting period of three months closed at 31 March 2007 which highlights the following, for each item in individual columns:

- The Italian GAAP values reclassified according to the IAS/IFRS layouts;
- The values of the reclassifications carried out due to the different accounting treatments laid down by the IAS/IFRS indicating the relative explanatory note;
- The values of the adjustments carried out following the application of the IAS/IFRS compared to Italian GAAP indicating the relative explanatory note;
- The ending values according to the IAS/IFRS.

For the comments on the adjustments shown within the layouts of the Balance Sheet and the Income Statement reference should be made to the relative explanatory notes given in the paragraph called “Reconciliation of previously used Italian GAAP with the IAS/IFRS” in this report.

Balance Sheet at 1 January 2007

in thousands of Euros	Italian GAAP as per IFRS layout	Changes Reclassifications	 Adjustments	IFRS
Non current assets				
Goodwill	150		244	394
Other intangible fixed assets	475		(412)	63
Tangible fixed assets	7,205		218	7,423
Investments in subsidiary 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)		-
Total current assets	**145,573**	3,474	(8,204)	**140,843**
Total assets	**171,357**	3,091	(5,394)	**169,054**
Shareholders' Equity				
Share Capital	28,221		-	28,221
Reserves	27,861		(5,044)	22,817
Net Profit for the period	7,238		241	7,479
Total Shareholders' Equity	**63,320**	-	(4,803)	**58,517**
Non current liabilities				
Long term financial debt	30,820		202	31,022
Employee Termination indemnity	4,073	(383)	(282)	3,408
Deferred taxes liabilities	261		140	401
Other payables and non current liabilities	1			1
Total non current liabilities	**35,155**	(383)	60	**34,832**
Current liabilities				
Current portion of long term financial debt	8,514			8,514
Trade payables	56,647		(573)	56,074
Current financial payables to banks and other financiers	12	3,474		3,486
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 net equity and liabilities	**171,357**	3,091	(5,394)	**169,054**

Income Statement for the financial year of three months closed at 31 March 2007

in thousands of Euros	Italian GAAP as per IFRS layout	Changes: Reclassifications	Changes: Adjustments	IFRS
Revenues from sales and services	18,580	(5,665)	(139)	12,776
Other revenues	11,613	(360)	(1,769)	9,484
Total revenues	**30,193**	**(6,025)**	**(1,908)**	**22,260**
Costs of raw materials and cconsumables	(11,476)	4,907	68	(6,501)
Costs of services	(7,217)		115	(7,102)
Personnel cost	(2,942)		(17)	(2,959)
Other net operating (charges) incomes	(850)	1,675	-	825
Amortization and depreciation	(379)		29	(350)
Total operating costs	**(22,864)**	**6,582**	**195**	**(16,087)**
Operating income (loss)	**7,329**	**557**	**(1,713)**	**6,173**
Financial expenses	(1,259)	(1,315)		(2,574)
Financial incomes	781	758	(220)	1,319
Income (loss) before income taxes	**6,851**	**-**	**(1,933)**	**4,918**
Income taxes	(2,441)		726	(1,715)
Net income (loss) for the period	**4,410**	**-**	**(1,207)**	**3,203**

Balance Sheet at 31 March 2007

in thousands of Euros	Italian GAAP as per IFRS layout	Changes: Reclassifications	Changes: Adjustments	IFRS
Non current assets				
Goodwill	467		260	727
Other intangible fixed assets	357		(274)	83
Tangible fixed assets	3,317		3,941	7,258
Investments in subsidiary companies	17,875			17,875
Other investments	527		(375)	152
Financial receivables and other non current assets	4,885	(401)		4,484
Deferred tax assets	748		3,153	3,901
Total non current assets	**28,176**	(401)	6,705	**34,480**
Current assets				
Inventories	39,968		6,967	46,935
Trade receivables	88,023	8,266	(15,231)	81,058
Tax receivables	119			119
Other current assets	3,481			3,481
Cash and cash equivalents	11,189	(2,324)		8,865
Total current assets	**142,780**	5,942	(8,264)	**140,458**
Total assets	**170,956**	5,541	(1,559)	**174,938**
Shareholders' Equity				
Share Capital	28,221			28,221
Reserves	32,018		(3,678)	28,340
Net Profit for the period	4,410		(1,207)	3,203
Total Shareholders' Equity	**64,649**		(4,885)	**59,764**
Non current liabilities				
Long term financial debt	29,811		3.941	33,752
Employee Termination indemnity	4,147	(401)	(265)	3,481
Deferred taxes liabilities	2,296		99	2,395
Other payables and non current liabilities	1			1
Total non current liabilities	**36,255**	(401)	3,775	**39,629**
Current liabilities				
Current portion of long term financial debt	7,948			7,948
Trade payables	52,676		(578)	52,098
Current financial payables to banks and other financiers	39	5,942		5,981
Tax payables	5,228			5,228
Other current liabilities	4,161		129	4,290
Total current liabilities	**70,052**	5,942	(449)	**75,545**
Total liabilities	**106,307**	5,541	3,326	**115,174**
Total net equity and liabilities	**170,956**	5,541	(1,559)	**174,938**

Reclassifications

The main reclassifications arising from the application of the IAS/IFRS compared to Italian GAAP on the opening Balance Sheet situation at 1 January 2007 and on the financial statements for the three months closed at 31 March 2007 of the company are analyzed as follows:

• The posting of the trade receivables sold to a factoring company, with the opposite side of the entry posted to financial payables. There were specifically posted in the Balance Sheet layouts the amounts sold, for which there still exist risks for Damiani S.p.A., amounting to 5,942 thousand € at 31 March 2007 and to 3,254 thousand € at 1 January 2007, respectively, because the factoring contract that is in existence does not fulfill all the requisites that are asked for by IAS 39, in paragraphs 20 and 21, for the purposes of the derecognition of the financial assets from the financial statements.

• The reclassification of the item relative to the available liquidity of the dishonored banker's orders at the transition date and at 31 March 2007 and that were communicated to the bank in the following accounting period. These amounts are 2,324 thousand € at 31 March 2007 and 1,600 thousand € at 1 January 2007.

• The advances paid out on the Employee Leaving Indemnity, have been reclassified from the long term financial receivables to a directly posted reduction of the employee benefits.

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

ATTACHMENT 1

Financial Statement for the purposes of CONSOB Resolution 15519 of 27/07/2006

Balance Sheet

in thousand of Euros	31 March 2008 Third parties	31 March 2008 Intercompany and related parties	31 March 2008 Total	31 March 2007 Third parties	31 March 2007 Intercompany and related parties	31 March 2007 Total
NON-CURRENT ASSETS						
Goodwill	727	-	727	727	-	727
Other Intangible Fixed Assets	882	-	882	83	-	83
Tangible Fixed Assets	3,000	3,588	6,588	3,317	3,941	7,258
Investments	18,257	-	18,257	18,027	-	18,027
Financial receivables and other non current receivables	268	8,320	8,588	164	4,320	4,484
Deferred tax assets	4,804	-	4,804	3,901	-	3,901
TOTAL NON-CURRENT ASSETS	**27,938**	**11,908**	**39,846**	**26,219**	**8,261**	**34,480**
CURRENT ASSETS						
Inventories	39,895	-	39,895	46,935	-	46,935
Trade receivables	44,959	42,035	86,994	39,540	41,518	81,058
Tax receivables	565	-	565	119	-	119
Other current assets	8,774	1,128	9,902	2,819	662	3,481
Cash and cash equivalents	45,889	-	45,889	8,865	-	8,865
TOTAL CURRENT ASSETS	**140,082**	**43,163**	**183,245**	**98,278**	**42,180**	**140,458**
TOTAL ASSETS	**168,020**	**55,071**	**223,091**	**124,497**	**50,441**	**174,938**
SHAREHOLDERS' EQUITY						
Share Capital	36,344	-	36,344	28,221	-	28,221
Reserves	88,559	-	88,559	28,340	-	28,340
Net Income (loss) for the period	10,970	-	10,970	3,203	-	3,203
TOTAL SHAREHOLDERS' EQUITY	**135,873**	**-**	**135,873**	**59,764**	**-**	**59,764**
NON CURRENT LIABILITIES						
Long term financial debt	8,562	3,511	12,073	29,036	4,716	33,752
Termination Indemnities	3,094	-	3,094	3,481	-	3,481
Deferred Taxes liabilities	3,212	-	3,212	2,395	-	2,395
Other non current liabilities	-	-		1	-	1
TOTAL NON CURRENT LIABILITIES	**14,868**	**3,511**	**18,379**	**34,913**	**4,716**	**39,629**
CURRENT LIABILITIES						
Current portion of long term financial debt	4,474	215	4,689	7,948		7,948
Trade payables	33,488	16,927	50,415	33,552	18,546	52,098
Short term borrowings	1,658	-	1,658	5,981	-	5,981
Income tax payables	7,407	-	7,407	5,228	-	5,228
Other current liabilities	4,518	152	4,670	4,171	119	4,290
TOTAL CURRENT LIABILITIES	**51,545**	**17,294**	**68,839**	**56,880**	**18,665**	**75,545**
TOTAL LIABILITIES	**66,413**	**20,805**	**87,218**	**91,793**	**23,381**	**115,174**
TOTAL NET EQUITY AND LIABILITIES	**202,286**	**20,805**	**223,091**	**151,557**	**23,381**	**174,938**

Income Statement

in thousand of Euros	FY of 12 months closed at 31 March 2008 Third parties	Intercompany & related parties	Total	FY of 3 months closed at 31 March 2007 Third parties	Intercompany & related parties	Total
Revenues from sales and services	70,910	30,363	101,273	8,576	4,200	12,776
Other recurring revenues	212	-	212	87	-	87
Other non-recurring revenues	-	-		593	8,804	9,397
Total Other revenues	212	-	212	680	8,804	9,484
TOTAL REVENUES	**71,122**	**30,363**	**101,485**	**9,256**	**13,004**	**22,260**
Costs of raw materials and consumables (*)	(38,910)	(14,271)	(53,181)	(4,527)	(1,974)	(6,501)
Costs of services	(21,395)	(2,231)	(23,626)	(5,812)	(1,290)	(7,102)
Personnel cost	(13,563)	-	(13,563)	(2,959)	-	(2,959)
Other net operating (charges) incomes	6,653	3,357	10,010	(128)	953	825
Amortization and depreciation	(665)	(329)	(994)	(346)	(4)	(350)
TOTAL OPERATING EXPENSES	**(67,880)**	**(13,474)**	**(81,354)**	**(13,772)**	**(2,315)**	**(16,087)**
OPERATING INCOME (LOSS)	**3,242**	**16,889**	**20,131**	**(4,516)**	**10,689**	**6,173**
Financial expenses	(2,504)	(357)	(2,861)	(2,552)	(22)	(2,574)
Financial incomes	1,909	339	2,248	1,279	40	1,319
INCOME (LOSS) BEFORE INCOME TAXES	**2,647**	**16,871**	**19,518**	**(5,789)**	**10,707**	**4,918**
Income Taxes	(8,548)	-	(8,548)	(1,715)	-	(1,715)
NET INCOME (LOSS) FOR THE PERIOD	**(5,901)**	**16,871**	**10,970**	**(7,504)**	**10,707**	**3,203**

(*) The item include the share production made from Damiani Group’s manufacturing companies. No related parties make manufacturing activities.

ATTACHMENT 2

Summary of Key data for directly and indirectly held subsidiaries

Alfieri & St. John S.p.A.

Registered office — *Valenza (AL), Italy*

Key figures (in thousands of Euro)	FY closed at 31 March 2008
Share Capital	1,462
Revenues from sales and services	28,098
Operating result	2,411
Net income	1,240
Total assets	24,135
Shareholders'equity	3,863
Total liabilities	20,272

Financial report according to IFRS

New Mood S.p.A.

Registered office — *Milano, Italia*

Key figures (in thousands of Euro)	FY closed at 31 March 2008
Share Capital	1,040
Revenues from sales and services	22,393
Operating result	628
Net income	59
Total assets	27,158
Shareholders'equity	4,221
Total liabilities	22,937

Financial report according to IFRS

Damiani Manufacturing S.r.l.

Registered office — *Valenza (AL), Italia*

Key figures (in thousands of Euro)	FY closed at 31 March 2008
Share Capital	850
Revenues from sales and services	8,019
Operating result	666
Net income	295
Total assets	6,688
Shareholders'equity	3,787
Total liabilities	2,901

Financial report according to local Gaap

Laboratorio Damiani S.r.l.

Registered office — *Bassignana (AL), Italia*

Key figures (in thousands of Euro)	FY closed at 31 March 2008
Share Capital	200
Revenues from sales and services	253
Operating result	(502)
Net income	(368)
Total assets	724
Shareholders'equity	(168)
Total liabilities	892

Financial report according to local Gaap

Damiani International B.V.

Registered office — *Amsterdam, Holland*

Key figures (in thousands of Euro)	FY closed at 31 March 2008
Share Capital	194
Revenues from sales and services	51,615
Operating result	9,594
Net income	9,190
Total assets	114,861
Shareholders'equity	66,237
Total liabilities	48,624

Financial report according to local Gaap

Damiani Japan K.K.

Registered office — *Tokio, Japan*

Key figures (in millions of Jpy)	FY closed at 31 March 2008
Share Capital	280
Revenues from sales and services	2,120
Operating result	(159)
Net income	(184)
Total assets	3,309
Shareholders'equity	(24)
Total liabilities	3,333
Average exchange rate 2007/2008	*Euro/Jpy 161,62*
Exchange rate at 31 March 2008	*Euro/Jpy 157,37*

Financial report according to local Gaap

Damiani USA, Corp.
Registered office *New York, USA*

Key figures (in thousands of Usd)	FY closed at 31 March 2008
Share Capital	55
Revenues from sales and services	13,340
Operating result	(6,903)
Net income	(7,403)
Total assets	36,570
Shareholders'equity	(6,444)
Total liabilities	43,014
Average exchange rate 2007/2008	*Euro/Usd 1,4163*
Exchange rate at 31 March 2008	*Euro/Usd 1,5812*

Financial report according to local Gaap

Casa Damiani Espana SL
Registered office *Madrid, Spain*

Key figures (in thousands of Euro)	FY closed at 31 March 2008
Share Capital	721
Revenues from sales and services	1,752
Operating result	989
Net income	907
Total assets	1,247
Shareholders'equity	1,240
Total liabilities	7

Financial report according to local Gaap

Damiani Hong Kong Ltd
Registered office *Hong Kong*

Key figures (in thousands of Hkd)	FY closed at 31 March 2008
Share Capital	2,500
Revenues from sales and services	-
Operating result	(735)
Net income	(823)
Total assets	5,630
Shareholders'equity	1,118
Total liabilities	4,512
Average exchange rate 2007/2008	*Euro/Hkd 11,044*
Exchange rate at 31 March 2008	*Euro/Hkd 12,307*

Financial report according to local Gaap

Damiani France S.A.
Registered office *Paris, France*

Key figures (in thousands of Euro)	FY closed at 31 March 2008(*)
Share Capital	39
Revenues from sales and services	65
Operating result	(145)
Net income	(146)
Total assets	3,176
Shareholders'equity	(2,226)
Total liabilities	5,402

Financial report according to local Gaap

(*) For the FY from January 2008- March 2008 after the acquisition happened in the month of January 2008.

Damiani Service Unipessoal Lda
Registered office *Madeira, Portugal*

Key figures (in thousands of Euro)	FY closed at 31 March 2008 (*)
Share Capital	5
Revenues from sales and services	-
Operating result	(8)
Net income	(8)
Total assets	9
Shareholders'equity	(21)
Total liabilities	30

Financial report according to local Gaap

(*) For the FY from December 2007- March 2008 after the acquisition happened in the month of November 2007.

For the Board of Directors
TheChairman and CEO
Guido Grassi Damiani

ATTESTATION REGARDING THE FINANCIAL STATEMENTS OF DAMIANI S.P.A. PURSUANT TO ARTICLE 81, THIRD PART, OF THE CONSOB (ITALIAN NATIONAL COMMISSION FOR LISTED COMPANIES AND THE STOCK EXCHANGE) REGULATION NUMBER 11971 OF 14 MAY 1999 AND ITS SUCCESSIVE CHANGES AND ADDITIONS

The undersigned Mr. Guido Grassi Damiani, Chairman and Chief Executive Officer, and Mr. Gilberto Frola, Executive in charge of drawing up the Company's accounting documents of Damiani S.p.A., also taking into account what is laid down in article 154, second part, paragraphs 3 and 4, of the Legislative Decree of 24 February 1998, number 58

CERTIFY

- The suitability and effective application of the relevant administrative and accounting procedures that were used to build up the Financial Statements regarding the period from 1 April 2007 to 31 March 2008, relative to the company's characteristics.
- That the Financial Statements have been drawn up according to the international accounting standards (IAS/IFRS) and that they give a true and fair view of the Balance Sheet, Income Statement and financial situations of Damiani S.p.A.
- That the Financial Statements truly reflect the contents of the accounting books and documents.

Milan, 13 June 2008

Mr. Guido Grassi Damiani

Chairman and CEO

Mr. Gilberto Frola

The manager in charge of preparing the Company's financial reports

DAMIANI S.p.A.
Registered Office in Valenza (AL), Viale Santuario, 46
Share Capital Euros 36,344,000 fully paid up
Vat Number and Tax Code 01457570065

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF DAMIANI S.P.A. PURSUANT TO ARTICLE 153 OF THE LEGISLATIVE DECREE 58/1998 AND OF ARTICLE 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

The Financial Statements closed at 31 March 2008, presented for your approval, are the first to be prepared by the company's directors in accordance with the International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS), pursuant to European Regulation 1606 issued in July 2002 and adopted in Italy by Decree 38/2005. These are also the first Financial Statements presented to the shareholders following the listing of the Company shares in the STAR segment of the Italian Stock Exchange (MTA). We monitored the listing process and verified the legitimacy, propriety and timeliness of the various transactions, resolutions and formalities.

During the financial year closed at 31 March 2008 we performed the supervisory activities required by the law having regard the standards of conduct of the Board of Statutory Auditors, attending the meetings of corporate organs, carrying out periodic checks and meeting with the Independent Auditors' manager, the Company's Internal Controls managers and the Executive in charge of drawing up the Company's accounting documents, appointed during the course of the year, to exchange information on the activities undertaken by them and to assess the timetable of scheduled internal control operations.

Pursuant to article 153 of Legislative Decree 58/1998 and article 2429 of the Italian Civil Code, as well as taking into account the indications supplied by CONSOB notice number DEM/1025564 of 6 April, 2001, as further amended and extended, we report the following:

- We monitored compliance with the law and the Company's by-laws.
- The Directors provided us, with the required periodicity, information on the activities undertaken by them, and on the most significant economic, financial and capital transaction carried out by the Company and its subsidiaries, ensuring us that the same were in accordance with the law and the Company's by-laws and were not manifestly imprudent or risky, in potential conflict of interest, in breach of the resolutions passed by the Shareholders' Meeting or susceptible of compromising the integrity of the Company's assets and equity.
- We have not found any atypical or unusual transactions carried out with third parties, Group companies or related parties.
- The Directors have illustrated, in their Reports on Operations attached to the annual Financial Statements of Damiani S.p.A. and to the Consolidated Financial Statements of the Damiani Group and in the Explanatory Notes to them, the operations of a normal business nature carried out during the financial year with related parties or with companies belonging to the Group.

  We ask you to make reference to these documents regarding the matters that fall within our competencies and, specifically, regarding the description of the characteristics of the operations and their relative economic and equity impacts.

  With regard to such transactions, with the support of the Board of Directors and the Internal Controls and Corporate Governance Committee we have checked on the existence and the observance of procedures that are suitable for ensuring that these operations are carried out at suitable terms and in the Company's interest.

- The Independent Auditors have expressed an opinion without comment on the Financial Statements, thereby attesting that the same are in accordance with the rules governing financial statements.
- No complaints were received pursuant to article 2408 of the Italian Civil Code, or statements from third parties.
- The information received from the Independent Auditors indicates that in the financial year, especially in connection to the quotation process, 6 assignments were conferred by Damiani S.p.A. for a total amount of fees amounting to Euros 1,572 thousand, in addition to those pertaining to the auditing of the Financial Statements of the Company and its subsidiaries, as follows:
  - Audit of the IFRS Consolidated Financial Statements for the periods of twelve months closed at 31 March 2007 and at 31 March 2006, as well as for the financial years closed at 31 December 2006, 2005 and 2004.
  - Limited review of the intermediate IFRS Financial Statements, for the quarters closed at 30 June 2007 e 2006;
  - Audit of the IFRS Consolidated Financial Statements for the three months period closed at 31 March 2007.
  - Issuing of the Comfort Letters and the Bring-Down Letters on the "Prospetto Informativo" for the IPO of Damiani S.p.A. and the related activities, i.e. carrying out the post report review procedures and checking the financial data included in the "Prospetto Informativo".
  - Issuing of the Comfort Letters and the Bring-Down Letters on the Offering Circular and the related activities, i.e. carrying out the post report review procedures and checking the financial data included in the "Prospetto Informativo".

- Declaration of the forecasted data contained in the company's industrial plan according to the international auditing standard ISAE 3400.

The Board of Statutory Auditors in evaluating the independence of the Independent Auditors has found nothing untoward that requires highlighting.

- During the financial year Board of Statutory Auditors released the following opinions:

  a) The opinion of the Board of Statutory Auditors regarding the compliance of the issue price of the share, pursuant to article 2441, paragraph 5 of the Italian Civil Code, regarding the Share Capital increase decided upon, the public share subscription offer.
  b) The reasoned proposal of the Board of Statutory Auditors regarding the assignment to the Independent Auditors, pursuant to article 159 of the Legislative Decree 58/1998 of 24 February 1998.
  c) The opinion pursuant to article 154, second part, paragraph 1, of the Legislative Decree 58/1998, concerning the professional requisites of the Executive in charge of drawing up the Company's accounting documents.
  d) The opinion pursuant to article 2389, paragraph 3, of the Italian Civil Code regarding the compensation of the Directors with specific assignments.
  e) The opinion regarding the actuation of the "*Stock-Option Plan of the Damiani Group S.p.A. 2007/2010 for the attribution of options relative to a maximum number of 1,600,000 ordinary shares*" approved by the Shareholders' Meeting on 26 September 2007.

f) The opinion pursuant to article 147, third part, paragraphs 3 and 4 of the Legislative Decree 58/1998, regarding the election and composition of the Board of Directors and the independency requisites of the Directors.

- During the financial year we have attended 13 meetings of the current Board of Directors, as well as 2 meetings of the previous Board of Directors. In the same period the Board of Statutory Auditors met 5 times, 3 of which were in joint meetings with the Internal Controls and Corporate Governance Committee.
- We have acquired knowledge and watched over, insofar as this falls within our competencies, that the principles of correct administration have been observed, the adequacy of the organizational structure and the directives issued by the Company to its subsidiaries, pursuant to article 114, paragraph 2, of the Legislative Decree 58/1998, through direct observation, getting information from the managers of the company functions involved and meetings with the Independent Auditors, with the Executive in charge of drawing up the Company's accounting documents and with the Internal Audit Manager for the purposes of a reciprocal exchange of relevant data and information.
- We have acquired knowledge and watched over, insofar as this falls within our competencies, regarding the adequacy of the internal controls system, the activities of the relative Managers and the administration/accounting system, as well as on the dependability of this latter to correctly reflect operational events, by obtaining information from functional managers, by examining the company documents and the work carried out by the Independent Auditors, by attending the meetings with the Internal Controls and Corporate Governance Committee and through meetings with the Executive in charge of drawing up the Company's accounting documents, as well as with the Internal Controls Manager and the Director entrusted with the functionality of the internal controls system.

- No significant aspects or issues worthy of mention arose during the meeting held with the same bodies in the subsidiary companies, where were not already present members of the Board of Statutory Auditors.
- No significant aspects or issues worthy of mention arose during the meeting held with the Independent Auditors pursuant to article 2409, sixth part, of the Italian Civil Code and article 150, paragraph 3, of the Legislative Decree 58/1998.
- We checked the procedures for the proper implementation of the rules of corporate governance entrenched in the new edition of the Self-Regulatory Code of the Corporate Governance Committee of listed companies adopted by the Board of Directors in the meeting of 27 June 2007 and confirmed in the Board of Directors meeting of 13 June 2008. In the meeting of 27 June 2007 the Board of Directors of Damiani S.p.A. identified Damiani International B.V., a company incorporated under Dutch Law, as *"strategically significant subsidiary"*.
- Through direct checks and information obtained from the Independent Auditors and the Executive in charge of drawing up the Company's accounting documents, we oversaw compliance with statutory provisions pertaining to the preparation and layout of the Consolidated Financial Statements of the Damiani Group, the Financial Statements of Damiani S.p.A. and the related Reports on Operations. Our oversight activities did not reveal any facts warranting a report to internal control organs or worthy of mention in this report.
- For the purpose of aligning the internal controls systems laid down by the Legislative Decree 231/2001 and in conformity with the contents of article 2.2.3, third paragraph, letter k) and 2.2.3, second part, of the Stock Exchange Regulations, the Board of Directors of the Company approved, in its meeting of 27 March 2008, the organizational, management and controls model contained in article 6 of the Legislative Decree 231/2001, i.e. the "Organizational Model" and the Ethical Code.

Considering the results of the activities carried out by Independent Auditors and taking into account what has been referred to above, within the matters falling within our purview, we have not found any reasons hindering the approval of the Financial Statements for the year closed at 31 March 2008 and we have no comments to make on the proposed result destination.

Milan, 4 July 2008

The Board of Statutory Auditors

Gianluca Bolelli - Chairman

Simone Cavalli – Active Statutory Auditor

Fabio Massimo Micaludi – Active Statutory Auditor

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INDEPENDENT AUDITORS' REPORT
pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders of
Damiani S.p.A.

1. We have audited the financial statements of Damiani S.p.A. as of and for the year ended March 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Damiani S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements have been prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures issued to implement art. 9 of the Italian Legislative Decree n° 38/2005

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present the comparative data of the preceding year prepared in accordance with the same accounting principles. These comparative data are referred to the period January 1 -March 31, 2007 due to the change of the financial statements closing date approved by extraordinary meeting of shareholders held on September 14, 2006. In addition, the explanatory note n.38, shows the effects of the transition to International Financial Reporting Standards as adopted by the European Union. The information presented in such note was examined by us for the purpose of expressing an opinion on the financial statements as of March 31, 2008.

Reconta Ernst & Young S.p.A.
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3. In our opinion, the financial statements of Damiani S.p.A. at March 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures issued to implement art. 9 of the Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of Damiani S.p.A. for the year then ended.

Milan, July 4 2008

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

This report has been translated into the English language solely for the convenience of international readers.

Yearly Corporate Governance Report of Damiani S.p.A.

Financial year from
1 april 2007 to 31 march 2008

Prepared pursuant to articles 124 BIS,
of Legislative Decree 58/98
(Consolidated Law on Finance),
89 BIS to CONSOB
(Italian National Commission for Listed
Companies and the Stock Exchange)
Regulation 11971/99 and to
article IA.2.6 of the Regulatory Instructions of
the Italian Stock Exchange

Dear Shareholders,

In observance of the applicable legislation and regulations, as well as the Regulatory Instructions of the Italian Stock Exchange and taking into account the *"Experimental format for the corporate governance report"* issued by the Stock Market Management Company, the Board of Directors of Damiani S.p.A. gives below a full informational document on its own system of *"Corporate Governance"*, with reference to the principles contained in the Corporate Governance Code (March 2006 edition).
This Report, which also contains information on the ownership statements pursuant to article 123, BIS, paragraph 2, of the CONSOB Regulation 11971/99, will be also made available in the section *"Investor Relations - Corporate Governance"* on the website www.damiani.com, within the timeframes set by the relative legislation that is currently in force.

1. GENERAL COMPANY GOVERNANCE STRUCTURE (ISSUER PROFILE)

1.1 The company's system of corporate governance in general.

The corporate governance system of Damiani S.p.A. is the traditional one, the so-called Latin model and, therefore, its corporate bodies are the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors. The Board of Directors consists of two committees set up within the Board itself: the Internal Control and Corporate Governance Committee and the Remuneration Committee. Both committees play an advisory and proposing role, with the aim of facilitating the functional running and the activities of the Board.

A) The shareholders' meeting
The authority, role and functioning of the Shareholders' Meeting are provided by law and by the company's Articles of Incorporation (by-laws), currently in force, which we hereby make reference to.

B) The board of directors
The Board of Directors consists of of five to fifteen members, whose number is fixed, from time to time, by the Shareholders' Meeting. The Board appoints a Chairman among its members and, if required, can also appoint one or more Vice Chairmen .
As provided by the Articles of Incorporation the Chairman, or anyone taking his place, legally acts on behalf of the company, both towards third parties and in judicial proceedings, with his single signature, being entitled to file lawsuits and pleas, as well as suits of annulment and appeal to the Supreme Court, to appoint lawyers and attorneys for the disputes. Moreover, legal representation is granted severally, within the limits of the powers granted by the Board of Directors, to one or more members of the Board, also acting in the quality of appointed managing directors.
As detailed below, the Board of Directors is granted the most wide range of powers for the ordinary and extraordinary management of the company, with the only exception of those reserved by law to the Shareholders' Meeting, including the power to pass resolutions on mergers in those cases provided for by articles 2505 and 2505 BIS of the Italian Civil Code, the setting up and shutdown of branch offices, the choice of those directors who can legally represent the company, the reduction (writing down) of Share Capital (capital stock) in case of shareholders'withdrawing, the adjustement of the Articles of Incorporation to any law provision and the transfer of the registered office within the national territory.

C) The committees
As provided by the Corporate Governance Code, the Board of Directors must be provided with an Internal Control and Corporate Governance Committee and a Remuneration Committee, having advisory and proposing functions. On the other hand it was not believed necessary, as of today, to set up ann Appointment Committee.

D) The board of statutory auditors
Consisting of three statutory and two substitute members, it is the company's control body. This Board must supervise on the company's compliance with the law and the Articles of Incorporation, as well as on the compliance with the standard principles of accounting and administration and that the company gives appropriate instructions to its internal bodies and subsidiary companies. The Board of Auditors must also supervise on the adequacy of the company's organizational structure, on its internal control and accounting administration systems, as well as examining or arranging any required audit. Furthermore, the Board must also supervise that theregulations - provided by Corporate Governance Codes set by companies managing regulated markets and by trade associations - are met, as hereby officially declared.

2. INFORMATION ON THE OWNERSHIP SETUPS ON THE DATE OF APPROVAL OF THIS REPORT (AS PER ARTICLE 123, BIS, CONSOLIDATED LAW ON FINANCE)

(A) Share capital structure
The whole Share Capital of Damiani S.p.A. consists of ordinary shares with voting rights, listed on the computerized stock market, in the STAR (High Profile Securities Segment), managed by Borsa Italiana S.p.A. (Italian Stock Exchange).
The present Share Capital, wholly subscribed and paid up, is EUR 36,344,000 (thirty six million three hundred and forty four thousand) and it is divided into 82,600,000 (eighty two million six hundred thousand) ordinary shares, having the nominal value of EUR 0.44 (zero point forty four) each.
On the approval date of this Report a promotion plan based on financial instruments is being made: for any further details please make reference to the financial statements (see the Directors' Report), made available to the public as provided for by law, as well as to the *"Informational Document pertaining to the Remuneration Plan based on shares (Stock Options)"* made as provided for by article 84 BIS, of CONSOB Regulation 11971/99, as can be seen in the *"Investor Relation"* section of the website www.damiani.com.

(B) Restriction on transfer of securities

The Articles of Incorporation of Damiani S.p.A. do not set any restrictions/limits regarding the transfers of shares or their ownership, or referring to the approval by the corporate bodies or the shareholders of any new shareholders in the corporate structure.

(C) Significant holdings of the share capital

Based on the entries in the Shareholders' Book and the available updates at the approval date of this Report, including the communications Based on the entries in the Shareholders' Book (Register of Members) updated on the date of approval of the present Report, including any communication received by the company as provided for by article 120 of legislative Decree 58/98, as well as on the basis of any other available information, those parties being, both directly or indirectly, owners of shareholdings exceeding 2% of the subscribed and paid up Share Capital, are the following:

Shareholders	Ordinary shares	% age of the share capital
GUIDO ROBERTO GRASSI DAMIANI	**49,697,758** *(1)*	**60.109 %**
of which:		
- Directly	4,140,808	5.01 %
- Indirectly through Leading Jewels SA	43,356,950 *(1)*	52.49 %
- Indirectly through Damiani S.p.A. (own shares held)	2,200,000	2.663 %
GIORGIO ANDREA GRASSI DAMIANI	**5,047,371** *(2)*	**6.11 %**
SILVIA MARIA GRASSI DAMIANI	**4,687,371** *(2)*	**5.68 %**
DGPA SGR S.P.A.	**4,229,946**	**5.12 %**

(1) Of which 616,379 of bare ownership with voting rights. (2) Of which 163,373 of bare ownership with voting rights.

(D) Owners of securities with special control rights

The company has not issued any securities granting special controlling rights and the Articles of Incorporation do not provide for/grant any special powers for specific shareholders or for owners of particular kind of shares.

(E) Employee shareholdings

The Articles of Incorporation of Damiani S.p.A. neither provide for any restrictions or limitation regarding voting rights nor to financial rights referring to shares held by employees.

(F) Restrictions on voting right

The Articles of Incorporation of Damiani S.p.A. neither directly provide for any restrictions or limitations regarding the voting rightss, nor the financial rights linked to the shares are separated from their ownership.

(G) Agreements between shareholders pursuant to article 122 of the consolidated law on finance

On the approval date of this Report, pursuant to article 122 of Legislative Decree 58/1998 ("Consolidated Law on Finance") a Shareholders' agreement is in force and it was signed, by the Damiani siblings, Guido, Giorgio and Silvia on 9 September 2007. This agreement was published, pursuant to article 122 of the Consolidated Law on Finance, and following amendmends, , in the daily newspaper "La Repubblica" on 18 November 2007 and it was registered with The Company Register of Alessandria (AL) on 19 November 2007.

The companies whose shares are the subject of the agreement are D Holding S.A. and Leading Jewels S.A., the latter being the owner of a direct controlling holding in Damiani S.p.A.

For further information regarding this reference should be made to the extract of the agreement published on the CONSOB website www.consob.it.

(H) Appointment and replacement of directors and amendments to the articles of incorporation

As provided for by article 147 ter of the Consolidated Law on Finance, the Articles of Incorporation of Damiani S.p.A. (article 16) provide that the election of the Board of Directors has to take place by voting list procedure, with an election of a director from the list coming second , (the other members of the Board having been taken from the most voted list).

Only those shareholders owning a shareholding at least equal to the one set by Consob - as provided for by law and regulations - have the right to present lists of candidates among the directors to be elected Furthermore, as provided for by the corporate governance principles undersigned, the candidates' curricula - containing statements and certificates as provided by law, must be registered at least fifteen days before the first call of the Shareholders' Meeting. Any replacement of directors is regulated under the provisions of the law.

(I) Delegated powers regarding share capital increases and authorizations to buy own shares

The Ordinary Shareholders' Meeting of 22 February 2008 authorized the Board of Directors, pursuant to article 2357 and the following ones of the Italian Civil Code, to buy the company's own shares up to a maximum number of 8,250,000 (eight million two hundred fifty thousand) ordinary shares and, in any case, not exceeding one tenth of the Share Capital, during a period of 18 months starting from the resolution date namely, within 22 August 2009. The resolution also provided for the power to dispose of these shares that may have been bought, without any time limit, in one or more lots, even before all the purchases are made.

The transfers of shares, pursuant to article 132 of the Consolidated Law on Finance and article 144, BIS of CONSOB Regulation 11971/99, can be made on the regulated stock markets, as provided for by the organizational and management regulations of the relevants markets, which do not allow a deliberate connection between purchase and sales offers, so as to ensure teh same in treatment that all shareholders.
On 29 February 2008 the Board of Directors passed a resolution, in line with the aforementioned resolution passed by the Shareholders' Meeting, regarding a plan to purchase the company's own shares for a maximum number of 2,200,000 and at a maximum price of Euros 8,800,000 to be finalized, under the provisions of the law and regulation in force, between 1 March 2008 and 9 June 2008.
With press release issued on 29 May 2008 the company informed the market that the share purchase transactions referring to the aforemention plan were concluded, specifying the following:
- That the purchase transactions, begun on 4 March 2008, ended on 28 May of this year.
- That during that time the company bought a total of 2,200,000 ordinary shares, amounting to 2.663 % of its Share Capital in 53 Stock Stock Exchange sessions.
- That all the purchases were made on the Stock Exchange at market prices and the weighted average unit price was Euros 2.1176 per share for an overall amount of Euros 4,658,758.
- That the purchases were carried out as provided by the law and provisions in force.
On 13 June 2008 the Board of Directors passed a resolution, in line with the aforementioned Shareholders' Meeting resolution, agreeing on a further plan to purchase the company's own shares for a maximum number of 6,050,000 shares and, therefore, within the limits authorized by the Shareholders' Meeting.

(L) Clauses on change of control

At the publishing date of this Report the company has undersigned two loan agreements which, do not contain any clauses affecting their effectiveness, or implying their termination in case of any change in the controlling position of the company (the so called provisions of "change of control"), however, their terms provides for the bank the right of withdrawal in case of a merger or split off of the company. More in detail the aforementioned agreements are the following:
- A loan agreement with Interbanca undersigned on 31.12.2005 with duration until 31.12.2010;
- A loan agreement with Medio Credito Centrale undersigned on 30.11.2005 with duration until 30.11.2010.
Change of control clauses are also referred to in some rental contracts undersigned by the two subsidiary companies, Damiani Hong Kong and Damiani USA, on the opening of some POS. Specifically:
- DAMIANI HONG KONG entered into 2 agreements granting the other party the right to rescind the contract in case of a change in the structure of the entitities controlling the company, apart from the fact that the company itself is quoted on stock markets. These are rental contracts for the two POS of Damiani Hong Kong located in the Elements and IFC Malls.
- DAMIANI USA entered into 4 rental contracts that provides for the termination of the agreement itself in case of change of the structure of those subjects controlling the company. These rental contracts refer to shops located in the King of Prussia Mall, Hawaii, Los Angeles and New York.

(M) Directors' indemnity in the event of resignation, dismissal or termination of employment agreement, also as the result of a takeover bid

As of the date of this Report no agreements have been entered into between the Issuer and the directors that provides for any indemnity in the event of resignation or dismissal of employment without just cause. Furthermore, no provisions referring to cases of termination of employment resulting from a takeover bid have been provided for.

3. ADOPTION OF THE PRINCIPLES CONTAINED IN THE CORPORATE GOVERNANCE CODE (MARCH 2006 EDITION)

The company believes that conforming its internal Corporate Governance structures to those recommended by the Corporate Governance Code is a valid and important opportunity to consolidate its trustworthiness in the eyes of the markets.
Therefore, on 27 June 2007, the Board of Directors passed, a specific resolution which, together with other resolutions, were meant to carry into effect of the principles of the Corporate Governance Code, as shown in detail below; such resolutions have been further carried into effect during the fiscal year as of 31 March 2008.

Before further describing the structure of the Issuer's Corporate Governance, we point out that during the meeting of 27 June 2007, the Board of Directors of the holding Damiani S.p.A. identified, as a "subsidiary company of strategic importance", Damiani International B.V., a company incorporated under Dutch Law; however, the Board of Directors believes that such statement does not significantly affect the Issuer's Corporate Governance structure.

4. MANAGEMENT AND COORDINATION ACTIVITIES

Damiani S.p.A. is not subject to management and coordination control either by the direct parent company Leading Jewels S.A., which holds 52.49% of its Share Capital, or by the indirect one of D. Holding S.A., pursuant to article 2497 and following ones of the Italian Civil Code, and it manages and coordinates its own subsidiary companies.
As provided by the corporate governance principles, as detailed further on, any transactions of particular strategic, economic, and financial importance referring to the Damiani Group are subject to the jointly examination and exclusive approval of the Issuer's Board of Directors which, as of 13 June 2008, consists of 3 non-executive directors, two of whom are independent as provided by article 3 of the Corporate Governance Code.
It is deemed that the expertise and the authoritativeness of the non executive and independent directors and their significant importance in the making of the Board's decisions, is a further guarantee that all the decisions of the BOD are taken solely in the interest of Damiani S.p.A. and that there are no directives or interferences by any outside parties, having interests different from those of the Group.

5. BOARD OF DIRECTORS

5.1 COMPOSITION

The current Board of Directors was appointed during the Shareholders' Meeting of 27 June 2007and, during the same meeting, it has been resolved that the total number of directors is eight (8) and their office will be terminated onthe Shareholders' Meeting for the approval of the Financial Statements as of 31 March 2010. We hereafter provide a personal profile for each director, as provided for by Article 144 of CONSOB Regulation No. 11971/99.

1) **Guido Roberto Grassi Damiani**, Chairman and Managing Director, joined the company in 1994 and he was in charge both with the Italian sales network and marketing, introducing new strategies and contributing significantly to the group's development. He took the helm of Damiani Group in 1996.
He holds a university degree, with honours, in Sociology as well as a diploma in Gemmology from the International Gemmological Institute. Before joining the family business he had a successful real estate career for a few years.

2) **Giorgio Andrea Grassi Damiani**, Vice President, is in charge with the raw material purchasing, product development, and business relations, as well as being the Chairman and President of Damiani USA.
He joined the family business in 1990, immediately upon graduating from a technical business high school. Within the company, he learned various aspects of the goldsmith's art and got familiar in different business fields, especially focusing on the evaluation and acquisition of precious raw materials. Afterwards he became Head of International Distribution, acquiring a vast knowledge of foreign markets in the process. He then managed three main business fields, namely the Raw Material Purchasing, Creation, and Product Development Areas, while being contemporarily Art Director. He was the recipient of a Diamonds International Award in 1994.

3) **Silvia Maria Grassi Damiani**, Vice Chairman of Damiani Group in charge with External Relations and Image Group, has also been responsible for the Image Group and VIP Relations Manager, choosing many international celebrity stars as an effective way of testimonial advertising. She started her career in the family business in 1985, getting experienced in pearl purchasing while being part of the creative staff. A 1996 Diamonds International Award winner, she also holds an MBA from IPSOA as well as a diploma in Gemmology from the International Gemmological Institute.

4) **Giulia De Luca**, Executive Director with supervision over internal control is also serves as CEO and CFO. A university graduate in Political Science, her professional career dates back from 1979, starting to work in a small business before moving to a professional firm. Over time she has held roles of increasing responsibility, acquiring various managerial experience in the areas of metal mechanics, plant engineering and large-scale retail, while working in administration, finance, audit, trade, and human resources. She joined Damiani in 1999 and currently sits on the Boards of some of the companies of the Group.

5) **Stefano Graidi**, Executive Director of Damiani, holds a degree in Political Economy from Bocconi University in Milan. He is a Certified Public Accountant registered on the Roll of Accounting Auditors. Previously he worked for the Pirelli Group in various positions of responsibility in International Taxation before becoming Joint Director of both Taxation and Operational Sectors. In addition, he gained prior experience in Switzerland in the areas of finance and administration of Pirelli International, a listed company. He played an active role in both the restructuring of the tyre sector as well as in the public listing of Tyre Holding on the Amsterdam Stock Exchange. A journalist and lecturer, he is currently a partner in Tax Advisors S.A. of Lugano.

6) **Giancarlo Malerba**, Non Executive Director and Chairman of the Internal Control and Corporate Governance Committee, as well as the Remuneration Committee, holds a degree in Business Management from Bocconi University in Milan. He began his career in 1986 in KPMG, where he played a managerial role in the banking and financial sectors. A Certified Public Accountant, he is listed in the Roll of Accounting Auditors as well as being a partner in the Biscozzi Nobili Tax Law Firm. He is an expert in the civil and tax law aspects of consolidated financial statements and he has frequently published articlesin magazines and trade journals on taxation and financial reporting.

7) **Lorenzo Pozza**, Non Executive and Independent Director of Damiani, is also a member of the Internal Control and Corporate Governance Committee as well as of the Remuneration Committee. He is a Business graduate from Bocconi University in Milan, where he is also an Associate Professor of Business Economics and, since 2003, Director of the CLELI-LS (Law and Business Administration) Program. Prior to that he served as Director of Bocconi's MiAA (Masters in Accounting and Auditing) Program. A Certified Public Accountant, he is listed in the Roll of Accounting Auditors.

8) **Fabrizio Redaelli**, Non Executive and Independent Director, was named Lead Independent Director by the Board of Directors on 12 September 2007. He is also a member of the Internal Control and Corporate Governance Committee as well as of the Remuneration Committee. A Certified Public Accountant who is also listed in the Roll of Accounting Auditors, he runs his own accounting firm, Studio Redadelli & Associati, in Milan. He holds a degree in Business Management from Bocconi University, where he is a Senior Professor of Real Estate and Business Finance for the School of Business Management.

The existence of executive and non executive, as well as independent and non independent requirements has been confirmed by the Board of the Directors as provided by Articles 2 and 3 of the Corporate Governance Code of 14 March 2006 and most recently, during the Board Meeting of 13 June 2008.
In order to properly apply the principles of corporate governance, as already pointed out, on 27 June 2007 the Board identified Damiani International B. V. as a "company of strategic importance" for the Damiani Group S.p.A., confirming such conclusion even on 13 June 2008.
The following table lists/details all relevant information pertaining to each Board Member, taking into accountthat all current Board Members were appointed bythe Shareholders' Meeting of 27 June 2007.

Position	Board Member	Title held since	Executive	Non executive	Independent	% Board	No. of relevant appointments
President and Chairman	Guido Grassi Damiani	27/06/07	YES	NO	NO	100%	v. All. A
Vice President	Giorgio Grassi Damiani	27/06/07	YES	NO	NO	80%	v. All. A
Vice President	Silvia Grassi Damiani	27/06/07	YES	NO	NO	93%	v. All. A
Director	Giulia De Luca	27/06/07	YES	NO	NO	100%	v. All. A
Director	Stefano Graidi	27/06/07	YES	NO	NO	100%	v. All. A
Director	Giancarlo Malerba	27/06/07	NO	YES	NO	100%	v. All. A
Director	Lorenzo Pozza	27/06/07	NO	YES	YES	85%	v. All. A
Director	Fabrizio Redaelli	27/06/07	NO	YES	YES	80%	v. All. A

Meeting frequency

Board of Directors	13
Internal Controls & *Corporate Governance Committee*	3
Remuneration Committee	2

Members	Position	Internal controls committee	% ICC	Remuneration committee	% CC
Giancarlo Malerba	President	X	100 %	X	100 %
Lorenzo Pozza	Member	X	100 %	X	100 %
Fabrizio Redaelli	Member	X	100 %	X	100 %

As of the date of the present Report, Gabriella Colombo Damiani currently holds the title of Honorary President. This honorary position does not have an expiration date, but since 1 October 2007 Ms. Colombo Damiani has not received any remuneration for such position/role/appointment.

Maximum number of offices held in other companies

Regarding application criterion 1.C.3. of the code, it is highlighted that at the approval date of this Report the Board had not set down its view, as being generally effective, regarding the maximum number of offices of director and statutory auditor that the directors of the company can hold, at the same time, in other quoted companies, in financial, banking and insurance companies or in those of a relevant size. The Board, in its meeting of 13 June 2008, examined, case by case and in relation to the characteristics of the individual directors, i.e. experience, offices held etc., the compatibility of the offices held with that of being a member of the Board of Directors.
In observance of application criterion 1.C.2. of the New Code, the offices of director or statutory auditor that are currently held by some directors in third party companies quoted on regulated markets, also foreign ones, and in financial, banking and insurance companies or in those of a relevant size, at the approval date of this Report, are shown afterwards in the attached Sheet "A".

5.2 Role of the Board of Directors

The Board of Directors of Damiani S.p.A. plays a central role in setting the strategic goals of the Issuer and of the Group.
During the accounting period closed at 31 March 2008 the current Board of Directors met 13 (thirteen) times and for the current financial year, at today's date, there have been 3 (three) meetings, including the one approving this Report.
As a rule the Board meetings last about an hour and a half.
The directors have attended regularly and assiduously and, in fact, overall attendance at the meetings was 92.25%.

In line with law and the Articles of Incorporation, the Board is invested with all the powers of ordinary and extraordinary administration, because there falls within its competencies everything that, by law and the Articles of Incorporation, is not specifically reserved for the Shareholders' Meeting.
As per the Articles of Incorporation the Board also has the competency to pass resolutions on mergers in those cases that are laid down by article 2505 and 2505, BIS, of the Italian Civil Code, the opening and closing of secondary sites, the indicating of who, among the directors, can legally represent the company, the reduction of the Share Capital in the case of the withdrawal of shareholders, the updating of the Articles of Incorporation for any legislative amendments and the transfer of the registered office within Italy.
Furthermore, relative to the criteria 1.C.1. e 8.C.1 of the Corporate Governance Code, the Board of Directors has decided to keep within its own competencies, as well as those laid down by law and the Articles of Incorporation, while observing the limits of the same, the following matters:

a) To examine and approve the strategic, industrial and financial plans of the company and of the Group it heads, the Corporate Governance system of the company and the structure of the Group.

b) Subject to prior determining of the relative criteria, to identify those subsidiary companies with strategic relevance. To make an evaluation of the adequacy of the organizational, administrative and general accounting setups of the company and its subsidiaries with strategic importance, as established by the managing directors, with specific reference to the internal control system and management of conflicts of interest.

c) To delegate and revoke powers of the managing directors and of the Executive Committee, defining the limits and the manner of exercising them. To also set the frequency, as a rule no less than once every quarterly, with which the delegated bodies must report to the Board on the activities performed in the exercising of the powers delegated to them.

d) To fix, after examining the proposals of the appropriate committee and consulting the Board of Statutory Auditors, the remuneration of the managing director and those other directors, who are appointed to particular assignments, as well as, if the Shareholders' Meeting has not already done so, the allocation of the total remuneration of the Board members.

e) To evaluate the generalperformance of the company, specifically taking into account the information received from the delegated bodies, as well as periodically comparing the actual results with those planned.

f) To examine and approve in advance transactions having significant strategic, economic, equity and financial importance for the company that are carried out by the Issuer and its subsidiaries, paying particular attention to those transactions in which one or more directors hold an interest of their own, or on behalf of third parties and, in more general terms, to transactions involving related parties. For this purpose the Board of Directors provides for general criteria for identifying signficant operations.

g) To carry out, at least once a year, an evaluation of the size, composition an performance of the Board itself and of its committees, also giving an idea regarding the types of professionals whose presence on the Board is felt to be opportune and, specifically, to check on the existence of the requisites of the executive, non executive and independent directors that are asked for by the Code, taking care to ensure the presence of the number of executive, non executive and independent directors that respects the criteria given in the Code.

h) To appoint, when deemed opportune, also relative to the number of non executive and independent directors, a lead independent director to give the following functions to:
- To coordinate the activities of the non executive directors for the purpose of improving their contributions to the activities and functioning of the Board
- To work with the Chairman to ensure that all the directors are sent full and speedy information.
- To call and convene meetings, exclusively of the independent directors whenever he believes them necessary in order to carry out his tasks ensuring, among other things, that the independent directors meet together, without the other directors, at least once a year.

I) To provide information in the Report on Corporate Governance, on the application of article 1 of the Code and, specifically, regarding the number of Board Meetings held and, if it be the case, of those of the Executive Committee, during the financial year, giving the percentage attendance of each director. As well as, with the assistance of the Internal Control Committee:

l) To define the guidelines for the internal control system, so that the Issuer's main risks and those appertaining to its subsidiaries are properly identified and adequately measured, managed and monitored, taking care to determine the compatibility criteria of these risks with correct and proper company management.

m) To identify an executive director to charge with supervising the functionality of the internal control system.

n) To evaluate, at least once a year, the adequacy, effectiveness and functioning of the internal control system and to approve the company and group Risk Management Policies.

o) To describe, within the Corporate Governance Report, the essential elements of the internal control system, expressing his own valuation of its adequacy.

p) To appoint, or revoke the delegated powers, based on a proposal by the director charged with supervising the functionality of the internal control system after consulting with the Internal Control Committee, one or more persons who deal with the internal control, also defining their remuneration in line with the relative company policies.

Relative to article 1.C.1 of the code, the Board has reiterated, also formally in the context of the "Framework Resolution" passed on 27 June 2007, the principle that the delegated bodies report to the Board, regarding the activities carried out in exercising the (delegated) powers given to them, at least quarterly and in full conformity with the relative legal measures that are currently in force.

In order to actuate the principles and competencies described above the Board of Directors has done the following:
(**A**) Approved, on 27 June 2007, the *"Guidelines on particularly significant operations and those with correlated parties of the Damiani Group"*, that contain precise criteria for identifying those operations that are "particularly significant" and the relevant ones finalized with third or related parties and also those through the subsidiary companies that are fall solely within the competencies of the Board, even if they come within those matters that are the subject of a mandate and, specifically:

• They are *"particularly significant"* and, therefore, always subjected to the prior examination and approval of the Board, the following transactions, no matter with what party they are carried out:
a) Transactions that oblige the company to make an informational document available to the public that is drawn up in conformity with the relative measures set by CONSOB.
b) Financial liability operations, such as taking on mortgages and loans in general, as well as the issuing of collateral and personal guarantees, for an amount higher than Euros 15,000,000.00 for each single operation.
c) Transactions regarding the acquisition, or disposal, of trademarks and brands.
d) Trademark and brand user licenses, for an amount higher than Euros 10,000,000.00 for each single operation.
e) Other transactions, different from those in the previous points, whose value is higher than Euros 15,000,000.00 for each single operation.

• They are operations that are *"particularly significant with related parties"* those, also realized through subsidiary companies, that:
a) are "particularly significant", pursuant to paragraph 2 above or that, in any case:
b) are for an amount higher than Euros 5,000,000.00 for each single transaction.

However, in suspension of what is set in the above letters a) and b), there are not considered to be "particularly significant" and, therefore, not necessarily obligatorily subject to the prior examination and approval of the Board of Directors, those operations with related parties that are typical or usual or that, in any case, are carried out at standardized.
They are typical or usual those operations that, due to their subject, or their nature, characteristics and conditions come within the company's normal business affairs and those that do not contain any particular elements of criticality relative to their characteristics, or to the risks inherent to the nature of the counterpart, at the time when they take place. As a rule, there come within these operations, those between the companies of the Damiani Group, as long as they are carried out at normal arm's length market values.

They are held to be operations at standardized conditions those that are concluded at the same conditions, with any party, whomsoever.
They are defined as *"related parties"* those that are defined as such according the relative legislation that is in force, from time to time, when each operation is decided upon and, at the time of drawing up this document they are those defined as such by IAS 24, adopted with the EEC Regulation 1725/2003, and their successive amendments and additions.
Regardless of the significance criteria the Board of Directors has always been speedily updated regarding the operations with correlated parties, also pursuant to article 22 of the Articles of Incorporation and article 150 of the Legislative Decree 58/1998.
With specific reference to transactions with related parties, during the whole of the accounting period that was closed at 31 March 2008, the Group dealt both with related parties that were inside the consolidation area and with correlated parties outside of it.
The relations with correlated parties within the consolidation area were mainly of a commercial nature, consisting of sales of jewelry or raw materials, that took place in the context of normal inter-company operations carried out, in a recurring mode, at normal arm's length market conditions.
The relations with correlated parties outside of the Group, mainly with Rocca S.p.A., Idea Rocca S.p.A. and Immobiliare Miralto, were both commercial and of other types.
Specifically, the non-commercial relations were solely relative to real estate rental contracts.

The relations with correlated parties were examined and analyzed by the Internal Control Manager who, in carrying out his functions, checked that they took place at normal arm's length market conditions.

Furthermore, the Board of Directors has done the following:

(**B**) Evaluate the adequacy of the organizational, administrative and accounting structure of the issuer and its subsidiaries having strategic relevance, in the meeting for the approval of the financial report at 31 March 2008 and the financial statements 31 March 2008. Specifically, the evaluation was made with the support of the Internal Control Committee which, in the context of its own meetings, in which the Internal Control Manager (regarding which see later) also took part, has been able to continuously check the functioning of the internal control systems of both the Issuer and the Group, with particular reference to the companies with strategic importance. Furthermore, it is highlighted that regarding these latter, in the meeting of 27 June 2007 the Board of Directors of the group parent Damiani S.p.A. resolved to identify the "subsidiary companies having strategic importance", taking into account the following criteria:
(i) The importance and complexity of the functions carried out by the subsidiary within the Group.
(ii) The strategic importance of the subsidiary within the market.
(iii) Its invoicing volume.
(iv) The value of its Balance Sheet assets.
(v) The presence within the subsidiary of an articulated organizational structure, characterized by a relevant management presence, as distinct from the members of its administrative body, which has been given operational autonomy.
From the combination of the above parameters firstly, in the meeting of 27 June 2007 and then, lastly, in the meeting of 13 June 2008, there was identified as a subsidiary company of Damiani S.p.A. having strategic importance Damiani International B.V., a company incorporated under Dutch Law.

(**C**) Set the directors' Remuneration for those charged with particular duties, based on the proposals of the Compensation Committee and having heard the opinion of the Board of Statutory Auditors, on 27 June 2007.

(**D**) Evaluate, on 13 June 2008, the general progress of operations based on the information received from the delegated bodies, comparing the actual results with the forecasted ones.

(**E**) Carried out, again on 13 June 2008, the evaluation of the size, composition and functioning of the Board itself and of its committees, the so-called self assessment, declaring that the current Board consists of 8 directors of which 3 are non executive and 2 are independent, according to the criteria for this set by the New Code. The assessment, based on a report by the Internal Control Committee, confirmed the heterogeneous nature of the available professional skills that contribute to the work of the Board and, specifically, of the non executive directors in economic, accounting, legal and/or financial matters.
It must be pointed out that there have been no suspensions of the competition prohibition set by Article 2390 of the Italian Civil Code.

5.3 Bodies and officers with delegated powers; distribution of duties; executive directors and independent directors

(A) Directors with delegated powers (Executive Directors)

The Board of Directors carries out its activity/perform its functions both directly as a body and through the following officers:
- the Chairman, who has also been appointed Chief Executive Officer;
- two Vice Chairmen;
- two other Executive Directors besides the Chairman and Vice Chairmen.

At least once every quarter, the Chief Executive Officer and the other Executive Directors:
- account to the Board of Directors for transactions carried out in the fiscal year of their delegated powers: both as to ordinary transactions and atypical and particular ones, as well as in connection with transactions (other than significant ones) with related parties;
- submit to the Board for its approval those significant transactions with related parties which, in accordance with the "Guidelines" approved by the Board of Directors on 27 June 2007, pertains to the Board of Directors;

As mentioned above, in relation to Art. 1.C.1 of the Code, the Board has confirmed and formally accepted (in the "Framework Resolution" made on 27 June 2007) the principle that those bodies and officers having delegated powers must report to the Board - during the fiscal year whose powers refer to - at least once every quarter, in all respects, as provided by law.

During the meeting of 27 June 2007, the Board of Directors appointed the CHAIRMAN, Mr **Guido Grassi Damiani** also as Chief Executive Officer, and confirmed that he is to fulfill (unilaterally and with the power to sub-delegate) not only the powers assigned by the Articles of Association to the Chairman (including the power to legally represent the company) but also all powers of ordinary and extraordinary administration/management with the exception of those reserved by the company's Articles of Association or by the Board itself to the Board of Directors, as provided by the Corporate Governance Code for Listed Companies, including the power to appoint and revoke the appointment of representatives for specific deeds or kind of deeds, to file lawsuits including appeals and Supreme Court appeals and to appoint lawyers and attorneys as the case may be so that they can represent the company before any court at every stage of the proceedings..
During the same meeting the Board of Directors resolved to grant delegated powers as follows:
- to the **VICE CHAIRMAN**, Mr **Giorgio Grassi Damiani**, discretionary powers over raw material purchases, product development and commercial relationships:
(i) full powers to supervision the activities of the company department dealing with the purchase of raw materials, to be exercised by his disjoint and only signature and without anyrestrictions as to the amounts involved (with the exception, of course, of those matters reserved by the company's Articles

of Association or by the Board itself to the Board of Directors as provided for by the Corporate Governance Code for Listed Companies); such powers include for example (but are not limited to) the authority to negotiate for and purchase raw materials and components necessary for the production of jewellery, watch and clock making as well as precious items in general; and
(ii) full powers to carry out any activity necessary for the development of new products with the support and cooperation of the relevant company department which, as stated at the previous paragraph, can be exercised by his disjointly and only signature and without any limit as to the involved amount - with the exception, of course, of those matters reserved by the company's Articles of Association or by the Board itself to the Board of Directors as provided for by the Corporate Governance Code for Listed Companies;
(iii) all powers necessary in order to arrange for and develop relationships with the Group's clients and suppliers, and, more generally, to develop the company's and the Damiani Group's market and commercial communication, therefore supporting the relevant company departments such powers, as stated at the previous paragraphs, can be exercised by his disjointly and only signature and without any limit as to the involved amount and with the exception of those matters reserved by the company's Articles of Association or by the Board itself to the Board of Directors as provided for by the Corporate Governance Code for Listed Companies;

- to the other **VICE CHAIRMAN**, Mrs **Silvia Grassi Damiani**, powers over the Group's external relations and its image, granting her – by her only signature - free exercise of all the powers needed for the following:
(i) taking care of the image of the company and the Group products with its clients and, more in general, with the public, as well as, more specifically, taking care of the relationships with celebrity stars, members of the national and international "jet set" and personalities from the world of fashion and entertainment, even by organizing and promoting events;
(ii) fostering and developing relations with the press and the media in general;
(iii) fostering and developing relations with testimonial providers, promoting their loyalty to the Group's brands;
all with the support of and in coordination with the relevant company departments; these powers can be exercised by her disjointly and only signature and without any limit as to the amount involved, and with the exception of those matters reserved by the company's Articles of Association or by the Board itself to the Board of Directors as provided for by the Corporate Governance Code for Listed Companies;

During the meeting held on 27 June 2007 the company's Board of Directors also confirmed the appointment as Executive Director of Mrs **Giulia De Luca**, as **General Manager**, and granted her powers of ordinary administration for the supervision and management of all company activities referring to Administration, Finance, Auditing, Logistics, IT, Marketing, Communication and PR (with the exception of/bar going through the process of making contracts with testimonials and/or the provision of accessories to celebrities in case the amounts involved exceed €70,000.00 [seventy thousand euros] for any single testimonial provider or celebrity), Sales, Purchasing (apart from the raw materials), and HR (apart from the hiring and dismissal of senior managers).
In particular, Mrs Giulia De Luca has powers including, but not limited to, for example, the following, to be freely exercised by her only signature (with the exception of those matters reserved by the company's Articles of Association or by the Board itself to the Board of Directors as provided for by the Corporate Governance Code for Listed Companies):
- to make contracts with Group companies and/or outside parties for the purchase or sale of movable assets, products, equipment or services, as well as all kind of contracts necessary or useful for the ordinary running of the company, apart from contracts involving the company in commitments extending beyond 18 months;
- to execute all deeds necessary and/or useful for the company's marketing, communication or PR, signing the corresponding contracts and drawing up the terms and conditions thereof (but, as indicated above, excluding contracts with testimonial providers and/or for the provision of accessories to celebrities where the amounts involved exceed €70,000.00 [seventy thousand euros] for any single testimonial provider or celebrity);
- to execute all deeds necessary and/or useful for the company's ordinary financial management, including currency and interest rate cap/ceiling;
- to conduct transactions for the use and/or bestowal of available cash, such as issuing cheques, banker's drafts, money transfers, postal orders and bills of exchange;
- to negotiate and sign loan contracts not exceeding €2,500,000.00 (two million five hundred thousand euros) for any single transaction, and not exceeding 12 months in duration;
- to sign banking or insurance sureties not exceeding €1,000,000.00 (one million euros) to guarantee commitments undertaken by the company;
- to hire, dismiss and vary the retribution and conditions of the staff and to specify their duties and benefits.

With reference to Art. 2 of the Code it should be noted that the Chairman of the Board of Directors, Mr Guido Grassi Damiani, is the company's controlling shareholder and its Chief Executive Officer, and that the Board of Directors has decided to adopt the suggestions concerning the appointment of a Lead Independent Director with the functions suggested by the Code of Corporate Governance.
Furthermore it should be noted that, in relation to Principle 2.P.4 (suggestion to avoid concentrating corporate offices in one person) and Principle 2.P.5 (reasons for delegating executive powers to the Chairman), the Board reconsidered the subject on 13 June 2008 and reached the conclusion that Damiani SpA's governance arrangements were fully in compliance with its corporate interests, even taking into account such concentration of office, on account of fact, for instance, that: (i) the Chairman's position is not limited to institutional or representative functions, but it is fully operational and, as such, essential in improving the running and performance of the company; and (ii) executive powers have also been delegated to other Directors, in addition to the Chairman (there are four Executive Directors in all).

As provided by Criterion 2.C.2 and the suggestion of Article 2 and our comments on it, the Board appointed Mr **Fabrizio Redaelli**, one of the Independent Directors, as **"Lead Independent Director"**, with the following functions:
- to coordinate the activities of the Non-executive Directors in order to improve their contribution to the Board's activities and functioning;
- to work with the Chairman to ensure that all Directors are kept promptly and fully informed;
- to convene meetings exclusively among Independent Directors whenever he deems it necessaryand, among other things, to ensure that the Independent Directors meet alone – namely without the other Directors -at least once a year.
In this connection it must be pointed out that the Independent Directors met on 31 March 2008 to review the present implementation and effective

application of the principles of corporate governance provided in the Corporate Governance Code.

Two other Directors apart from Mr Guido Grassi Damiani, Mr Giorgio Grassi Damiani and Mrs Silvia Grassi Damiani have been appointed Executive Directors in compliance with Art. 2 of the Corporate Governance Code: Mrs Giulia De Luca and Mr Stefano Graidi, the latter having executive status as an executive officer of Damiani International BV, a controlled subsidiary of strategic importance.
As already mentioned, the Board of Directors held on 13 June 2008 determined, on the basis of the information provided by the Directors Lorenzo Pozza and Fabrizio Redaelli, that each of them meets the independence criteria.
It should also be pointed out that the Executive Directors Giulia De Luca and Stefano Graidi benefit from 2007/2011 Stock Option Plan; this will be explained below. Since there are more than seven Directors in all, the Board held on 13 June 2008 also verified that at least two of them meet the independence criteria provided by Art. 147*ter* (iv) and 148(iii) of the (Italian) Consolidated Law on Finance, Law Decree No. 58/98.
The Board of Statutory Auditors has approved the criteria and procedures adopted by the Board of Directors in assessing the directors' independence.

6. TREATMENT OF CORPORATE INFORMATION (ARTICLE 4 OF THE CODE)

The Code requires Directors and members of the Board of Statutory Auditors to keep all documents and information acquired - while performing their office - confidential, and to be in line with the procedure adopted by the company for the internal handling and external communication of such documents and information.

In compliance with these provisions and with those referred to under Art. 114 (i, xii) and 115*bis* of the (Italian) Consolidated Law on Finance, as well as by Arts. 66ff and 152*bis* ff of the Public Company Regulations, the Board of Directors approved on 27 June 2007 the "Procedure for the handling and market disclosure of privileged information" and on 12 September 2007 the "Procedure for the opening, keeping and updating of the Group Register of those subjects having access to Damiani SpA's privileged information"
The register for the company and that for its the controlled subsidiaries have been duly set up.

In compliance with the provisions set forth by Art. 114 (vii) of the (Italian) Consolidated Law on Finance and Arts. 152-*sexies* ff of the Public Company Regulations, the Board of Directors held on 12 September 2007 also resolved upon adopting the "Procedure for identifying Relevant Persons and for the disclosure of transactions carried out by them, directly or through an intermediary, in the company's shares or equity-related securities (the "INSIDER DEALING PROCEDURE"): such procedure identifies the so called "Relevant Persons" and focuses on how to inform CONSOB and the market of any dealings they may have had in the company's shares or equity-related securities. As provided by Art. 2.2.3 (iii)(p) of the Stock Market Regulations, moreover, the Insider Dealing Procedure forbids "Relevant Persons" to deal in the company's shares or equity-related securities during the so-called "blackout periods", i.e. the 15 days immediately before the date of the Board meeting convened to approve the draft annual Financial Statement, the consolidated Financial Statement, the half-year or quarterly reports, or certain other reports or budgets.
The Insider Dealing Procedure has came into effect since the trading of the company's shares in the STAR segment of the electronic market (MTA) managed and organised by Borsa Italiana SpA.

7. BOARD COMMITTEES (ARTICLES 5 AND 6 OF THE CODE)

During the meeting held on27 June 2007 the Board resolved upon adopting the principles and criteria provided for by Art. 5 of the Corporate Governance Code, and, accordingly, made provisions to ensure that the establishment and activity of the two committees set up under that Code are governed by the principles thereof, in particular:
a) the committees are composed of no less than three members, all non-executive and most of whom are independent; at least one of the Internal Audit Committee's members must be a person well qualified in accounting and finance;
b) the Board may subsequently resolve upon adding or varying the tasks of either committee as hereby later indicated;
c) Each committee's meetings must be entered in the minutes;
d) while performing their activity, the committees are to have access to such information and corporate offices in order to carry out their functions; they may also, with the Board's prior authorisation, ask for the advice of outside consultants;
e) non-members may take part in committee meetings, at the Committee's invitation and limited to specific items on the Agenda;
f) committee resolutions will only be valid if a majority of the committee's current members are present; decisions are taken by absolute majority of those presents and in the event of a tie the Chairman has a casting vote; meetings may also be held by videoconference or teleconference, provided that all the participants can be identified by the Chairman and by the other participants, can follow and participate in real time in the discussion and disposal of Agenda items, and can receive and transmit documents; in such cases the committee is regarded as heldin the place where its Chair is located;
g) the Board's annual Report on Corporate Governance must inform the market of the committees' establishment and composition, their terms of reference, and the work each has actually done during the financial period, specifying the number of meetings held and each member's percentage attendance.

Damiani's Board of Directors has set up two Board sub-committees: an Internal Audit and Corporate Governance Committee and a Remuneration Committee. Each has the function of providing advice and submitting proposals. The Board has not so far considered it necessary to set up an Appointments Committee, not least in view of the present ownership structure.
The principles of Corporate Governance (acknowledged by Damiani by a Board resolution dated 27 June 2007) require in any case:
- that lists of candidates be registered at the company's registered office no later than 15 days before the date set for a General Meeting which is to appoint Directors, together with sufficient details of each candidate's professional and personal qualifications, all the information required by law or by the company's Articles of Association, and an indication (where relevant) that the candidate meets the independence criteria under Art. 3 of the Corporate Governance Code;
- that the lists, together with these candidate details, be published in good time on the company's website.

8. REMUNERATION COMMITTEE; DIRECTORS' REMUNERATION (ARTICLE 7 OF THE CODE)

8.1 Remuneration committee

Determination of the remuneration to be made to Directors for their participation in meetings of the company's Board and committees is, under Art. 23 of the company's Articles of Association, a matter dealt by the General Meeting of Shareholders. On the other hand, that Article also:
- gives the Board the task of determining the remuneration of Executive Directors - those with specific duties, as provided by Italian Civil Code Article 2389(iii) - on the basis of the Remuneration Committee's recommendations;
- authorizes the Board to provide for particular payments to any Director at the end of his/her period of office.

During its meeting held on 27 June 2007 the Board decided, having verified that the individuals concerned met the criteria for non-executive and independent status in accordance with the principles provided for by the Corporate Governance Code, to set up a Remuneration Committee composed of the following Non-executive Directors, two of them being independent ones: Giancarlo Malerba (Chairman), Lorenzo Pozza and Fabrizio Redaelli. During that same meeting the Board of Directors also resolved upon, in compliance with Art. 7 of the Code, giving the Remuneration Committee the following tasks:
a) to make proposals to the Board concerning the remuneration of officers with delegated powers and of the other Executive Directors, in compliance with the relevant suggestions of the Code and supervising the application of resolution already passed by the Board;
b) to annually review the criteria used for determining the remuneration of managers with strategic responsibilities, supervising the application of these criteria on the basis of information provided by the Executive Officers; and to give general recommendations to the Board on the matter.
The Committee met twice during the financial period as of 31 March 2008, all members being present; in particular, by taking into account the allocation of options under the Stock Option Plan.

8.2 Directors' remuneration (article 7 of the code)

It is deemed that the Directors' remuneration is sufficient to attract and motivate directors of professional standing required to manage the company successfully. With regard to Principle 7.P.2, it should be pointed out that all kind of remuneration determined for the Directors currently in office is at a fixed level.

It should also be pointed out that the Executive Directors Giulia De Luca and Stefano Graidi are two of the beneficiaries of the stock option based incentive scheme (the "Damiani Group SpA 2007/2010 Stock Option Scheme for the allocation of options on up to 1,600,000 ordinary shares") described in the "Stock Option Plan Details Document" as provided by Art. 84bis of CONSOB Resolution No. 11971/99, which can be seen at www.damiani.com under "Investor Relations - Financial Press Releases".

The plan was approved by the General Meeting on 26 September 2007, for the four-year periodo 2007/2010. As provided thereof, 550,000 options of the company's ordinary shares are to be awarded free of charge to the two Directors mentioned. The options, which are personal and not transferable except by inheritance, can be exercised (provided certain set targets are achieved) on the dates and under the arrangements provided for in the Plan Rules. Each option grants the holder the right to subscribe one Damiani SpA ordinary share for a price of €4, which is the definitive placing price used for the purposes of listing the shares on the electronic market (MTA) managed and organised by Borsa Italiana SpA.

The remuneration received by the Directors and by the General Manager during this financial period are fixed as follows in the table below (in €).

First name, Last name	Office	Term of office	Remuneration for office in the reporting company	Benefits in kind	Bonuses and other incentives	Other remuneration (*)	Total remuneration
Guido Roberto Grassi Damiani	Chairman and Chief Executive Officer	2007-2010	1,110,000	10,154	-	154,000	1,274,154
Giorgio Andrea Grassi Damiani	Vice Chairman	2007-2010	432,000	8,879	-	92,000	532,879
Silvia Maria Grassi Damiani	Vice Chairman	2007-2010	375,000	4,954	-	-	379,954
Giulia De Luca (**)	Director and General Manager	2007-2010	180,000	18,151	1,500	687,563	887,214
Stefano Graidi	Director	2007-2010	30,000	-	-	10,000	40,000
Giancarlo Malerba	Director	2007-2010	30,000	-	-	2,500	32,500
Fabrizio Redaelli	Director	2007-2010	30,000	-	-	2,500	32,500
Lorenzo Pozza	Director	2007-2010	30,000	-	-	2,500	32,500
Gabriella Colombo Damiani	Honorary Chairman of Damiani Italia (***)	-	125,000	-	-	-	125,000

(*) "Other remuneration" includes amounts received for a Directorship or a membership of the Board of Statutory Auditors of other controlled subsidiaries, wages or salary under any contract of subordinate employment, and/or fees for any other services rendered.
(**) On 21 May 2008 Damiani SpA disclosed that Dr Giulia De Luca had resigned as General Manager and CFO of the Damiani Group, and that the change of officer will take effect by the end of August 2008.
(***) This honorary office is of indefinite duration, but has carried no remuneration since 01/10/2007.

The total remuneration received by managers with strategic responsibilities during the financial period as of 31 March 2008 was €763,988.00.

9. INTERNAL AUDIT AND CORPORATE GOVERNANCE COMMITTEE; THE INTERNAL AUDIT SYSTEM (ARTICLE 8 OF THE CODE)

9.1 Internal Control and Corporate Governance Committee

The Internal Control and Corporate Governance Committee - appointed by the Board of Directors on 27 June 2007, with effect from the start of trading in the company's shares - is composed of Nonexecutive Directors, the majority of them independent. The following Directors sit on the Committee:
- Dr Giancarlo Malerba - Chairman - (Nonexecutive Director);
- Dr Fabrizio Redaelli - (Independent Director and Lead Independent Director)
- Prof. Lorenzo Pozza - (Independent Director).

The professional experience of the Directors appointed ensure that the Committee has sufficient knowledge of accounting and finance; it has been given the following functions of advice and proposal, which are identical to those indicated in the Code with the exception of Criterion 8.C.3 (d) and (e):
a) to assist the Board in carrying out the tasks indicated in Criterion 8.C.1. of the Code;
b) to co-operate with the manager responsible for drawing up the company's accounts and with the auditors in monitoring the proper application of the accounting standards and their uniform application in drawing up the consolidated Financial Statement;
c) at the request of the Executive Director assigned to this function, to give its opinion on specific aspects involved in identifying the main risks to the company, and in the design, implementation and management of the internal audit system;
d) to examine the Internal Audit Department's schedule of work and its periodic reports;
e) to report to the Board at intervals of no more than six months (when the Board is due to approve the Financial Statement or half-year interim report), on its activities and on the adequacy of the internal audit system.
During the financial period ending 31 March 2008 the Committee met three times, with 100% attendance. At the invitation of the Committee's Chairman, the entire Board of Statutory Auditors attended these meetings throughout, as did the Head of Internal Audit, the Accounts Manager and the Administration Manager, for particular Agenda items.

Meetings of the Committee were duly minuted in its own Minute Book.

In accordance with Implementing Criterion 5.C.1)(e) of the Code, the Committee has access to all the information and company functions necessary for in carrying out its functions and can also have recourse to outside consultants, under arrangements prescribed by the Board.

Lastly, on 13 June 2008 the Chairman of the Internal Audit and Corporate Governance Committee gave the Board of Directors a summary of the Committee's activities and, on the basis of the work done by the Head of Internal Audit and others, gave the whole Board of Directors its assessment of the overall adequacy, effectiveness and efficiency of the internal audit system.

9.2 The Internal Control System

As proposed by the Executive Director for the Internal Control, and with the assistance of the Internal Control and Corporate Governance Committee, the Board of Directors meeting on 13 June 2008 approved the guiding principles for the internal control system ("the Guiding Principles"), the purpose of which is to strengthen and optimize the internal control systems of both the company and the Damiani Group as a whole, with particular reference to those subsidiaries which qualified as having "strategically important" pursuant to Article 1 of the Code.
The Guiding Principles provide for the following duties for the Executive Director responsible for supervising the effective running of the internal audit system:
a) to take care of the identification of the main corporate risks (taking into account the characteristics of the business carried out by the company and its subsidiaries), and to periodically submit these principles to the Board of Directors, as well as to the Internal Audit and Corporate Governance Committee;
b) to submit the Damiani Group's Guiding Principles for the Internal Audit System to the Board of Directors, carrying out the activities of design, implementation and management of the internal audit system; to continuously monitor the overall adequacy effectiveness and efficiency of the same,; to ensure that the system is updated in the event of changes in the operating conditions and the legislative and regulatory context;
c) to make proposals to the Board of Directors (also informing the Internal Audit and Corporate Governance Committee) for the appointment, dismissal and remuneration of the Group's internal audit managers.

At its meeting of 27 June 2007 the company's Board of Directors entrusted the Board of Statutory Auditors with the evaluation of the offers received from the audit firm for the appointment, as well as the audit schedule and the results included in its report and in any possible letter of suggestions: the entrustment of this function to the Board of Statutory Auditors seems to be consistent with that the duty of the same body of recommending an audit company to the General Meeting.
On the basis also of the principles of independence of the activities carried out by the audit company, it was not considered appropriate to give the Committee the task of "monitoring the effectiveness of the external audit process".

- **Executive director responsible for the system of the internal audit**

In accordance with Implementing Criterion 8.C.1)(b) of the Code and with the approval of the Internal Audit and Corporate Governance Committee, at its meeting of 27 June 2007 the Board of Directors appointed Mrs Giulia De Luca as Executive Director, granting to the same the following powers and duties:
a) to take care of the identification of the main corporate risks (taking into account the characteristics of the business carried out by the company and its subsidiaries), and to periodically submit these [principles] to the Board of Directors, as well as to the Internal Audit and Corporate Governance Committee;

b) to submit the Damiani Group's Guiding Principles for the Internal Audit System to the Board of Directors, carrying out the activities of design, implementation and management of the internal audit system; to continuously monitor the overall adequacy, effectiveness and efficiency of the same; to ensure that the system is updated in the event of changes in the operating conditions and the legislative and regulatory context;
c) to make proposals to the Board of Directors (also informing the Internal Audit and Corporate Governance Committee), for the appointment, dismissal and remuneration of the Group's internal audit managers.

• **Head of internal control**
On 12 September 2007, on the proposal of the Executive Director in charge of the internal audit system, the Board of Directors appointed Ms **Luana Carlotta Lanzi Puglia** as the company's **Head of Internal Audit** with all the supervisory functions and obligations provided for by the Corporate Governance Code and the Framework Corporate Governance Resolution adopted by the Board of Directors on 27 June 2007; in detail, the company's Head of Internal Control must fulfil the following functions:
a) to present the proposed annual work schedule to the Internal Control Committee in good time for it to carry out its functions, and in particular for it to formulate any recommendations it may wish;
b) to assist the Executive Director for Internal Control System in planning, managing and supervising the internal control system and the identification of the various risk factors;
c) to plan and, in line with the annual work schedule, to carry out direct and specific controls of the various departments to be audited, in the company and throughout the Group, with particular regard to subsidiaries of strategic importance, so as to reveal any inadequacies in the internal control system in respect of the various areas of risk;
d) to check, as part of that work schedule, that the procedures adopted by the company and Group are in fact ensuring that the statutory and regulatory provisions in force at the time are being observed;
e) to check that the rules and procedures of the controlling procedures are respected, and that all those involved act according to the defined objectives;
f) to carry out investigations also into particular irregularities, either on her own initiative or at the request of the Board of Directors, the Internal Control Committee, the Executive Director for Internal Control or the Board of Statutory Auditors;
g) to check, by whatever means she deems adequate, that any anomalies found during the inspection have been corrected;
h) to keep records of all documents relating to her activities; this documentation is to be available on request to those responsible for the control;
i) to report on the outcome of her control activities in special "Control Reports" to the Executive Director for Internal Controlling, the Internal Control Committee and the head of the department under inspection; in the case of control of subsidiaries, the Control Reports are also to be copied to the relevant bodies of the company concerned. She also has the task of identifying any inadequacies in the internal control system in the light of her control outcomes and her analysis of corporate risk, and of recommending any measures to improve that system; such inadequacies and the remedies proposed are to be included in her Control Reports;
l) to draft, at least twice a year in time to enable the Internal Control Committee and the Board of Directors to carry out their respective tasks in preparation for the Board meetings held to approve the draft Financial Statement or the half-year interim report, a summary of the main data relating to the last six months or the entire financial year, as the case may be. The summary drafted for the meeting convened to approve the draft of Financial Statement shall also contain an updated account of corporate risks singled out during the year;
m) to report on her own activities, with copies of all Control Reports referred to in (i) above, to the following officers and bodies:
- the Executive Director for Internal Control, and any subsidiaries' bodies or officers with delegated powers which have carried out control activities;
- the Internal Control Committee, whose meetings she will have attended at the invitation of Committee members. The Internal Control Committee must see her reports are forwarded to the rest of the Board of Directors in connection with matters on the Board's Agenda; the Board of Statutory Auditors will note the reports at meetings of the Internal Control Committee;
n) to promptly inform the Executive Director for Internal Control and other bodies or officers with relevant remits if any critical situations are found requiring urgent measures; and to update the Internal Control Committee and the Board of Statutory Auditors on the results of their actions.

The main activities of the Head of Internal Control in the course of her duties during the financial period as of 31 March 2008 have been as follows:
a) to check the existence and to control that all procedures are met by Damiani SpA and its controlled subsidiaries;
b) to research and select outside consultants for the purpose of bringing the Group's arrangements wholly into line with the provisions of Legislative Decrees 231/01 and 262/05;
c) supporting those consultants in the process of bringing the Group's Governance Corporate into line with the law;
d) control inspections: on the question of relations with Related Parties only;
e) Quality Assurance control of the implementation of the SAP project at Damiani USA.

The Head of Internal Control had access to all information needed for her to carry out her duties, and reported on her activities to the Internal Control Committee and to the Chairman of the Board of Statutory Auditors, as well as to the Executive Director responsible for the functionality of the internal control system. The Head of Internal Control has her own staff and is entirely independent from all senior officers

10. MODEL OF ORGANISATION AS REQUIRED BY LEGISLATIVE ORDER 231/2001

To ensure that the Group's internal audit systems are in keeping with the provisions of Legislative Order 231/2001 and in accordance with Articles 2.2.3 (iii)(k) and 2.2.3*bis* of the Stock Market Rules, the Board of Directors meeting on 27 March 2008 approved a Model of Organisation, Management and Control as provided for in Art. 6 of Legislative Order No. 231/2001 (the "Organisation Model") and a Code of Ethics.
The Organisation Model adopted by the company provides as follows:

1. a **General Section**, which introduces the model and set forth the rules concerning the governance, with particular reference to (i) persons concerned; (ii) composition, role and powers of the Monitoring Body; (iii) role of the Board of Directors; (iv) Reporting to the Monitoring Body; (v) Sanctions; (vi) ensuring that all concerned persons are aware of the Model and training.

2. six **Special Sections**, each identifying at-risk processes and laying down the rules of conduct which each concerned person is to comply with carrying out his or her work having in mind the relevant categories of offence which could in principle be committed by the company. For the purposes of the Organisation Model these categories are: (i) offences against government bodies; (ii) offences against company law; (iii) market abuse offences and administrative breaches; (iv) transnational offences; (v) breaches of rules on health and safety in the working premises; (vi) money-laundering offences.
In cases of activities whose potential risk is assessed as "major", each Special Section refers to specific Protocols governing the operational and monitoring arrangements for managing the process with a view to the prevention of "231 offences".

11. EXTERNAL AUDITING FIRM

The audit company commissioned for the external auditing of the accounts of Damiani SpA and its controlled subsidiaries is Reconta Ernst & Young SpA, registered office 18a, Via G.D. Romagnoli, Rome, which is a registered firm of auditors under Art. 161 of the (Italian) Consolidated Law on Finance ("the External Auditor").
On 27 June 2007 the AGM of Damiani SpA decided to appoint said audit company as External Auditor for nine financial years, i.e. until the approval of the Financial Statement for the year ending 31 March 2016, under Art. 159 of the (Italian) Consolidated Law on Finance.

12. MANAGER CHARGED WITH PREPARING COMPANY'S FINANCIAL REPORTS

The **Manager responsible for drafting the company's accounts** is Mr **Gilberto Frola**, who was appointed by the Board of Directors during the meeting held on 12 September 2007 for an indefinite period of time, with effect from on the date on which the shares of the company were admitted to trading on the electronic market (MTA) of Borsa Italiana SpA.

Under Art. 27 of the Articles of Association the Accounts Manager must be chosen by the Board of Directors with the previous advice of the Board of Statutory Auditors, and his background must include at least a three year experience as qualified accountant or business administration practitioner in listed companies, or in companies whose capitalisation amounts to not less than 1 million Euro.

The Board of Directors granted the Accounts Manager, Mr Frola, all necessary powers for the fulfilment of his duties under the law and the Articles of Association. Namely, these include authority:
- to have immediate access, without need for further authorisation, to all the information required to produce the accounts, under the duty (along with all his staff) of keeping confidential all documents and details acquired in the course of his activities, in compliance with all relevant statutory and regulatory provisions in force from time to time;
- to use internal means of communication which ensure that information transferred within the Group is accurate;
- to organize his own department in such a way that his human and technical resources (including equipment, software, etc.) are adequate;
- to draft administrative and accounting procedures, with the assistance of those offices involved in the generating of the relevant information;
- to have recourse to external consultants whenever required by particular company needs, drawing on his department's budget;
- to establish reporting and notification procedures together with the other persons in charge of monitoring and auditing, so as to ensure constantly updated mappings of risks and processes as well as adequate checks that the procedures themselves are working properly (External Auditor, General Manager, Head of Internal Audit, etc.);
- to spend, on his own authority and subject only to the duty of accounting annually to the Board, up to €50,000.00 in any one financial year; expenditure in excess of this is permitted, if he considers it necessary for performing his duties and if authorised by the Board of Directors itself or by either the Internal Audit Committee or the Chairman on its behalf.

13. DIRECTORS' INTERESTS; TRANSACTIONS WITH RELATED PARTIES

Principle 9 of the Code requires the Board to take all necessary steps to ensure that transactions with related parties are carried out with transparency and in compliance with the principles of both formal and substantive propriety. A similar obligation is contained in Italian Civil Code Art. 2391-*bis*, under which the governing bodies of companies listed in risk capital markets must adopt suitable rules and internal procedures to govern transactions with related parties (including those carried out through a company's controlled subsidiaries) so as to ensure their transparency and accuracy, both formal and substantive.

In accordance with the Code, as well as with the relevant provisions of the Civil Code, the Board meeting of 27 June 2007 approved, as noted above, a document headed "Damiani SpA Group Guidelines on Particularly Significant Transactions and Transactions with Related Parties" ("the Guidelines"), which reserve to the competence of the full Board of Directors all "significant transactions" with any party and all transactions with "related parties", including those carried out through controlled subsidiaries, and specifies the rules for their approval and execution.
The Board was in fact promptly and fully informed throughout the financial period about significant transactions with related parties, and approved such transactions after checking their procedural and substantive accuracy.
With respect to all such transactions, the Board judged that each of these transactions offered no less economic benefit to the Damiani Group than would have been achieved if the transaction had been negotiated with an outside party; the Board was moreover always duly notified beforehand, as required by law, of any potential conflict of interests in a particular transaction. A summary of transactions with related parties can be found in paragraph 5.2 above.

14. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

Art. 24 of the company's Articles of Association provides for a Board of Statutory Auditors comprising of three standing and two substitute members. Auditors Board's term of office continues for three financial periods, expiring on the day of the General Meeting convened to approve the Financial Statement relating to the last of these three. Members of this Board may be re-elected.

Pursuant to Principle 10.P.1 of the Self-Regulation Code (which requires the Board of Statutory Auditors to be appointed according to a transparent procedure which guarantees, among other things, timely provision of adequate information about the candidates' personal and professional qualifications for the office), Art. 24 of the company's Articles of Association provides for the standing and substitute members of the Board of Statutory Auditors to be appointed as follows:
(a) shareholders or groups thereof holding at least that proportion of stock which has been specified by the regulatory Authority, CONSOB, for the appointment of Directors in accordance with the law and regulations, are entitled to put forward a ranked and numbered list of candidates, by lodging the list at the company's registered office no later than fifteen (15) days before the date set for the General Meeting (first call). Each list must include the personal details required by the statutory and regulatory provisions in force at the time; any list put forward, or not meeting any other of the above requirements, will be disqualified;
(b) no shareholder may put forward or vote in favour of more than one list, either directly or through a trustee or other intermediary; members belonging to the same group, or party to a shareholders' agreement, may likewise put forward and vote for no more than one list, either directly or through a trustee or other intermediary;
(c) no candidate may appear on more than one list, and any candidate doing so will be ineligible; no person may appear in any list of candidates in contravention of the limitations on multiple office-holding set by the laws or implementing regulations thereof in force at the time;
(d) if, by the deadline specified under (a) above, only one list has been lodged, or only lists presented by members which are to be considered as "related to each other" pursuant to the statutory and regulatory provisions in force at the time, then this deadline shall be extended for another five days, and in such cases the holding's thresholds required under (a) above shall be halved.

According to the same article of Damiani SpA's Articles of Association, members of the Board of Statutory Auditors are elected as follows:
(i) two (2) standing members and one (1) substitute member of the Board of Statutory Auditors are drawn from the list obtaining the highest number of votes, in the order in which they were ranked on that list;
(ii) the remaining standing member and the second substitute member are drawn from the list obtaining the second highest number of votes (out of those lists put forward and voted for by persons with no association, even indirect, with members who put forward or voted for the winning list), again in the order in which they were ranked on the list.
The Board of Statutory Auditors shall be chaired by the standing member drawn from the second of these lists.
Should a member of the Board of Statutory Auditors need replacing, the replacing member shall be the substitute member from the same list as the member to be replaced.
If the member to be replaced holds the chair, the Board of Statutory Auditors shall thereafter be chaired by the substitute member who has replaced the previous chairman.
Any General Meeting required to restore the Board of Statutory Auditors to its full strength as required by law shall proceed in such a way as to respect the principle of minority representation.
The regulations set out above for election of the Board of Statutory Auditors and appointment of its chairmen shall not apply at General Meetings for which only one list has been put forward or voted for; in such cases the General Meeting shall resolve upon majority of vote.

15. BOARD OF STATUTORY AUDITORS IN OFFICE

The Board of Statutory Auditors currently in force was appointed by the Shareholders on June 15, 2007 for three yearly business years, i.e. untill the date of the Shareholders' meeting called to approve the balance as of March 31, 2010.
During the business year as of March 31, 2008, the Board of Statutory Auditors in force met 5 times, 3 of which were held in conjunction with the Committee for Internal Control and *Corporate Governance*.

The members of the Board of Statutory Auditors currently in force are listed in the table that follows.
With reference to criteria 10.C.2 of the Code, it is noted that the independence of the auditors is to be considered guarantee by the compliance with the laws in force and the statutes, as amended by the "Legge sul Risparmio" legislative decree n. 58/98 (TUF). Further to the table, the *curricula* of the auditors is also presented.

Name	Position	Active since	Indip. da code	% Part. C.S.	Other positions Company	Position
Gianluca Bolelli	President	15/06/07	YES	100%	Pierrel Spa (ex Srl)	Vice President CdA
					CFO SIM SpA	President CdA
					Comifin Spa	Advisor
					Edizioni Piemme SpA	Active Auditor
					Gabel - Industria Tessile SpA	Active Auditor
					Mondadori Pubblicità SpA	Active Auditor
					Mondadori Retail SpA	Active Auditor
					PRESS-DI distrib.ne stampa/multimedia Srl	Active Auditor
					Rubelli Spa	President CS
					Tesmec SpA	Advisor
					Union Industries SpA	Active Auditor
					Eleca SpA	Active Auditor
					BART-MED Srl	Advisor
					COMBER Srl	Active Auditor
					Cosmint SpA	Active Auditor
					Ecosesto SpA	Active Auditor
					Fiera Milano Congressi SpA	Active Auditor
					Immobiliare Mugiasca SpA	Active Auditor
					Impar Srl	Sole Administrator
					La Provincia Editoriale Spa	Active Auditor
					Sesto Siderservizi Srl	Active Auditor
					Si Lin Tsi Srl	Active Auditor
					Tre Laghi SpA	Active Auditor
					T ZERO Srl	Sole Administrator
					Vallesusa Casa SpA	Active Auditor
					Variati & Co. SpA	Active Auditor
Simone Cavalli	Active Auditor	15/06/07	YES	100%	Attijariwafa Finanziaria S.p.A.	Active Auditor
					Comitalia Compagnia Fiduciaria S.p.A.	Active Auditor
					Coprosider IBF S.p.A.	President CS
					Dynapac S.p.A.	Active Auditor
					Finanziaria Immobiliare d'Este S.r.l.	Active Auditor
					Gianni Crespi Foderami S.p.A.	Active Auditor
					Hydroservice S.p.A.	Active Auditor
					IBF S.p.A.	Active Auditor
					Ilva S.p.A.	Active Auditor
					Laboratorio Damiani S.p.A.	Active Auditor
					Merati A. e C. - Cartiera di Laveno S.p.A.	Active Auditor
					Misco Italy Computer Supplies S.p.A.	Active Auditor
					Perini Navi Group S.p.A.	Active Auditor
					Sugarmusic S.p.A.	Active Auditor
Fabio Massimo Micaludi	Active Auditor	15/06/07	YES	80%	Fantastic Srl	President CS
					A & D - Gruppo Alimentare e Dietetico Srl	Active Auditor
					B.S.M. S.r.l.	Active Auditor
					CFM Nilfisk - Advance SpA	Active Auditor
					Gritti Gas Rete Srl	Active Auditor
					Gritti Gas Srl	Active Auditor
					La Compagnia Finanziaria SpA	Active Auditor
					Landi S.p.A.	Active Auditor
					Media Finanziaria di Partecipazione SpA	Active Auditor
					Metallurgica Alta Brianza SpA	Active Auditor
					Obo Bettermann Srl	Active Auditor
					Principio Attivo S.p.A.	Active Auditor
					Sesvanderhave Italia SpA	Active Auditor
					Setrimex SpA	Active Auditor
					Business Consulting Srl	President CdA

GIANLUCA BOLELLI - President of The Board of Statutory Auditors
Received a degree in Economics from the University of Bocconi in Milano.
Achieved a degree in Economics at the Bocconi University in Milano.
Registered with the Registry of Doctors of Accounting and the Registry of Accounting Auditors. Started his professional career as an auditor with Deloitte and Touche and then as a consultant with KPMG. Since March, 1986 has been a self-employed Doctor of Accounting and a founding partner of the Studio Bolelli, Sportelli, de Pietri, Tonelli. Member of the Scientific Committee of AIDAF, and external professor in the "Scuola di Direzione Aziendale (SDA)" of Bocconi University and of the "Supsi" in Lugano.

SIMONE CAVALLI - Active Auditor
Achieved a degree in Economics and is a registered with the Registry of Accounting Auditors. Started his professional career in the auditing firm Arthur Andersen nel 1992, with several managerial charges. In 2004 he became a partner in the "Firm for Account Analysis Control and Company Evaluation" where he worked as an accounting auditor on civil and consolidated balance sheets, accounting and finance due diligence for purchase purposes of acquisitions for corporate clients or Italian and international private equity firms.

FABIO MASSIMO MICALUDI - Active Auditor
Degree in Economics from Bocconi University in Milan specialising on in Administration and Control. Filed with the Registry of Doctors of Accounting and the Registry of Accounting Auditors. Started his professional career with Arthur Young & Company, currently Ernst & Young. From 1990 to 1993 active as the Administrative and Finance Director of the Editorial Group Sugar - Messaggerie Musicali. From 1993 to 1997 active as the Finance and Control Director of Dia Distribuzione S.p.A. - Group Promodes, currently Carrefour. Then, he devoted to practice as professional, starting in 1997, with the activity of Doctor of Accounting in Milan, becoming a partner of the Associated Accountants Firm and later a founding partner , in 2000, of the Firm Galli - Madau - Micaludi - Persano - Adorno - Villa, Associated Accounting Doctors, specializing on company, tax and accounting issues connected to extraordinary transactions. Since 2008, member of the Finance and Control Commission of the Doctors of Accounting in Milan.

16. RELATIONS WITH SHAREHOLDERS

The Company believes that it is in its best interest–further than its duty towards the market-to establish a continuous dialogue with its shareholders which is based on a mutual understanding of each other's role. This dialogue, however, needs to comply with external communication procedures for company documentation and information.
Pursuant to Article 2.2.3, Paragraph 3, Letter J of the Regulatory Instructions of the Italian Stock Exchange, the Company has inserted within its staff a professionally-qualified Investor Relator in charge of taking care of the company's- relations with professional investors and other shareholders. Our **Investor Relations Office** is run by Ms **Paola Burzi**, who may be contacted by calling 02/46716340 or by emailing her at paolaburzi@damiani.it.

17. SHAREHOLDERS' MEETINGS

In compliance with Article 11 of the Code of Corporate Governance, as a rule all Directors participate in the Shareholders' Meetings.
So far, the Company has not deemed it necessary to adopt a set of regulations for the Shareholders' meetings.
In accordance with Article 11 of the Articles of Incorporation, Shareholders can only attend the Meetings upon providing the Company with the documentation attesting to their possession of shares as per Article 2370, Paragraph 2, within 2 (two) business days before the Meeting, and possessing the relevant certification on the day of the Meeting.

Shareholders' Meetings are also taken as occasions to communicate information on the company to shareholders being saved the compliance of rules on privileged information. The Board of Directors particularly endeavours to provide shareholders with adequate information in order to allow them to undertake decisions while being fully aware of the facts.
One such Meeting was held over the course of the business year ending 31 March 2008.

18. CHANGES OF THE CLOSING DATE OF THE FINANCIAL YEAR

From the closing of the business year on 31 March 2008 to the approval date of this report there have not been changes in the company's governance structure, being however confirmed that, as already communicated in the press release dated 21 May 2008, Dr. Giulia De Luca has resigned from the office of CEO and CFO of the Group and that a successor will take its role in August, 2008. The functions carried out by Dr. De Luca will be taken over by the Chairman Guido Grassi Damiani together with Company management, in the spirit of shared continuation.

Milan, 13 June 2008

Chairman of the Board of Directors
GUIDO GRASSI DAMIANI

ATTACHMENT A

To the yearly corporate governance report:

Here follows a list of offices held by DAMIANI S.p.A Board Members in other listed companies, as well as in financial, banking, insurance and/or other large companies, in addition to their activities within the Damiani Group.

Director	Company	Title
Guido Roberto Grassi Damiani	Alfieri & St. John S.p.A.	Chairman of the Board
	New Mood S.P.A.	Chairman of the Board
	Damiani Manufacturing S.r.l.	Director
	Laboratorio Damiani S.r.l.	Chairman of the Board
	Damiani International BV	Director
	Damiani Japan KK	Chairman of the Board
	Damiani USA Corp.	Director
	Damiani Hong Kong	Director
	Damiani Service	Director
	D. Holding SA	Director
	Leading Jewels SA	Director
	Sparkling Investment SA	Director
Giorgio Andrea Grassi Damiani	Alfieri & St. John S.p.A.	Director
	New Mood S.P.A.	Director
	Damiani Manufacturing S.r.l.	Chairman of the Board
	Damiani Japan KK	Director
	Damiani USA Corp.	Chairman and President
	Immobiliare Miralto S.r.l.	Chairman and President
	D. Holding SA	Director
	Leading Jewels SA	Director
	Sparkling Investment SA	Director
Silvia Maria Grassi Damiani	D. Holding SA	Director
	Leading Jewels SA	Director
	Sparkling Investment SA	Director
Giulia De Luca	Alfieri & St. John S.p.A.	Chairman
	New Mood S.P.A.	Chairman
	Damiani Manufacturing S.r.l.	Director
	Damiani Laboratory S.r.l.	Director
	Damiani International BV	Director
	Damiani Japan KK	Director
	Damiani USA Corp.	Director
	Damiani Service	Director
	Immobiliare Miralto S.r.l.	Director
Stefano Graidi	Aprilia World Service BV, Netherlands	Director
	Carraro SA Lux	Swiss Legal Representative
	Chiorino Group SA, Luxembourg	Director
	Chiorino Participations SA, Luxembourg	Director
	D. Holding SA	Director
	Damiani International BV	Director
	Diadora SA Mendrisio	Director
	Gen Del SA Geneva, Switzerland	Director
	Jewels Manufacturing SA	Director
	Leading Jewels SA	Director
	Olivetti Engineering, Switzerland	Director
	Prada SA Lux	Swiss Legal Representative
	Space SA	Director
	Sparkling Inv. SA	Director

Giancarlo Malerba	Ariete S.p.A.	Statutory Auditor
	Atlas Copeo Finance S.r.l.	Statutory Auditor
	Bolton Manitoba S.p.A.	Statutory Auditor
	Collistar S.p.A.	Statutory Auditor
	Cordifin S.p.A.	Statutory Auditor
	De' Longhi Capital Services S.p.A.	Statutory Auditor
	Perini Navi Group S.p.A.	Chairman
	Sileno Finance S.r.l.	Statutory Auditor
Lorenzo Pozza	Bracco Imaging S.p.A.	Statutory Auditor
	Euraleo S.r.l.	Statutory Auditor
	Terna S.p.A.	Statutory Auditor
Fabrizio Redaelli	Aedes S.p.A.	Statutory Auditor
	DGPA SGR	Statutory Auditor
	The Walt Disney Company Italia S.p.A.	Chairman
	Tod's S.p.A.	Statutory Auditor

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