DAMIANI

2008/2009 Annual Report

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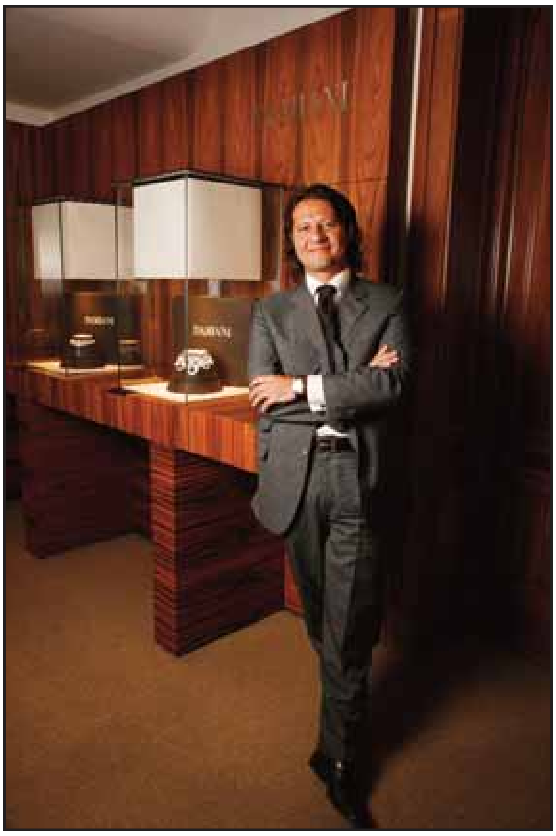

Guido Grassi Damiani, Chairman & CEO

Dear Shareholders,

as you well know, 2008 was an especially difficult year that strongly impacted international markets negatively and hit all sectors without exceptions. Luxury goods, usually considered anticyclical, had problems too, in some cases worse than other sectors. There is no need to dwell on what all define as one of the worst crises since 1929.

In this context, it has not been easy to adopt the right strategy or plan in the best manner. We strongly believe that slowing down our activity would not be right and for this reason our Group has continued its work, moving ahead with various projects with conviction and with the careful attention that this economic situation makes necessary.

One major new development for our Group in the 2008/2009 financial year was, last September, to purchase full control of the high-range watch-making and jewelry chain, Rocca. In purchasing Rocca, the only chain of this type in Italy and one of the few worldwide, with a network of over 20 stores, the Group now has two-fold objectives: to widen its retail network considerably and have a format allowing us to sell all our brands in one container, with the possibility to reach large cities and smaller ones in the outskirts, where mono-brand points of sale do not exist. This allows us to increase our brand penetration in Italy and abroad.

The Group has also continued its expansion strategy for the network of mono-brands by opening 12 new points of sale, 7 of which are direct. Among these are Damiani boutiques on Los Angeles on Rodeo Drive and a boutique in St. Moritz.

Another important development in 2008 was in opening ourselves to opportunities in the world of fashion and the production of third-party brands. In June, 2008 we announced an agreement between Damiani and the fashion house Maison Martin Margiela, followed in September with a partnership with Jil Sander and, recently, with Gianfranco Ferrè.

More than business contracts, we consider these agreements as recognition of our role, our work and our professionalism. Damiani is one of the few players in the world that offers full control of its value chain: design and internal production, the recognized quality of our creations, and control over international sales. The status associated with our Group is evident in the fact that those who want to enter the world of jewelry come to us to find a perfect partner with whom to begin a productive collaboration.

As far as communication is concerned, the year 2008-2009 has been intense with activity that has helped spread information about our brands throughout the world.

Special moments include the introduction of Sharon Stone to endorse Damiani, sponsorship of the Rome Film Festival and participation in the Louis Vuitton Pacific Series in Auckland, where we faced an international challenge with an Italian team, Damiani


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Italy Challenge. This was a huge success not just in terms of the excellent results but for the great visibility given the Damiani brand.

Looking towards the future, let me share a thought with you I think you will agree with. Given the type of consumer we court, I am confident that luxury goods will be one of the first sectors to recover as soon as a sign of trust returns to the economy. Until now, this trust has been so clearly lacking that even customary consumers of luxury products have decided to postpone purchasing until the general economic mood becomes more positive.

This means that, unlike with other products, our typical consumer has a high spending budget and can therefore quickly return to his usual spending habits. To this, should be added our consumer's orientation towards the concept of value for money, meaning a propensity for purchases that have an intrinsically real value, as do our jewels.

No less important, consumerism dictated by spending habits that are medium-high level cannot be considered as luxury. Instead, jewels and watches continue and will continue to represent the perfect gift for engagements, weddings, births and important events for that part of the population careful, demanding and in love with true luxury that is Made in Italy.

Considering instead our future prospects, I can confirm our willingness to become an increasingly global player. For all the reasons mentioned above, and considering all our Group is based on, I'm convinced that our sector will return to offer interesting growth opportunities that we intend and know how to exploit.

Our consolidated know-how, the recognized quality of our creations, our control over the sales network and the whole value chain, our skill at selecting the right partners to penetrate new markets, as with sales derived from new activity, the presence of a strong team that is unified, motivated and highly professional, all demonstrate that our Group is poised for success.

This is why our Group intends to grow and evolve. It is ready for new challenges and it is in this spirit that we continue to grow, to expand our space and market share, to spread our brand worldwide and open ourselves to new initiatives and prospects.

This spirit will lead each of us and you, dear shareholders, to see the concrete results we are working to achieve.

Guido Grassi Damiani.

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	The internalization process starts with the construction of foreign subsidiaries
2000	Acquisition of Alfieri & St. John S.p.A.
2000	Creation of the Bliss brand
2006	The brand portfolio extends further with the acquisition of the Calderoni brand.
2007	Damiani at the Milan Stock Exchange
2008	Acquisition of Rocca
2008	Relaunch of Calderoni 1840 with the opening of a new boutique in Milan, via Montenapoleone

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 1960's

Starting from the 1960's 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 1980's

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. 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, protecting 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 80 monobrand points of sale which are located in the most important streets of both Italian and international fashion.

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.

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.

The purchase of Rocca

In September 2008 the Group purchased full control of the high-end Rocca jewelry and watch-making chain.

Guido Grassi Damiani,
Chairman & CEO

Silvia Grassi Damiani,
Vice President

Giorgio Grassi Damiani,
Vice President

The third generation

Gabriella Grassi Damiani,
Honorary President

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 even 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.

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.

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 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.

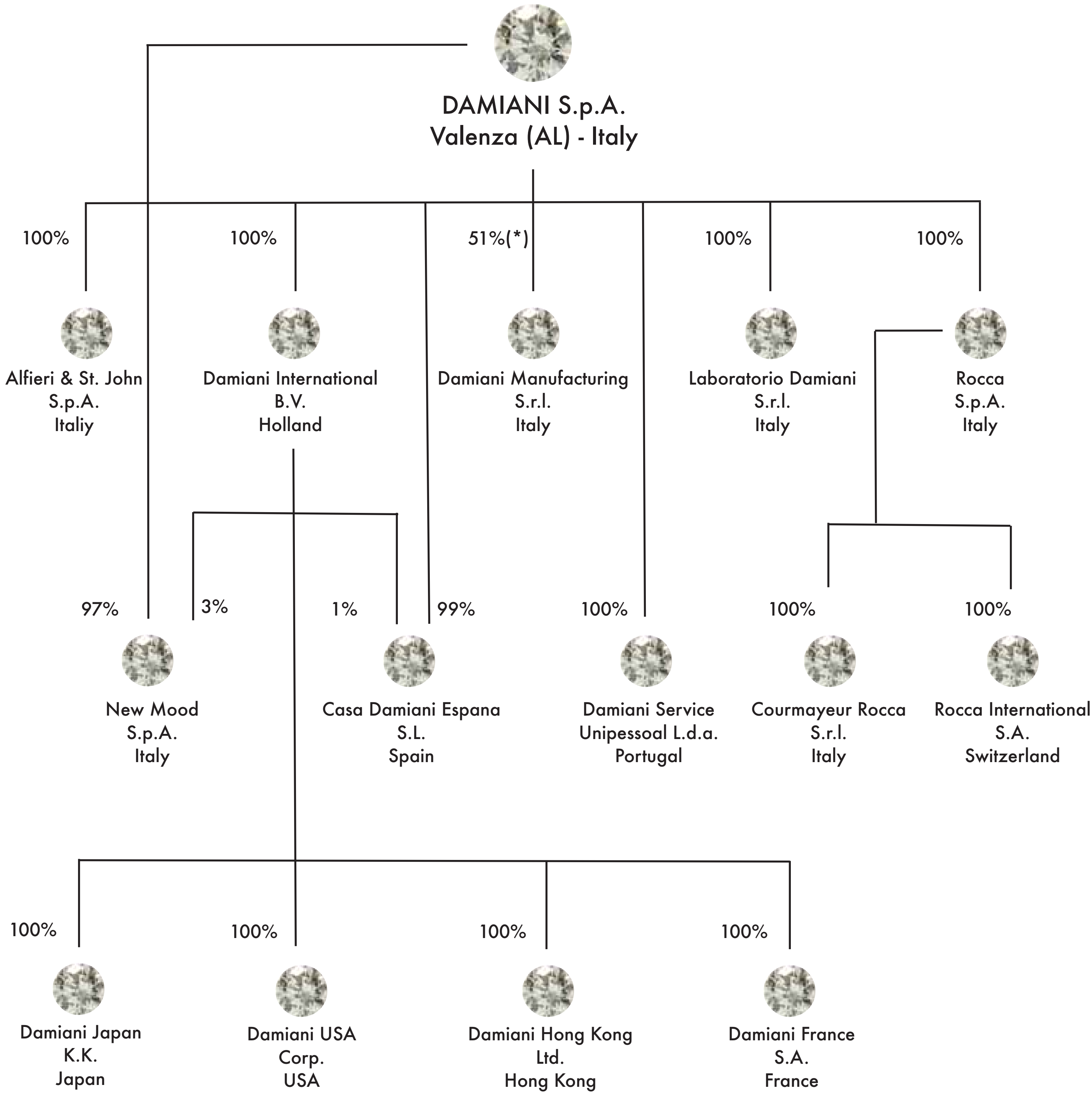
• The innovative strategy of marketing and communication.

• The proven experience of our management.

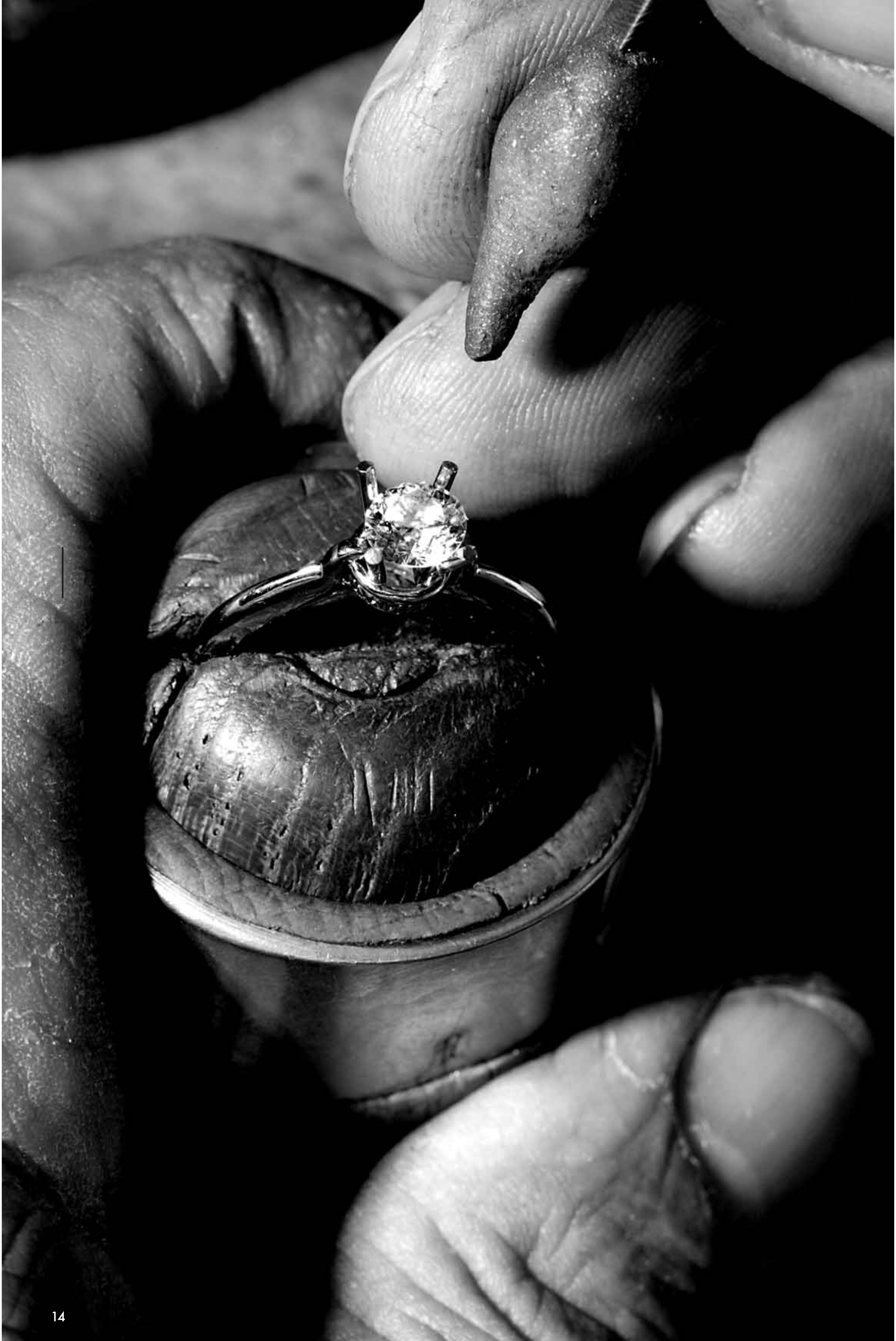
The Group's offerings are focused on jewelry and cover most market segments, in order to provide our clientele with an ever-more complete range of jewelry at various price levels.

Since 2008 the Group has opened itself to the world of fashion with production for third party brands. In June, 2008, an agreement took place between Damiani and Maison Martin Margiela of the Group Only the Brave, led by Renzo Rosso, followed by a partnership with Jil Sander and that recently announced with Gianfranco Ferrè.

Also in 2008 the Group became the owner of Rocca, the high-end jewelry and watch-making chain.



(*) Il 49% is held by Christian and Simone Rizzetto, both currently Damiani Manufacturing S.r.l. directors, with control over production, administration and finance.



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 and **know-how** 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 work of the creative team of the Group, 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, and answer to indisputable conditions of respect and **ethical** observance regarding work, the market and, first and foremost, people.

CALDERONI
MILANO 1840

DAMIANI

Salvini

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

Since 1943 it has been located in Via Montenapoleone, interional prestigious fashion area. Calderoni creations are special for their impeccable balance between novelty and tradition, classic and modern, experimental touches and the esaltation 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 interprete the role of refined jewels, strong in tradition with renowened craftmanship, positioned on the high end of the market, where the classical sense knows how to be surprisingly actual.

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 which are often take one-of-a-kind pieces as their inspiration; and Classics, traditional jewelry such as diamond solitaires, engagement and wedding rings.

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, points of light (PUNTI LUCE), 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.

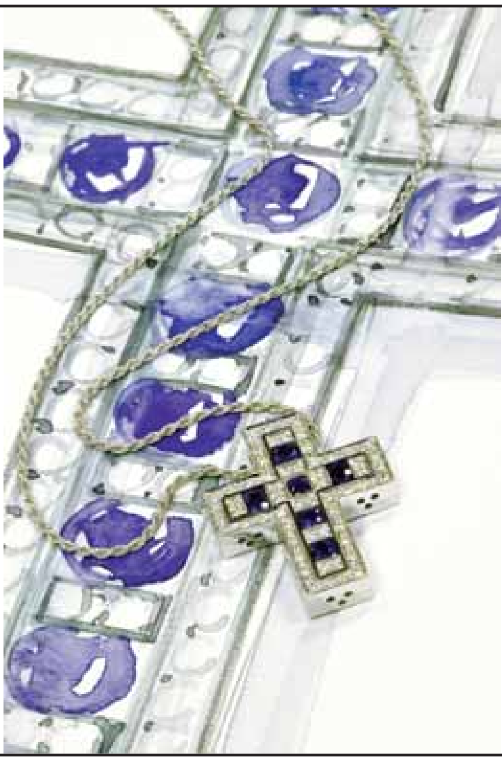
Bliss products have two complementary "souls"—one modern line, for which steel and innovative materials (for example, carbon and ebony) are used together with diamonds, and another more precious line, which uses gold, diamonds, and other stones, with the objective of reaching a diverse and highly-sought-after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

The Rocca family began its master craftsman tradition of watch-making long ago in 1794, later becoming the official supplier of the Royal palace. It is among the most important Italian importers of Swiss watches and over the years has included among its boutique clients historical figures like Cavour, Garibaldi, D'Annunzio, Verdi and Pirandello.

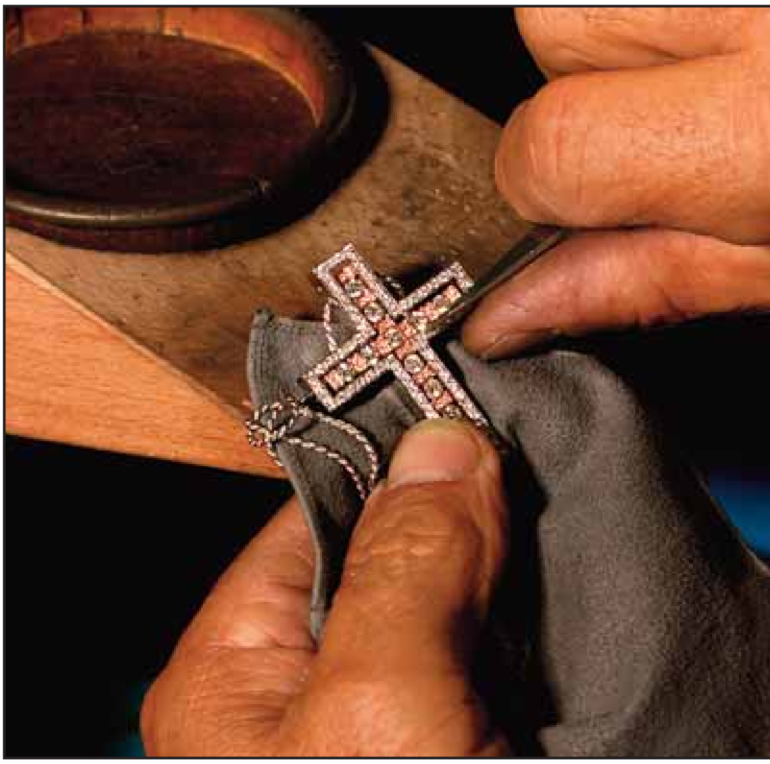
All the Rocca points of sale are located on the most prestigious streets, synonymous with luxury and elegance. It has antique jewelry shops that have a fascinating feel of long gone times, in squares and historical centers or in contemporary style boutiques. For Rocca, the relationship with the client does not end with a sale.

Rocca offers its clients only the very best and known brands of jewelry and watch making in the world. Among these, naturally, is the Group Damiani brand, which, after purchasing the Rocca chain last September, has been able to considerably increase its sales network and increase its single brand market penetration.

Melting of gold



Belle Epoque Cross draft



A phase of the Belle Epoque Cross handmaking

The Damiani Manufacturing, in Valenza

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 (mainly diamonds), gold and pearls.

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

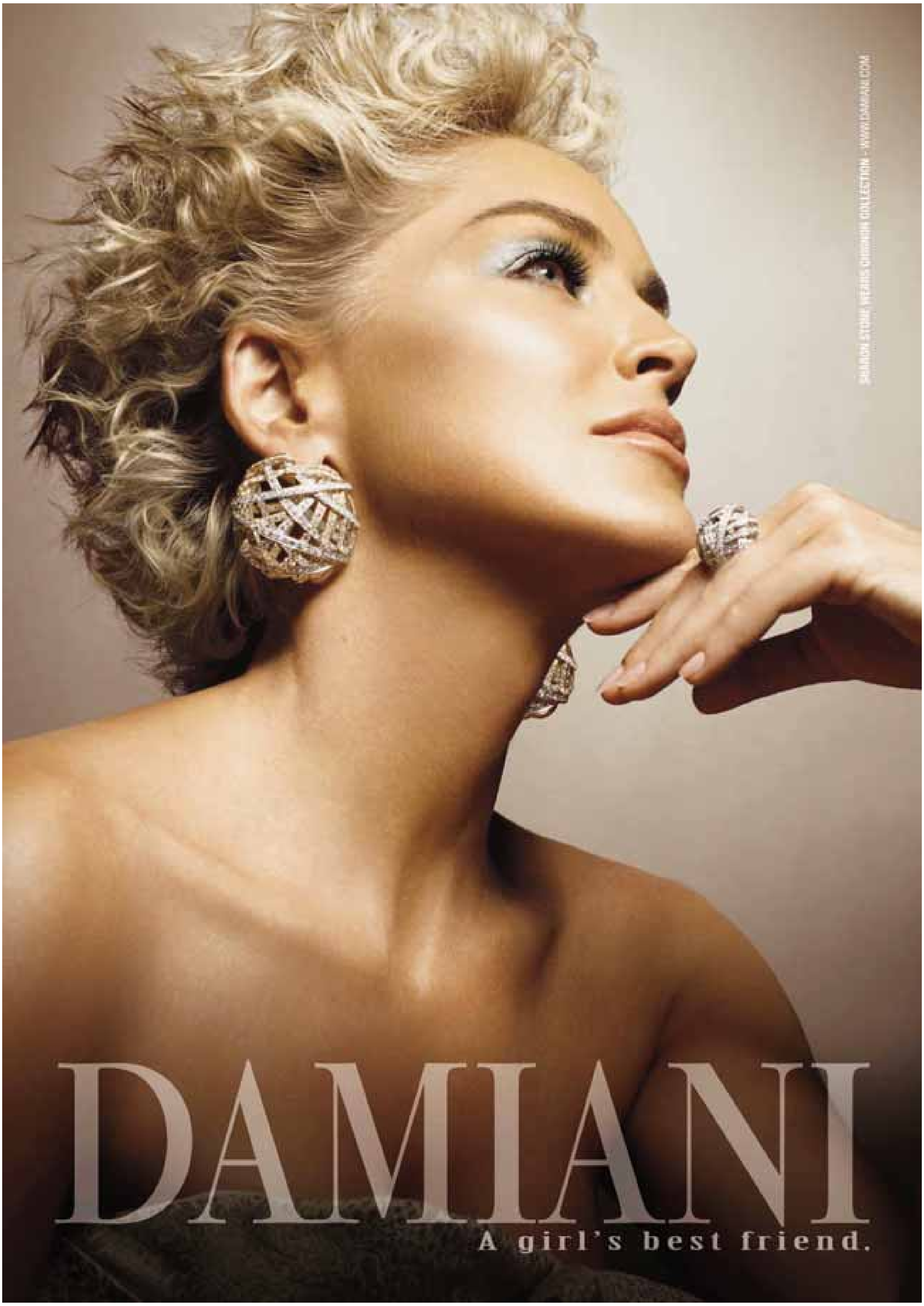
The Group uses both foreign production entities and its own plants in Valenza. For jewels with the Damiani, Salvini and Alfieri & St. John brands, the production is domestic in the goldsmith district of Valenza, while for Bliss, a part of the jewelry and steel is produced in Asia.

Distribution

The Damiani Group distributes its products mainly through two channels: retail, represented by 40 mono-brand points of sale managed directly by the Group; wholesale, which includes 40 among monobrand stores, franchises, multibrand indipendent, chains and distributors. The Group distributes its products worldwide through over 2,500 re-sellers.

Quality control

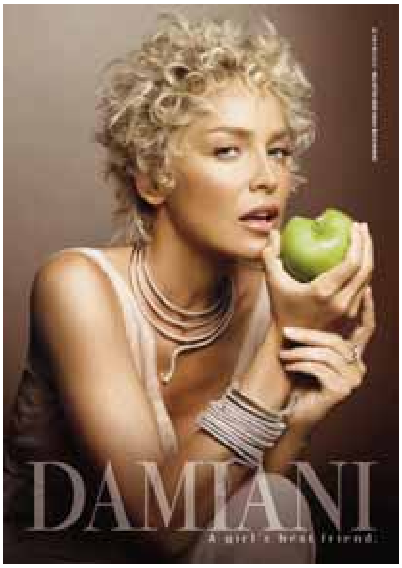
The Damiani Group pays particular attention to the quality of its jewels during the entire production cycle thanks to the work of a specialized team that continuously checks to guaranty a uniform standard of quality on all the product lines.

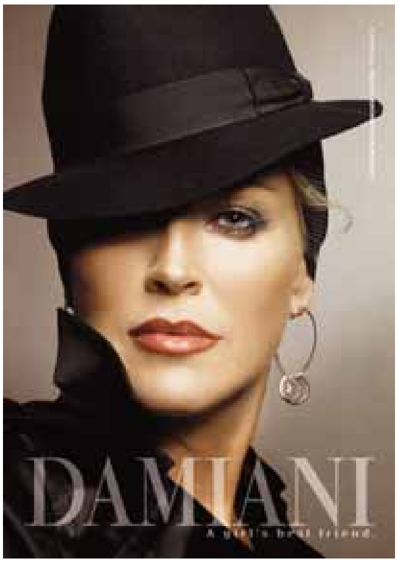


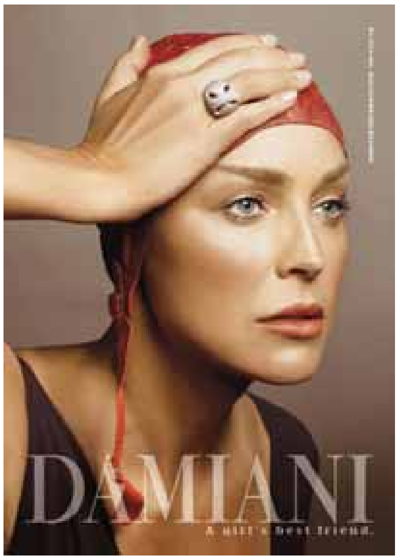
In 2008 the Group gave Damiani a new face, interpreted by a new, revamped Sharon Stone, proud and seductive, a feminine icon who enlivened a publicity campaign with genuine impact.

The effect was one of synthesis, modernity and colors that trace the profile of a woman aware of her natural and timeless beauty. It was similar to the nature of Damiani jewels, which reinterpret the classic and re-energize it.

Bliss and Salvini also had publicity campaigns that enriched the main Italian and international stores, helping, once again, to spread our brand image in all the countries where the Group is active.

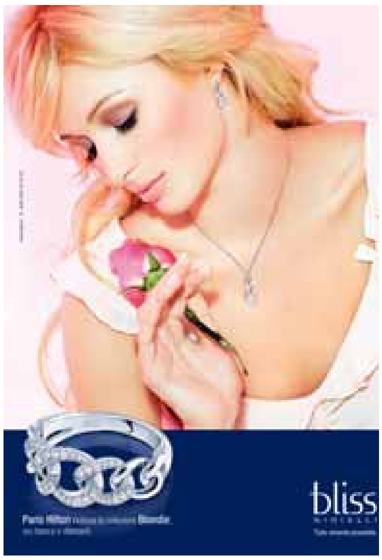






Damiani collections: San Lorenzo, Damianissima amd Rose. In the previous page: Chignon

Salvini collections Croci e Cuori, Yes, Day One



Bliss collections: Guepiere, Mosaique and Blondie

ITALY
DAMIANI
CHALLENGE
LOUIS VUITTON PACIFIC SERIES
www.emirates.com
NEW ZEALAND
SKYCITY
AUCKLAND

The team arriving in Auckland...

DAMIANI ITALIA CHALLENGE

After our Mediterranean experience and success linking Damiani to the world of sailing regattas with the Maxi Yacht Ourdream – winners of Trophies like Pirelli, Zegna and Boat of the Year in 2006 – we entered the quality world sailing circuit by sponsoring the Team Italy Challenge.

Organized with the New Zealand government, the Louis Vuitton Pacific Series regatta met in the mythical Hauraki Gulf in Auckland with 10 members of the America's Cup circuit, thus energizing the most prestigious sailing event of the year.

Damiani decided to take part by sponsoring an Italian team with the brand's name. Captained by Vasco Vascotto, Damiani Italia Challenge had excellent results, beating highly qualified and experienced teams.

Evident were the strong ties Damiani has with the sea and sailing. The Auckland regatta once again showed that the Daminai brand is a great means of communicating across the world and has significant value for the Group's image.

Hauling down...

Exciting moments...

Sea view of Auckland

The experience was difficult for the team and for the company, which showed that, even during a general market slowdown, investments in marketing and communications can help the brand and efforts to expand brand awareness in the world.

Passing from sport to cinema and, to confirm our strong ties to the film world, in October, 2008 Damiani announced a partnership with the Rome International Festival of Cinema.

This relationship with the star system is the basis of a unique chapter in Group history and communication, involving Damiani's working in close contact with the most famous Italian and international stars. The prestigious Rome Festival of Cinema was a new opportunity to seal the mutual affection between the Group and cinema and allowed Damiani to leave its mark on the film world.

To attest to this liaison, Damiani custom designed the prestigious gold and silver Marc'Aurelio prizes with creativity and a discreet sense of luxury. The jury awarded these to the first and second place winners in each category. The guest star at the event was wonderful Al Pacino, who received a Lifetime Marc'Aurelio award from the Actor's Studio, of which he is a chairman.

Damiani also chose to solidify its excellent relationship with the Rome International Cinema Festival by creating a scholarship for young cinema talent. Silvia Damiani personally presented it to Al Pacino during the opening ceremonies of the Festival while a group of journalists, cinema critics, guests and fans of the Hollywood star looked on.

The recent event topped off a year rich with star talent for Damiani, which, during the opening ceremonies for the boutique in Los Angeles on Rodeo Drive, named Sharon Stone as the new endorser and official face of the jewelry house.

Silvia Damiani and Al Pacino at the Rome Film Festival, October 2008

A radiant Sharon Stone was present at the opening of the boutique, located on one of most famous and sought after streets for luxury goods in the world.

Los Angeles and Beverly Hills enjoy a strategic role in the luxury sector thanks to their special relationship with international stars who have made Hollywood a Mecca for cinema and a place where Damiani's visibility is a must.

Speaking of openings and celebrities, the first Bliss flagship store opened in January, 2009 in the Omotesando

Hills area of Tokyo, one of the trendiest zones in the Japanese capital.

On this special occasion, Paris Hilton, a sparkling endorser of our brand, appeared alongside Guido Damiani and again made evident that she is the world's most photographed star, while attracting a crowd of fans who turned out for the event.

Bliss debuted in Japan in 2008 by opening three shop-in-shops in Tokyo. Later on, the flagship store opened in Shinsaibashi Daimaru – the most prestigious commercial area in Osaka and in Omotesando Hills.

Another announcement for Damiani is the creation of a new site, www.damiani.com, on line since September, 2009. The graphics and content of the

site have been completely re-designed so as to take the viewer on a trip inside the essentials of luxury of a brand that makes attention to detail its strongpoint.

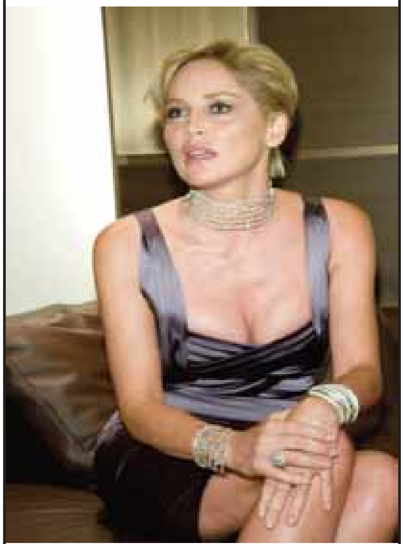
The idea began with the desire to create something intuitive and emotional, which is why all the jewels are displayed in close-up, accenting details that highlight their luminosity and beauty.

The Private Room sections are unique and exclusive as are your moments with Damiani. The former is a real art gallery collection of masterpieces and rare examples of high-end jewelry, with access is only granted to top clients directly chosen by Damiani. The latter is an area with completely new and appealing jewelry collections. The jewels are worn by models in different situations so as to additionally appreciate the fascination that these jewels command in the eyes of viewers.

As every year, presentations were arranged for the new collections. An Open Day dedicated to the media again amazed the invited for the rich and well-handled exhibition that accompanied and gave perspective to the Group's new creations.

Silvia Damiani and Sharon Stone at the opening of the Damiani boutiuqe in Los Angeles, June 2008.

Guido Damiani and Paris Hilton at the opening of the Bliss boutique in Tokyo, January 2009.



New collections launch, September 2008

Damiani new website online since September 2008

International Recognition

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

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

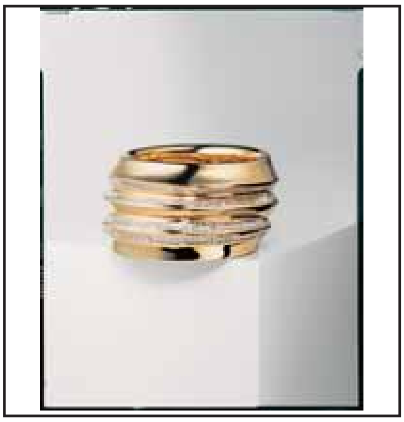
The same award was later won by the Group another seventeen times over the years. To this, we can add four Diamond International Awards attributed in the past to the Calderoni brand, recently purchased by the Group.











Some winners of Diamonds International Awards:

Onda Marina bracelet - Twins ring - Night & Day bracelet
Bloody Mary necklace - Flash bracelet - Spaziale necklace
Blow Balls earings - Piovra bracelet - Vulcano bracelet

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.

In 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.

Damiani Milan, Montenapoleone

Damiani Tokyo

Damiani Los Angeles, Rodeo Drive

Damiani St. Moritz

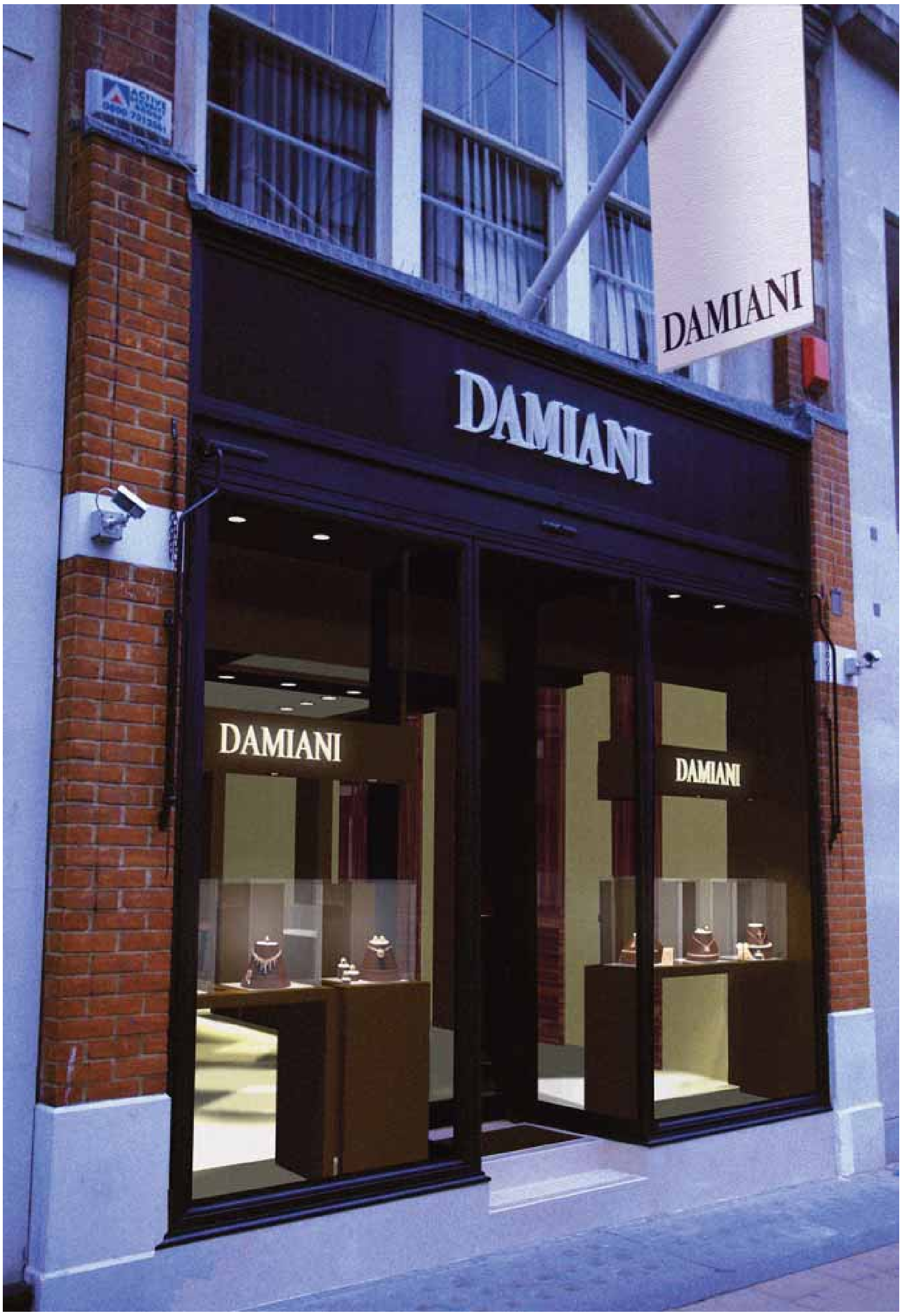
Damiani Ukraina, Odessa

Damiani Dubai

Damiani Moscow

Damiani Hong Kong

Damiani Paris, Place Vendome



Damiani Londra, Old Bond Street

The distribution network

The Damiani Group distributes its products mainly through two distribution channels:

- **the retail channel** made up of 40 mono and multi brand points of sale 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 points of sale 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.

- **the wholesale channel**: includes 40 monobrand franchises, distributors, indipendent multi-brand jewelry, chains of jewelry shops and department stores.

The Group distributes its products throughout the world through over 2,500 re-sellers.

As of July 2009, the Group has 80 points of sale 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), Los Angeles (rodeo Drive) and St. Moritz.

Bliss Boutiques

Milan, Piazza Duomo

Tokio

Panama

Calderoni and Salvini Boutiques


Milan, via Montenapoleone


Milan, via Montenapoleone


Milan, Piazza Duomo

Rocca Boutiques


Milan, Piazza Duomo


Rome


Venice

Bliss Osaka

Corporate Boards

Board of Directors	
Chairman & CEO	Guido Grassi Damiani
Vice President	Giorgio Grassi Damiani
Vice President	Silvia Grassi Damiani
Board Director	Stefano Graidi
Board Director	Roberta Benaglia
Board Director	Giancarlo Malerba
Board Director	Fabrizio Redaelli
Board of Statutory Auditors	
Presidente	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
	Roberta Benaglia
	Fabrizio Redaelli
Remuneration Commettee	
Chairman	Giancarlo Malerba
	Roberta Benaglia
	Fabrizio Redaelli

At March 31 2009 Damiani Group reached total revenues of 149.8 millions Euro, Ebitda of 1.1 millions Euro, Operating Result (Ebit) of - 3.1 millions Euro and Net Result of - 4.7 millions Euro.

Revenues breakdown by distribution channel at March 31 2009:

- wholesale: 72%
- retail: 17%
- other channels: 11%

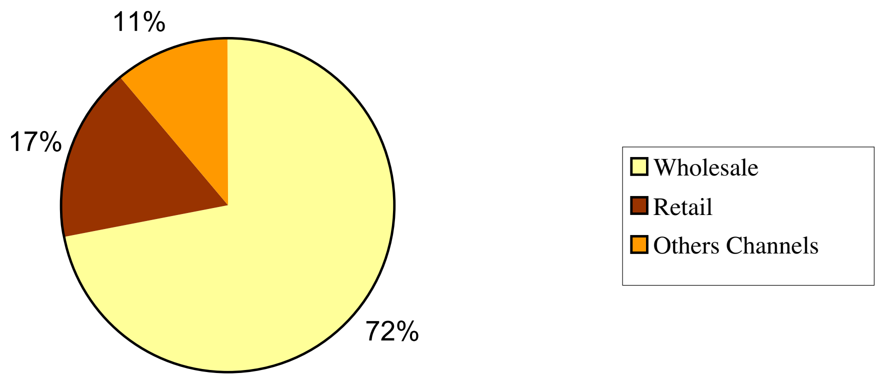
Revenues breakdown by regions at March 31 2009:

- Italy 73%
- Japan 6%
- Americas 5%
- Rest of the World 16%

More than half of the Damiani brand revenues comes from foreign markets.

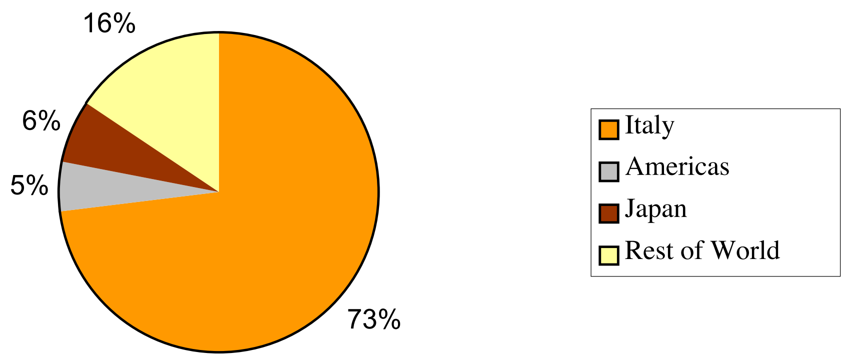
90% of Salvini, Alfieri & St. John and Bliss brands revenues comes from Italy.

Revenues breakdown by distribution channel
(FY 2008/09 at March, 31 2009)



Total revenues: 149.8 mln €
Wholesale 107.2 mln €
Retail 25.4 mln €
Other channels 17.2 mln€

Revenues breakdown by regions
(FY 2008/09 at March, 31 2009)



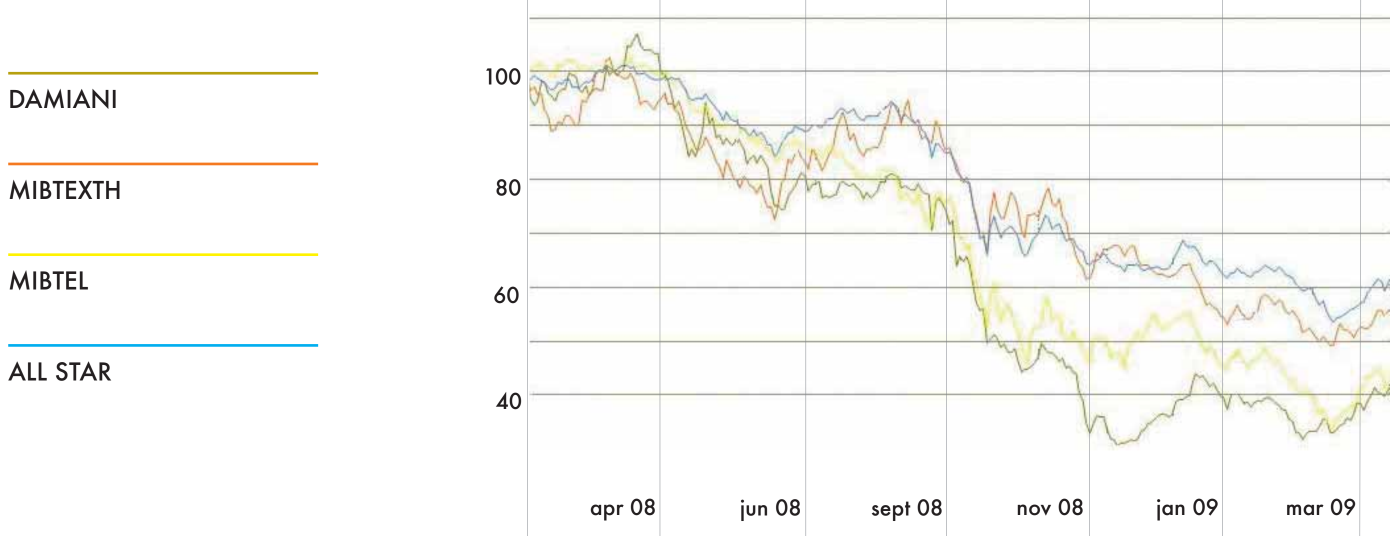
Total revenues: 149.8 mln €
Italy 109.2 mln €
Americas 7.7 mln €
Japan 9.7 mln €
Rest of the World 23.2 mln€

Share Price trends

During the financial year 2008-2009, the progress of the Damiani on the Milan Stock Exchange was negatively impacted by the world wide financial crisis that began with the sub-prime mortgages crisis, rapidly spread to the whole financial sector and afterwards to the "real" economy itself, which has brought about a very severe slow-down in the worldwide demand for consumer goods This situation has given rise to a drastic reduction of share prices all over the world and of all those securities that are linked to the progress of consumable goods and the luxury goods sector has been hit particularly hard.

The following graph shows the progress of the share price for the period from 1 April 2008 to 31 March 2009, which coincides with the company's financial year, compared to the main market indexes, i.e. Mibtel and Allstar and with the MIBTEXTH index, which is of companies belonging to the luxury goods sector in Italy.

The Damiani share has recorded a drop of –60.3% from 1 April 2008 at 31 March 2009 (Mibtel –48.3%, All Star –38.4%, Mibtexth- luxury Italy –40.5%).



Factors influencing Share Price Trends

The first months of the financial year 2008-2009 were characterized by the slowdown of the US economy that was hit hard by the sub prime mortgages crisis that began in July 2007 and also, even if they were less affected, the slowdowns of the European economies as well as those of the developing countries. The crisis became much more acute after the bankruptcy of the merchant bank Lehman Brothers in September 2008, which pervaded all the international markets with a deep seated lack of trust among the market operators due to a widespread fear of crises involving the insolvency of other banking and insurance institutions.

The Stock Market Indexes have suffered huge drops and the sectors that have been hardest were, among others, those containing companies with low levels of capitalization, because they are perceived to be much more at risk than others in a situation of economic recession and the securities of the Consumer/Luxury Goods sector, because they are believed to be more tied to the economic cycle.

The worsening of the economic crisis between the end of 2008 and the beginning of 2009 with the consequent contraction of the world's leading economies, the growth of unemployment at both domestic and international level and the decided slowdown in the consumption of industrial raw materials, foremost of all the drop in oil prices have lead to a heavy fall off in consumption in the main areas where the Damiani Group operates and to a slowdown in the growth of the developing countries, particularly the Eastern European countries like Russia and the Ukraine that, for some time now have become a very important outlet market for goods "made in Italy".

On 31 March 2009, which is the last day of stock market trading of the company's financial year that closed on the same date, the Damiani share was quoted at Euros 0.93 and the total capitalized value on the Stock Exchange amounted to about 76 million Euros.

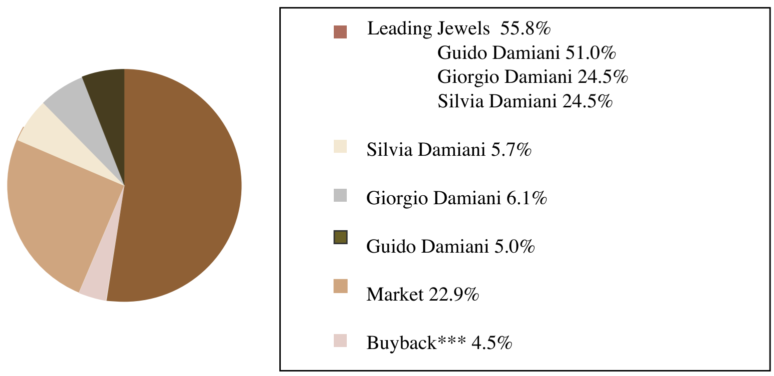
In the months after 31 March the share went through a very positive phase, arriving at a maximum price of 1.31 Euros on 3 June 2009 with a recovery of 87% against its lowest quoted price at 3 December 2008. This increase is mainly due to a general upswing of the markets and, specifically, of that of those securities with medium/low capitalization. These latter securities have, in fact, benefited greatly from the reallocation of their portfolios by Italian and foreign institutional funds, which have expressed renewed interest in these companies.

The following table summarizes the main share and Stock Exchange data for the company's year that closed on 31 March 2009.

Damiani in the Stock Market*

Initial Price - Novembre, 8 2007	4
Price on March, 31 2009	0.93
Maximun price	2.44 (may, 20 2008)
Minimum price	0.70 (december, 3 2008)
Average volume	90,333
Maximum volume	1,089,430 (november, 4 2008)
Minimum volume	3,903 (june, 27 2008)
N. shares Company capital	82,600,000
Market Capitalization on 31.03.2009 (million euro)	76

SHAREHOLDERS**



Notes:
** In the above table there are summarized the main share data at 31 March 2009*
***Shareholders at 31 March 2009*
After the IPO Guido Damiani holds the majority of the shares.
**** Includes the purchase of own shares numbering 3,753,788.*

Consolidated Financial Statements of Damiani Group as of March 31 2009

Drawn up under IAS/IFRS
accounting standards

Report on operations of Consolidated Financial Statements as of March 31 2009

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 operations carried out by directly and indirectly controlled subsidiary companies.
The consolidated financial statements for the financial year ended March 31 2009 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 on March 31 2009, and therefore consolidated using the line-by-line method, are listed below:

Company name	Registered office	Currency	Share Capital (local currency)	Held by	% Direct	% of the Group
Alfieri & St. John S.p.A.	Valenza (AL), Italy	EUR	1,462,000	Damiani S.p.A.	100.00%	100.00%
New Mood S.p.A.	Valenza (AL), Italy	EUR	1,040,000	Damiani S.p.A.	97.00%	100.00%
Damiani Manufacturing S.r.l	Valenza (AL), Italy	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Laboratorio Damiani S.r.l.	Bassignana (AL), Italy	EUR	200,000	Damiani S.p.A.	100.00%	100.00%
Damiani International B.V.	Amsterdam, Netherland	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan K.K.	Tokyo, Japan	JPY	1,305,732,000	Damiani International B.V.	100.00%	100.00%
Damiani USA, Corp.	New York, USA	USD	55,000	Damiani International B.V.	100.00%	100.00%
Casa Damiani Espana S.L.	Madrid, Spain	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Hong Kong L.t.d.	Hong Kong, Hong Kong	HKD	2,500,000	Damiani International B.V.	100.00%	100.00%
Damiani France S.A.	Parigi, France	EUR	38,500	Damiani International B.V.	100.00%	100.00%
Damiani Service Unipessoal L.d.a.	Madeira, Portugal	EUR	5,000	Damiani International B.V.	100.00%	100.00%
Rocca S.p.A.	Milano, Italy	EUR	4,680,000	Damiani S.p.A.	100.00%	100.00%
Rocca International S.A.	Lugano, Switzerland	CHF	600,000	Rocca S.p.A.	100.00%	100.00%
Courmayeur Rocca S.r.l.	Courmayeur (AO), Italy	EUR	100,000	Rocca S.p.A.	100.00%	100.00%

The following changes were applied to the consolidation area at March 31 2009 compared with the situation at March 31 2008:
• On September 15 2008, the parent company, Damiani S.p.A. acquired 100% of the share capital of Rocca S.p.A. from W.J.R. Partecipations S.A., a company indirectly owned by the Grassi Damiani family and controlled by Guido Grassi Damiani. Rocca S.p.A. in turn owns the entire share capital of the Swiss company Rocca International S.A. and of Courmayeur Rocca S.r.l. for a total value of of 7.000 Euro thousands (plus accessory costs). Payment of the acquisition was effected in part in cash, for 4,950 thousands Euro and in part utilizing 1.000 thousands of its own shares having a value of 2,050 thousands Euro (corresponding to the mean value of the shares and higher than the current stock market value on the date of acquisition). Rocca Group was consolidated effective September 1 2008, the nearest closing date to the date of acquisition, without any significant impacts on the first fifteen days of September but with a significant impact on the capital and economic situation of March 31 2009, as evidenced in the following paragraphs (further details on the acquisition operation are contained also in the notes of the consolidated financial statement). For further details on the operation, see the Information Document viewable in the Investor Relations of the site www.damiani.com.

The Group, which concentrates on producing and distributing top quality jewelry both in Italy and abroad, offers wide coverage of the main market segments and thanks to its different brands provides customers with a wide range of variously priced jewellery. The Group's portfolio is made up of five brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni.
Furthermore, following the acquisition of Rocca S.p.A. and its subsidiaries, Damiani Group distributes also prestigious third party brands, particularly in the timepiece sector, via directly managed multi-brand boutiques situated in principal shopping streets in Italy and Switzerland.

(1) Damiani Group closes its financial year on March 31, therefore the income statement in the consolidated financial statements at March 31 2009 covers the period from April 1 2008 – March 31 2009 (henceforth the period ended March 31 2009 or Financial year 2008/2009)). For comparative purposes, the present consolidated financial statements also include data relating to the period April 1 2007 - March 31 2008 (henceforth the period ended on March 31 2008 or the financial year 2007/2008).

The Group's products are marketed in Italy and abroad through two main distribution channels:
• the wholesale channel, consisting of independent multi-brand jewelers, 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 March 31 2009, there were 23 directly run single-brand sales outlets: fourteen in Italy and nine abroad, with seventeen trading under the Damiani name, four under the Bliss brand and one each with the brands Calderoni and Salvini. The multi-brand sales points of Rocca Group were 17, of which 15 in Italy and 2 in Switzerland.

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.
Intra-group relationships have been eliminated from the consolidated financial statement.
Values of intra-group transactions are detailed in the explanatory notes of the financial statements of the parent company.

Corporate Governance

The system of governance of Damiani S.p.A. is the so-called "latino" or "traditional" form: The corporate bodies are the shareholders' meeting, the Board of Directors and the Board of Statutory Auditors. The Board of Directors of the parent company was renewed on 3 April 2009 by the Shareholders' Meeting which nominated 7 members (instead of the previous 8) of which 3 non-executive and 2 independent.
The composition of the Board of Directors complies with the appropriate legal norms (per article 147 paragraph 4 and 148 paragraph 3, Legislative Decree n. 58/98), and the principles of corporate governance given by the Self Regulation Codes for Listed Companies. On April 3 2009 the Board confirmed the setting up of the Committee for Internal Control and Corporate Governance and the Remuneration Committee in conformity with articles 5, 7 and 8 of the Code.
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.
The committee also named, in compliance with the recommendations of the Code, a Lead Independent Director.
Also in conformity with the principles of self-regulation, the board defined precise criteria for the identification of important operations carried out also by subsidiaries including those carried out with related parties and which must be agreed on and/or carried out in respect of procedural and substantial correctness criteria. Such principles have been the object of concrete realization in the course of the year as in the case, among others, of the acquisition of Rocca Group as described and illustrated in the press release and in the informative document made publicly available.
As for the subject of internal controls, the board confirmed the naming of the Director responsible for supervising the functionality of the internal control system.
With reference to the legislative and regulatory norms on the subject of "market abuse", on September 12 2007, the board approved a procedure which, guarantees full respect of the advertising obligations pertaining to operations carried out by "relevant individuals" as per article 152 sexies, Issuing Regulations, for shares issued by Damiani S.p.A., and prohibits in certain periods and instituted, according to article 115 bis of the Legislative Decree n. 58/98, the Register of persons who may have access to privileged information.
On March 27 2008 the Board of Damiani S.p.A. approved a Code of Ethics and the organizational model as per the Legislative Decree n. 231/2001. The code of ethics refers to the values Damiani Group adheres to when carrying out its 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.
The current Control Body is composed of the internal auditors of Damiani and two external professionals who are partners in prestigious law firms.
This structure assures that the Control Body is composed of individuals who represent all the 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 Organizational 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 adjustments that may be necessary to the Organizational Model.
On September 30 2008, the Models of Organization, Management and Control of the Italian companies of the Damiani Group per Legislative Decree 231/2001 including the profiles of the offences introduced in the norms, were approved. Also the relative Control Bodies for each company of the Group were nominated in the form of single person bodies.
The Control Body of Damiani S.p.A. met 6 times in the course of the business year and reported on its operation to the Board and the Internal Auditors.

Further details about the system of Corporate Governance of the parent company and of Damiani Group, together with information on the company structure per article 123-bis of Legislative Decree n. 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 www.damiani.com.

Compliance with title VI of the regulations of Legislative Decree n. 58 of 24 February 1998 concerning market discipline.

Damiani S.p.A. controls two companies which are constituted and regulated by the laws of states which are not part of the European Union and which are of relevant significance as per paragraph 2 of article 36 of the Market Regulations issued by Consob (in fulfillment of article 62 paragraph 3 bis of Legislative Decree 58/98 as modified on June 25 2008 by resolution n. 16530).

With reference to article 36 of the Market Regulations, the situation is the following:
• The administrative, accounting and reporting systems of the two companies permit compliance with the norm with respect to public availability of accounting data of the consolidated balance sheet and the ability to provide timely and regular input to the Management and Auditors of the parent company for the preparation of the consolidated balance sheet.
• Damiani S.p.A. has the Statute and composition of the corporate bodies with their relative powers, of the two above mentioned companies and is advised of any modifications in a timely fashion. The documents are conserved in the company files and kept up to date by the company legal department.

In observance of article 2.6.2., paragraph 15 of the Regulations of the Italian stock exchange, statements as to the adequacy with respect to the Market Regulations as required by Consob have been submitted.

Stock Options

On September 26 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 thousands options, each one of which gives the right to purchase or subscribe to 1 share at the offer price (equal to 4 Euro per share) for assignments 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 November 5 2007 the Board of Directors implemented the stock option plan and with the help of the Remuneration Committee, identified the beneficiaries and fixed the general target which is the indispensable condition for the exercise of the option of any of the beneficiaries, and subsequently fixed the individual objectives for each beneficiary to achieve before being able to exercise his options.
On March 31 2009, one year from the conclusion of the "vesting period", noting the failure to achieve the individual objectives and the altered market conditions, which make the achievement of the general objective by the end of the three-year period unrealistic, the parent company concluded that the number of options reaching maturity is equal to zero. For this reason, in the period 2008/2009 no costs were accrued from the valuation at fair value of the options at the date of assignment, so the previously established reserve of 58 thousands Euro was posted to the income statement.

Share buy back Program

The ordinary Shareholders' Meeting of Damiani S.p.A. on February 22 2008 authorised a Group's share buy back program. The main objective of the operation is the realization of industrial projects with exchanges of blocks of shares. The operation was structured in the following way:
• Damiani S.p.A. was authorised to purchase a maximum of n. 8,250 thousands ordinary shares with a par value of 0.44 Euro 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 among the shareholders.

On March 31 2008, the total number of ordinary shares purchased amounted to n. 1,170,536, equal to 1.42% of the share capital of Damiani S.p.A., for a total amount of 2,337 thousands Euro at an average purchase price of 2.00 Euro per share. In the course of the year ended on March 31 2009, an additional n. 3,583,252 common shares of Damiani S.p.A. were purchased for a total outlay up to March 31 2009 of 5,759 thousands Euro at a mean purchase price of 1.607 Euro per share. Payment for the purchase of Rocca S.p.A. was partly effected utilizing n. 1,000 thousands thousands of the shares purchased in the previous period giving an amount of 2,050 thousands Euro at a mean value of 2.05 Euro per share.
On March 31 2009, net of the shares utilized for payment of the purchase of Rocca S.p.A., there were n. 3,753,788 Damiani S.p.A. shares held in treasury (equal to 4.54% of the share capital) for a value of 6,046 thousands Euro and a mean purchase price of 1.611 Euro 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.

Main risks and uncertainties for Damiani Group

Macro-economic risks

The economic, capital and financial performance of the Group is directly influenced by the macro-economic situation of the countries in which it is present.

During the period 2008/2009, the economic slowdown started in the United States and then reached Europe, when the initial financial crisis spread to the real economy, influencing patterns of consumption and investment with consequent impact on the entire productive sector. The real effects became aggravated by psychological elements tied to the worsening of the confidence of families and companies. Some macro-economic data (source: Bloomberg) for the areas in which Damiani Group principally operates give a picture of the trend of the crisis which has characterized the 12-month period 2008/2009.

• Euro zone: the first quarter of 2008 (January-March) registered a GDP of +2.2% over the same period of 2007, declining progressively as the recession manifested itself over successive quarters to the –4.6% of January-March 2009 (with growing unemployment); in the same period Italy declined from +0.4% to –3.0%;

• United States: in the first quarter of 2008, in spite of the fact that the sub-prime mortgage bubble had already burst, the country had registered a GDP still in growth (+2.5%) declining in the successive twelve months to –2.6% in the January-March quarter of 2009;

• Japan: even more serious is the situation in this country with a GDP which, in the first quarter of 2008 was already growing more slowly (+1.3%) declining until the first quarter of 2008 to –9.7%;

• Russia: although showing signs of slowdown (and limited availability of macro-economic data) the economic trend of this country, strongly tied to the exportation of raw materials (petroleum and its derivatives in the lead) registered a positive trend in 2008. In the 12-month period the GDP grew +5.6% compared to +8.1% in the preceding year.

The world economic crisis has had a negative impact on the performance of Damiani Group in 2008/2009 and if it continues, it may have a negative effect on the coming period.

Risks related to price fluctuations and availability of raw materials

Raw materials employed by Damiani Group are principally precious stones, gold, pearls and other precious materials whose prices and whose availability in the market can vary greatly in relation to factors such as government regulations, market trend and investors' speculative positions, relations with suppliers (above all concerning the purchase of diamonds) and consequent supply conditions.

During the period 2008/2009 the average price of gold was 19.72 Euro per gram (with values much higher than the average especially in the period February-March 2009), while the average price in the preceding financial period was 17.29 Euro per gram, a difference of about 14% on an annual basis.

The risks can be greater concerning the exchange rate trend since some raw material purchases are paid in dollars (diamonds) and Yen (pearls) while the company accounts are rendered in Euro.

Damiani Group mitigates this risk since the impact of such purchases is moderate with respect to the overall cost of production.

Purchases are made prevalently of finished products from suppliers with whom there are long-standing relationships and agreements defined over the medium term which attenuates the effects of sudden and frequent price oscillations such as were experienced during the financial period.

Exchange risk

Damiani Group presents its financial statements in Euro while exchange rate fluctuations (principally dollar and Yen) of currencies utilized by foreign subsidiaries outside the Euro area, after conversion, influence the financial results of the Group.

Moreover, some purchases of raw materials and finished goods are carried out in Dollars and Yen with consequent exposure to exchange risk. Whenever the risk is deemed significant (in periods of particular exchange variations) specific contracts are entered into for forward purchase of foreign currencies to cover the exchange risk the total amount of the forward purchase of foreign currencies was, during the Financial year 2008/2009, equal to USD 15,088 thousands.

At March 31 2009 there were contracts for forward currency purchases stipulated by Damiani S.p.A. for an amount valued in Euro at the spot exchange rate for the end of the term equal to 4,118 thousands Euro. On March 31 2008, the contracts amounted to 3,481 thousands Euro.

Interest rate risk

Group indebtedness as of March 31 2009 is about 30% medium term (net of the amount represented by the debt towards related parties connected with the operations of sale and lease back), with over 60% of this amount at fixed rate (with annual rates between 3.7% and 5.1% among the various loans outstanding). No medium term loan has a due date later than March 31 2013.

The Group had the need to use short term financing (credit lines and factoring) to cover part of its operating needs resulting in an exposure for this component to the oscillations of the interest rates; oscillations which are severe in moments of crisis in the credit market such as are being experienced at the present time. It must be noted in any case that the short term lines are only partly utilized and are equal to about 150.000.000 Euro.

With the objective of re-qualifying the financial sources and reducing the risk of exposure to interest rate fluctuations, as part of the restructuring of Group debt, at the beginning of June 2009, medium/long term loans (for a maximum of 6 years) were taken at fixed rate and are devoid of guarantees and covenants.

Liquidity risk
The financial equilibrium of the Group is principally tied on the one hand to the tight control of generated resources and resources absorbed by working capital related to operative activities, in turn strongly influenced by important seasonal effects with 40-45% of revenues concentrated in the third quarter (October-December) of the financial year and, to a lesser degree by investment and on the other hand by the due dates and the renewals of the financial debt and by the related conditions present in the credit market.
The Group manages liquidity risk by tight control of the elements which compose the working capital, constituted by inventory and by trade payables and receivables. During the financial period, Damiani S.p.A. resorted to transfer of credit for the purpose of optimizing the cost related to the diverse forms of financing possible. Moreover, Damiani Group has bank credit lines which are greater than its current utilization.
The increase of stock compared to the present volumes of activity has caused the management to evaluate the possible actions to carry out over the short and midterm to reduce it to the needs of the Group. To this end, the Parent companyhas already done salvage operations and is evaluating ways and times to enact other ones more aiming to recuperate raw materials, operations which are considered in the present market situation as those most effective in terms of liquidity risk management and providing maximum efficiency of working capital.

Credit risk
Credit risk may be defined as the possibility of suffering a financial loss as the result of other parties' failure to fulfill their contractual obligations.
As to trading partners, the Group deals with a select, set of customers mainly consisting of jewelry stores, so, generally collateral backed guarantees are not required. It's Group practice to subject its new customers to preliminary screening through a special business information provider and monitors all customers by assigning 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. dishonored bills), and these immediately trigger embargo procedures and accelerated credit recovery. This constant monitoring has determined, even in moments of market crisis like the present one, a containment of bad debts to an acceptable level.

For further details, see note 39. Management of financial risks and other information required by application of the IFRS 7 principle.

Human resources and environment

During the financial period ended at March 31 2009 the average number of human resources employed in Damiani Group was 649 units divided as follows:

Labour category

	FY closed at March 31 2008	% of the total	FY closed at March 31 2009	% of the total	Delta
Managers	55	10.8%	57	8.7%	2
Clerks	350	68.4%	511	78.7%	161
Workers	107	20.9%	81	12.6%	-26
Total	512		649		137

Geographical Area

	FY closed at March 31 2008	% of the total	FY closed at March 31 2009	% of the total	Delta
Italy	400	78.0%	511	78.8%	112
The Americas	40	7.8%	39	6.0%	-1
Japan	47	9.2%	59	9.0%	12
Rest of the World	26	5.0%	41	6.3%	15
Total	512		649		137

The increase registered during the period is principally due to the acquisition of Rocca Group (101 employees at March 31 2009), which contributes to the total, based on a pro-rata temporis calculation of the effective period of consolidation (seven months from September 1 2008 to March 31 2009) with an average of 63 units on the total (9.7% of the average workforce of the Group), besides the expansion of presence in the rest of the world (with the direct management of sales points) and the completion of the development in the productive area. Furthermore, it is noted that the workforce at March 31 2009 consisted of 66.7% women (of which 25 between Directors and managers, equal to 42.4% of the total) and the average age is 38.9 years.
During the period, there were no cases of accidents on the job which caused temporary or permanent injury to individuals on the payroll, nor were there any cases of professional sicknesses of employees or ex employees, nor cases of mobbing for which the company could be held responsible.
Actions taken to deal with the changed market situation which concerned personnel management were shared with the unions.

As concerns the environment, the activities of Damiani Group have no important impact on the environment. It is noted that, in the course of the period, the Group did not cause any damage to the environment for which it was declared guilty, nor was it the object of sanctions or punishments for offenses or environmental damages.

Compensation of administrative bodies

Compensation paid in the period to members of the administrative and control organs and managers with strategic responsibilities, as required by attachment 3C table 1 of the issuing regulations are given in note 38; Compensation to administrative bodies.

Key data

Share capital	March 31 2009	March 31 2008
Number of shares issued	82,600,000	82,600,000
Par value of individula shares	0.44	0.44
Share capital	36,344,000	36,344,000

Ownership	% on shares issued	% on shares issued
Leading Jewels S.A.	55.82%	52.49%
Guido Grassi Damiani	5.02%	5.01%
Silvia Grassi Damiani	5.68%	5.68%
Giorgio Grassi Damiani	6.11%	6.11%
Damiani S.p.A. (buy back) ([1])	4.54%	1.42%
Gabriella Colombo Damiani ([2])	0.15%	0.15%
Market	22.68%	29.14%

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

Individual	Office	Number of shares
Guido Grassi Damiani (indirectly n.46.103.092) ([3])	Director	4,150,808
Giorgio Grassi Damiani	Director	5,047.371
Silvia Grassi Damiani	Director	4,687,371
Strategic managers		9,000

([1]) The Shareholders' Meeting of February 22 2008 authorized the purchase of own shares within the following 18 month period for a maximum of n. 8,250 thousands ordinary shares of Damiani S.p.A.. At March 31 2009 the shares purchased amounted to n. 3,753,788 equal to 4.54% of share capital.
([2]) Usufructuary of 943,125 shares corresponding to 1.14% of share capital.
([3]) As controlling shareholder of Leading Jewels S.A., 3,753,788 shares of Damiani S.p.A. are attributable to Guido Grassi Damiani.

It is noted that, in consideration of the purchase of Rocca Group described above and its consolidation stating from September 1 2008, the economic and financial data of the period ended at 31 March 2009 subsequently reported are not fully comparable with the corresponding results of the preceding period.

Main economic data

(In thousands of Euro)	**FY closed at 31 March 2009**	**Of which Rocca Group contribution**	**FY closed at 31 Matrch 2008**	**Change %**
Revenues from sales and services	149,289	21,538	164,919	-9.5%
Total Revenues	149,791	21,595	174,108	-14.0%
Cost of production	(148,670)	(21,419)	(145,469)	2.2%
EBITDA *	**1,121**	**176**	**28,639**	**-96.1%**
EBITDA %	**0.7%**	**0.8%**	**16.4%**	
Depreciation and amortization	(4,191)	(810)	(2,503)	67.4%
Operating income	**(3.070)**	**(634)**	**26,136**	**n.s.**
Operating income %	**-2.0%**	**-2.9%**	**15.0%**	
Net Financial incomes (Losses)	(374)	(1,203)	(1,159)	-67.7%
Result before taxes	(3,444)	(1,837)	24,977	n.s.
Net result of the Group	(4,709)	(1,721)	15,127	n.s.
Basic Earnings (Losses) per Share	(0.06)		0.21	
Personnel Costs	(28,251)	(2,460)	(24,249)	16.5%
Average numbers of employees	649	63	512	26.8%
Gross Margin %**	48.8%	24.6%	53.8%	

(*) 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 Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.
(**) Gross Margin: the difference between revenues from sales and the cost of sales understood as the sum of costs for raw materials, other materials and the cost of operations performed outside the company. Gross margin thus defined is a measure used by management to monitor and evaluate the company's operational performance and is not considered an IFRS accounting measure. It cannot be considered an alternative measure for the evaluation of the Group's results. Since the composition of Gross Margin is not regulated by the referenced accounting principles, the criteria of determination applied by the company could not be homogeneous with that adopted by others and thus not comparable.

Balance sheet Data

(In thousands of Euro)	**Situation at March 31 2009**	**Situation at March 31 2008**	**change**
Fixed Assets	64,208	41,817	22,391
Net working capital	115,168	94,987	20,181
Non current Liabilities	(11,141)	(9,272)	(1,869)
Net Capital Invested	**168,235**	**127,532**	**40,703**
Net Equity	129,838	155,959	(26,121)
Net financial position(*)	38,397	(28,427)	66,824
Sources of Financing	**168,235**	**127,532**	**40,703**

(*) The net financial position was determined on the basis of the indications of Consob communication n. DEM/6064923 of 28.07.06.

The following table relates the results of the period ended March 31 2009 to the net capital of the parent company on March 31 2009 with the corresponding consolidated values:

(In thousands of Euro)	Situation at March, 31 2009	
Description	**Net Equity**	**Net Result**
Net equity of Damiani S.p.A.	**132,911**	**737**
1. Elimination of the book value of consolidated investments:		
Difference between book value and shareholders's equity	10,901	(4,308)
Total	**10,901**	**(4,308)**
2. Elimination of the transaction between consolidated companies:		
Infra-group profits included in the value of inventories		
- Gross Value	(24,875)	48
+ Deferred Taxes	5,107	(1,186)
Total	**(19,768)**	**(1,138)**
3. Other transactions		
Consolidation differences	4,282	
Total	**4,282**	
Net Equity and net Profit belonging to the Group	128,326	(4,709)
Net Equity and net Profit belonging to the Minorities	1,512	(156)
Net Equity and net Profit belonging to the Shareholders	**129,838**	**(4,865)**

Comments on the main economic, and financial data of the Group

The financial statement at March 31 2009 was elaborated with prudence and rigor in compliance with the international accounting principles IFRS and on the premise of continuity in that the Group maintains that there are no uncertainties concerning the capacity to continue its activity both in the productive-commercial sense and in the financial sense, for the foreseeable future.
Thus, in the period, the Group management carried out evaluation processes taking into account the changed market situation and which led to increased reserves of 5,910 thousands Euro, principally to rectify the values of current assets (as subsequently described). These reserves have affected the net result of the Group which is negative for 4,709 thousands Euro. Based upon management's evaluation, these reserves aim to align the financial situation to the realizable amounts in the short term and to reach a more adequate equilibrium of working capital with the level of revenues of the Group. Thus the consolidated result of the 2008/2009 period must be read and interpreted also in the light of these valuations adopted by the Group administrators. The trend of total revenues and of the profitability of Damiani Group in the period closed on March 31 2009 is given in the following table in which, for comparison purposes, the figures of the preceding period which closed on March 31 2008 are included. Moreover, for the purpose of analyzing more correctly performance net of the above mentioned reserves, the table shows also EBITDA and net adjusted results.

Profit & Loss *(In thousands of Euro)*	**FY closed at March 31 2009**	**Of which Rocca Group contribution**	**FY closed at March 31 2008**	**Change**	**Change %**
Revenues from sales and services	**149,289**	**21,538**	**164,919**	**(15,630)**	**-9.5%**
Other recurring revenues	502	57	683	(181)	-26.5%
Other non recurring revenues			8,506	(8,506)	-100.0%
Total Revenues	**149,791**	**21,595**	**174,108**	**(24,317)**	**-14.0%**
Cost of production	(148.670)	(21,419)	(145,469)	(3,201)	2.2%
EBITDA *	**1,121**	**176**	**28.639**	**(27,518)**	**-96.1%**
EBITDA %	**0.7%**	**0.8%**	**16.4%**		
Depreciation and amortization	(4,191)	(810)	(2,503)	(1,688)	67.4%
Operating income	**(3,070)**	**(634)**	**26,136**	**(29,206)**	**-111.7%**
Operating income %	**-2.0%**	**-2.9%**	**15.0%**		
Net Financial incomes (losses)	(374)	(1,203)	(1,159)	785	-67.7%
Result before taxes	(3,444)	(1,837)	24,977	(28,421)	-113.8%
Result before taxes %	-2.3%	-8.5%	14.3%		
Taxes	(1,421)	116	(9,675)	8,254	-85.3%
Net result	**(4,865)**	**(1,721)**	**15,302**	**(20,167)**	**n.m.**
Net result %	**-3.2%**	**-8.0%**	**8.8%**		
Minorities Interests	(156)		175	(331)	n.m.
Net result of the Group	(4,709)	(1,721)	15,127	(19,836)	n.m.
Net result of the Group %	-3.1%	-8.0%	8.7%		

(*)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.

Adjusted Economic Data

(In thousands of Euro)	FY closed at March 31 2009	FY closed at March 31 2008	Change	Change %
EBITDA reported	**1,121**	**28,639**	**(27,518)**	**-96.1%**
Devaluation of inventories	3,875			
Delta on provisions to Bad Debts reserve	2,035			
Net Key money		(7,946)		
EBITDA adjusted	**7,031**	**20,693**	**(13,662)**	**-66.0%**
Net result reported	**(4,865)**	**15,302**	**(20,167)**	**n.m.**
Effects of adjustments before taxes	5,910	(7,946)		
Fiscal effects on adjustments	(472)	467		
Net result adjusted	**573**	**7,823**	**(7,250)**	**-92.7%**

Revenues

Total consolidated revenues declined in the period 2008/2009 by 24,317 thousands Euro with respect to 2007/2008, passing from 174,108 thousands Euro to 149,791 thousands Euro, a reduction of 14.0% compared to the preceding period. Net of the contribution of Rocca Group, the total revenues would have been in decline by 26.4%.

Net of non-recurring revenues which occurred in the period 2007/2008 (Receipt of key money for the early ceding to third parties of lease contracts for 8,506 thousands Euro) the reduction of revenue would have been less; equal to 15,811 thousands Euro (-9.5% with respect to the adjusted preceding period).

The following table gives revenues by sales channels.

Revenues by Sales Channel *(In thousands of Euro)*	FY closed at March 31 2009	Of which Rocca Group contribution	FY closed at March 31 2008	Change	Change %
Retail	**25,380**	**14,762**	**9,856**	**15,524**	**157.5%**
Percentage on total sales	16.9%	68.4%	5.7%		
Wholesale	**107,249**		**147,852**	**(40,603)**	**-27.5%**
Percentage on total sales	71.6%		84.9%		
Other channels	**16,660**	**6,776**	**7,211**	**9,449**	**131.0%**
Percentage on total sales	11.1%	31.4%	4.1%		
Total revenues from sales and services	**149,289**	**21,538**	**164,919**	**(15,630)**	**-9.5%**
Percentage on total sales	99.7%	99.7%	94.7%		
Other channel/ other recurring revenues	502	57	683	(181)	-26.5%
Other channel/ other non recurring revenues			8,506	(8,506)	
Total Revenues	**149,791**	**21,595**	**174,108**	**(24,317)**	**-14.0%**

• Revenues of the retail channel were 25,380 thousands Euro, an increase of 157.5% over the preceding period (+155.9% with constant exchange rates) thanks to the growing weight of the directly managed mono-brand boutique (+15.9% over 2007/2008) and to the contribution of the Rocca brand in the multi-brand boutiques included in the perimeter of activities starting from September 1 2008, whose revenues were 13,953 thousands Euro. In the wholesale channel, revenues were 107,249 thousands Euro, -27.5% at current exchange rates (-28.1% a constant rates) with the decline attributable mainly to the stagnation of the domestic market to which was added the slowing of sales in some foreign countries in which the Group has a significant presence.

• In the period closed on March 31 2009, in addition to the core channels, the Group generated other revenues for 16,660 thousands Euro (+131.0% over the previous period) mainly from sales of jewelry products in other distribution channels with partners with whom the Group does not have continuous relations. This includes 6,776 thousands Euro realized by Rocca Group (principally for barter operations) as part of the activity already defined in the acquisition.

Gross Margin

In the period 2008/2009, the Gross Margin is 48.8%, in decline by 5 percentage points with respect to the previous period (53.8%). This reduction is mainly traceable to lower margins realized in the Rocca network by sales of third party brands.

Costs of production

The total net costs of production in the financial period ended March 31 2009 were 148,670 thousands Euro, an increase of 3,201 thousands Euro (+2.2%) over the period ended on March 31 2008 (145,469 thousands Euro). Both periods were influenced by currency components, net of which the costs or production would have been respectively 142,760 thousands Euro in 2008/2009 and 144,909 thousands Euro in 2007/2008, with a reduction of 2,149 thousands Euro.

In detail, the trend of costs in the period ended on March 31 2009 was the following:

• Costs of raw materials and other materials, including purchase of finished products, were 71,090 thousands Euro, an increase of 1.7% over the 12-month period ended March 31 2008 (69,898 thousands Euro). The cost trend in the period 2008/2009 includes the inventory devaluation reserve for 3,133 thousands Euro, effected with reference to specific products for which, in the present market situation (also in geographic terms) there is reduced marketability so the reserve was created corresponding to the loss to be suffered by their demobilization. Moreover, the losses already realized by salvaging of jewels by melting and recuperation of raw materials were 742 thousands Euro. Net of these operations, the cost of raw materials and other materials would have been 67,215 thousands euro, a reduction of 2,683 thousands Euro with respect to the previous period. Without the contribution of Rocca Group cost of raw materials and other materials would have been 55,132 thousands Euro with a decrease of 21.1 % over the previous period.

• Other costs for services amount to 55,847 thousands Euro, an increment of about 4.0% over the preceding period (53,719 thousands Euro); the increase is principally traceable to higher rents paid for the development of the retail channel, realized in the course of the period 2008/2009 both in direct form (with the opening of 10 new boutiques in Italy and abroad) and by acquisition of the Rocca network with its 17 multi-brand boutiques. Without the contribution of Rocca Group yhe other costs of services would have been 52,543 thousands Euro with a decrease of 2.2% over the previous period.

• Personnel cost amounts to 28,251 thousands Euro, an increase of 16.5% over the preceding period (24,249 thousands Euro); the increase depends mainly on the average increase of the number of personnel in the Group which was about 26.8% between the two periods being compared (effect of the increase of the internal productive capacity and of the expansion of the retail channel principally through acquisition of Rocca Group). Net of the contribution of Rocca Group the increase would have been 1,542 thousands Euro (+6.4% over the period 2007/2008). Damiani Group initiated, in the fourth quarter of the period some actions to rationalize its organization which have already begun to give positive effects on the labor cost (in the fourth quarter alone the labor cost was 6,947 thousands euro against 8.034 thousands in the corresponding period of the previous financial year) and which will be amply manifest in the following financial year.

• Other net operating income of 6,518 thousands Euro for a positive balance of 2,397 thousands Euro in the period 2007/2008, with a consequent increment of 4,121 thousands Euro. This variation depends both on the increment in the positive balance relative to exchange differences and other net operating incomes for 6,231 thousands Euro and on the increase of accrual to the bad debt reserve for 2,035 thousands Euro,respect to the precious financial period, determined on the basis of a prudent evaluation of the management related to the current situation of economic crisis which leads to a higher increase of credit risk. Exchange gains amount to 10,528 thousands Euro and are relative to trade receivables which, in the preceding financial year had given rise to exchange losses for 2,122 thousands Euro; in order to eliminate the related risk of exchange oscillation, in the course of the period 2008/2009 these trade receivables were closed.

EBITDA

The trend of revenues and costs of the production described above determine a value of EBITDA in the period closed on March 31 2009 of 1,121 thousands Euro with an impact on revenues of 0.7%, reduced with respect to the gross operating result of the preceding financial year both in absolute terms (minus 27,518 thousands Euro) and in marginal terms (16.4% in the period closed on March 31 2008).

This performance is also affected by items of revenue and cost which in the two periods being compared are non-recurrent, net of which the EBITDA values would be respectively 7,031 thousands Euro in 2008/2009 and 20,693 thousands in the previous period 2007/2008, with a smaller consequent difference between the two periods (13,662 thousands Euro instead of 27,518 thousands Euro).

Amortization and devaluation

In the financial year closed on March 31 2009, amortizations amounted to 4,191 thousands Euro, 1,688 thousands Euro more than the previous 12-month period. The increase is due principally to the inclusion in the perimeter of consolidation of the fixed assets of the Rocca Group (888 thousands Euro of amortizations and devaluations), as well as amortization of the investments made in support of the development of the retail channel.

Operating result

In the financial year ended on March 31 2009, due to effects described above, the operating result was negative by 3,070 thousands Euro compared to a positive result of 26,136 thousands Euro in the period 2007/2008,

Net financial costs

The financial result in the period closed on March 31 2009 was negative 374 thousands Euro, an improvement of 785 thousands Euro with respect to the preceding period which closed on 31 March 2008 (negative result of 1,159 thousands Euro). The improvement is attributable both to the lower net interest costs (in relation to the different structure and to the average level of financial indebtedness in the two periods) and to net exchange gains.

Pre-tax result
In the financial year closed on March 31 2009 the pre-tax result was 3,444 thousands Euro in negative, worse than the period ended March 31 2008 by 28,421 thousands Euro. Net of all non-recurring effects, the pre-tax result of 2008/2009 would have been 2,466 thousands Euro, with a contraction of 14,565 thousands Euro with respect to the financial year 2007/2008 normalized.

Current, prepaid and deferred taxes
In the financial year closed on March 31 2009 income taxes were 1,421 thousands Euro, a decrease of 8,254 thousands Euro compared to the period closed on March 31 2008.
Although in presence of a negative pre-tax result, there was income tax to be paid due to the prudent choice (as in the preceding financial year) to not calculate credits for prepaid taxes relative to losses registered by foreign subsidiaries, whose recoverability is not at this time calculable.

Net result
The net Group consolidated result for the financial year ended on March 31 2009 was 4,709 thousands Euro negative, a reduction of 19,836 thousands Euro with respect to the year closed on March 31 2008.
Net of all the effects deriving from the changed market situation, the net consolidated result of March 31 2009 would have been positive and equal to 573 thousands Euro, a reduction with respect to the adjusted result of the preceding year of 7,250 thousands Euro.

Capital and financial situation
The consolidated capital-financial situation of Damiani Group on March 31 2009 compared to that of March 31 2008 is given in the following table:

Balance sheet Data

(In thousands of Euro)	**Situation at March 31 2009**	**Situation at March 31 2008**	**change**
Fixed Assets	64,208	41,817	22,391
Net working capital	115,168	94,987	20,181
Non current Liabilities	(11,141)	(9,272)	(1,869)
Net Capital Invested	**168,235**	**127,532**	**40,703**
Net Equity	129,838	155,959	(26,121)
Net financial position(*)	38,397	(28,427)	66,824
Sources of Financing	**168,235**	**127,532**	**40,703**

(*) The net financial position was determined on the basis of the indications of Consob communication n. DEM/6064923 of 28.07.06.

Invested capital
On March 31 2009 the consolidated invested capital is equal to 64,208 thousands Euro, an increase over March 31 2008 of 22,391 Euro, principally due to the effect of the variations in the perimeter of consolidation deriving from the acquisition of Rocca and the effect of investments related to the opening of new directly managed sales points, including the payment of key money.

Net working capital
On March 31 2009, the net working capital amounts to 115,168 thousands Euro, an increase with respect to March 31 2008 of 20,181 thousands Euro: this variation is principally due to the increment in finished goods inventory due to the contribution of Rocca Group which contributes to the total for 29,249 thousands Euro.

Non-current liabilities
On March 31 2009, non-current liabilities amount to 11,141 thousands Euro, an increase with respect to March 31 2008 of 1,869 thousands Euro.

Net capital
On March 31 2009 net capital amounted to 129,838 thousands Euro, a decrease of 26,121 thousands euro from March 31 2008. The variation, as well as the net result of the financial period, is due to the following main reasons:
- acquisition of Rocca Group for 7,307 thousands Euro (for the effects on the net capital of the elimination of the margins realized on the sales effected by companies of Damiani Group before the acquisition for products included among the inventory of Rocca S.p.A. at the moment of the transaction and for the debiting to the net capital reserves of the over-price paid for the operation concluded with a related party);
- effects deriving from the purchase of own shares carried out in the period (net of the partial usage for the Rocca S.p.A. acquisition) for 3,709 thousands Euro;
- recording of exchange differences from financial statements conversions in currencies different from the Euro into Euro for 9,458 thousands Euro.

Net financial position
The composition of the net financial position on March 31 2009 and its evolution with respect to March 31 2008 is given in the following table:

Net Financial Position (*)

(in thousands of Euro)	**Situation at March 31 2009**	**Situation at March 31 2008**	**change**
Medium-Long term loans and financing- current portion	8,902	4,474	4,428
Usage of credit lines, short term finanncing and others	16,229	2,593	13,636
Medium-Long term loans and financing with related parties- current portion	779	688	91
Current financial indebtness	**25,910**	**7,755**	**18,155**
Medium-Long term loans and financing- non current portion	5,757	8,562	(2,805)
Medium-Long term loans and financing with related parties- non current portion	16,272	8,069	8,203
Non-current financial indebtness	**22,029**	**16,631**	**5,398**
Total financial indebtness	**47,939**	**24,386**	**23,553**
Cash and cash equivalents	(9,542)	(52,813)	43,271
Net Financial Position (*)	**38,397**	**(28,427)**	**66,824**

(*) The net financial position was determined on the basis of Consob communication n. DEM/6064923 of 28.07.06.

On March 31 2009, the Group had a net financial indebtedness of 38,397 thousands Euro and net available liquidities of 28,427 thousands Euro, a consequent decrease of 66,824 thousands Euro. This reduction is attributable to the consolidation of Rocca Group (which had net financial debt including loans received from the parent company Damiani S.p.A. of 32,201 thousands Euro on March 31 2009) and to the outlay sustained both for acquisition of Rocca S.p.A. and for the buy-back plan (a total of 11,152 thousands Euro), as well as the investments realized and the increase in cost of operations, negatively influenced by the economic crisis.
It is noted that the net financial position on March 31 2009 also includes 17,051 thousands Euro in debts towards related parties for 7 real estate operations booked as sale and lease-back. On March 31 2008, this debt component amounted to 8,757 thousands Euro; the increment is due to properties owned by a related party which are used by Rocca S.p.A.
Respect to December 31 2008, the consolidated financial position had improved by 842 thousands Euro.

Investments (CAPEX)
During the financial year which closed on March 31 2009, industrial investments of 5,932 thousands Euro had been realized compared to 7,453 thousands Euro in the preceding financial year.
These investments are principally related to the development of the retail channel and consist of key money paid to third parties for renewal/takeover of lease contracts and costs of restructuring and furnishing the boutiques.

Principal economic data by geographic area

Geographic areas identified in reference to international accounting principal IAS 14 and corresponding to the areas “Italy”, “Americas”, “Japan” and “Rest of the world” are listed below:

i) the Italian area includes the revenues and operating costs of the parent company Damiani S.p.A. and it’s subsidiaries which operate in Italy;
ii) the Americas area includes revenues and operating costs of Damiani USA Corp. which operates in the United States of America and markets the Group’s products throughout the continent;
iii) the Japanese area includes revenues and operating costs of Damiani Japan KK which operates in Japan;
iv) the Rest of the World area includes revenues and operating costs of the other subsidiaries which operate and sell in other countries not included in the preceding defined areas.

Revenues in the period ended on March 31 2009 and the preceding year closed on March 31 2008 for each geographic area are shown in the following table:

Revenues by Geographical Area

(in thousands of Euro)	**FY closed at 31 March 2009**	**% of total**	**FY closed at 31 March 2008**	**% of total**	**% change**
Italy	**109,227**	**72.9%**	**122,100**	**70.1%**	**-10.5%**
Revenues from sales and services	108,761		121,467		-10.5%
- Other recurring revenues	466		633		-26.4%
Americas	**7.692**	**5.1%**	**7,756**	**4.5%**	**-0.8%**
Revenues from sales and services	7,692		7,756		-0.8%
Japan	**9,667**	**6.5%**	**11,794**	**6.8%**	**-18.0%**
Revenues from sales and services	9,660		10,882		-11.2%
- Other recurring revenues	7		18		-61.1%
- Other non recurring revenues			894		-100.0%
Rest of the World	**23,205**	**15.5%**	**32,458**	**18.6%**	**-28.5%**
Revenues from sales and services	23,176		24,814		-6.6%
- Other recurring revenues	29		32		-9.4%
- Other non recurring revenues			7,612		-100.0%
Total Revenues	**149,791**	**100.0%**	**174,108**	**100.0%**	**-14.0%**

All the geographic areas present reductions with respect to the preceding financial year; though with different timings and intensities, all have suffered the effects of the international economic crisis.

In **Italy** (-10.5%) the strong contraction of the wholesale channel is partially mitigated by the growing contribution of the retail channel generated by the boutiques managed by Rocca Group (for the period September 2008 – March 2009). Overall, Rocca Group accounts for about 19% of the total Italian revenues.
In **Americas** the substantially unchanged revenues (-0.8%) were due to the positive trend of sales in Central/South America which compensates the contraction of the United States.
In **Japan** the contraction of 11.2% (net of the non-recurring revenues booked in 2007/2008) suffers the decline in wholesale sales while retail, with the new boutique in Tokyo, registers a slight increase.
In **Rest of the World** the reduction of –6.6% (net of the non-recurring revenues of the last financial year) manifested itself in the second half of the 2008/2009 period when signs of the crisis appeared in some countries which contribute to an important degree to the revenues of the area (particularly Russia and the former Soviet Republics).

EBITDA values for each geographic area in the period ended March 31 2009 and the period ended March 31 2008 are given in the following table.

EBITDA by Geographical Area*

(in thousands of Euro)	**FY closed at 31 March 2009**	**% of total**	**FY closed at 31 March 2008**	**% of total**	**change %**
Italy	**(381)**	**-34.0%**	**23,587**	**82.4%**	**n.s.**
- Italy net of change effects	677		22,707		
Americas	**1,369**	**122.1%**	**(5,443)**	**-19.0%**	**n.s.**
- Americas net of change effects	(4,297)		(5,443)		
Japan	**(409)**	**-36.5%**	**(1,338)**	**-4.7%**	**69.4%**
- Japan net of change effects	(5,156)		(1,338)		
Rest of the World	**543**	**48.4%**	**11,833**	**41.3%**	**-95.4%**
- Rest of world net of change effects	(630)		14,835		
Consolidated EBITDA	**1,121**	**100.0%**	**28,639**	**100.0%**	**-96.1%**
% of turnover	0.7%		16.4%		

(*) 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.

In terms of EBITDA, the **Italy** segment shows a strong contraction due to the effect of the reduction of wholesale revenues and the lower marginality of sales of third party brands in the Rocca net and of indirect costs dimensioned for greater sales volumes and whose adjustment to the reduction of revenues cannot be immediate. Net of exchange gains/losses the variation of Ebitda would have been less severe.

The reduction of EBITDA in the **Rest of the World** segment is due principally to the reduction of revenues and the impact on the values of the last financial year of non-recurring transactions.

The **Americas** area registers, in the period ended on March 31 2009, a positive gross operating margin of 1,369 thousands Euro, in net improvement with respect to that of the preceding year due to the effect of exchange gains from the revaluation of the dollar against the Euro and the implementation of savings measures in the cost structure, from which further positive effects are expected in the new financial year.

The **Japan** area had a negative marginality in the period closed on March 31 2009 with an improvement attributable solely to the revaluation of the Yen against the Euro. Due to the strong market crisis in Japan, the implementation of the savings program has not yet manifested the benefits which are expected in the next period.

Transaction with related parties

The Damiani Group has mainly commercial relations (sales of jewelry products of different group brands), related to the core business of the Group, as well as real estate business (rental of space for office and shop use).

Data concerning dealings of the Group with related parties in the period ended March 31 2009 and the previous financial year are displayed hereunder. It is noted that starting from September 1 2008, Rocca Group was included in the consolidation perimeter, thus transactions between the Group and other companies belonging to Damiani Group are no longer included in the following table (for further details see note 32 in the consolidated balance sheet – Operations with related parties)

(in thousands of Euro)	FY closed at March 31 2009			Situation at March 31 2009			
	Revenues	**Operating Costs**	**Financial expenses incomes**	**Trade receivables**	**Financial payables (including leasing)**	**Trade payables**	**Lease back property**
Total with related parties	2,291	(2,434)	(995)	31	(17,051)	(870)	16,250
Total from Financial Statements	149,791	(152,861)	(2,651)	54,551	(31,710)	(70,923)	
% age weight	2%	2%	38%	0%	54%	1%	

(in thousands of Euro)	FY closed at March 31 2008			Situation at March 31 2008			
	Revenues	**Operating Costs**	**Financial expenses incomes**	**Trade receivables**	**Financial payables (including leasing)**	**Trade payables**	**Lease back property**
Total with related parties	7,956	(2,370)	(549)	3,846	(8,757)	(746)	8,710
Total from Financial Statements	174,108	(147,972)	(1,159)	65,794	(21,793)	(65,305)	
% age weight	5%	2%	47%	6%	40%	1%	

Non-recurring, atypical and/or unusual operations

There are no positions or transactions deriving from atypical, unusual and non-recurring operations as defined in the Consob ruling n. 15519 of 27.07.2006.

Significant events of the financial year

On September 15 2008 Damiani S.p.A. completed the purchase of 100% of the shares of Rocca S.p.A. with accounting effect starting fom September 1 2008, the closing date closest to that of the acquisition (for further details see note 4 of the consolidated balance sheet, and the description of the various notes of the financial statements which highlight the principal capital and economic impacts on the consolidated values).

Furthermore, in the course of the financial period the process aiming at development of the retail channel with the opening of new directly managed mono-brand sales points continued. The most important openings were:

- On June 19 2008 a new Damiani boutique was opened in Rodeo Drive in the prestigious quarter of Beverly Hills in Los Angeles.
- On June 24 2008 a new Bliss boutique was opened in Alessandria
- On July 4 2008, a new Bliss boutique was opened in Torino;
- On September 10 2008, the Group inaugurated the first boutiques commercializing the Calderoni and Salvini brands in via Montenapoleone in Milano. The Calderoni brand, purchased by the Group in 2006, was carefully restyled to achieve the elegance and creative uniqueness which have always distinguished this historic brand.
- At the end of September a new Damiani boutique was opened in the central via Roma in Torino.
- In October 2008, in Shinsaibashi, Osaka and in Omotesando, Tokyo, prestigious quarters where the most famous international brands are concentrated and which constitute a point of reference in the world of luxury the first mono-brand Bliss boutiques were inaugurated. These openings are part of an accord concluded on 30 September with a Japanese partner which contemplates the opening of 40 Bliss sales points in Japan over the next five years;
- In October 2008, a directly managed mono-brand Damiani boutique was opened in Naples;
- On November 24 2008, a Damiani franchise boutique was opened in Dubai in the prestigious Dubai mall.
- On December 3 2008, the second Damiani franchise boutique was opened in Odessa (Ukraine);
- On December 15 2008, a directly managed Damiani mono-brand boutique was opened in St. Moritz;
- In December 2008, a multi-brand Rocca boutique was opened in Genoa;
- On March 30 2009, Bliss opened its first franchise boutique in the heart of Central America in the Allbrook Mall in Panama.

On June 19 2008, the same date as the opening of the new boutique in Rodeo Drive, Damiani launched the new press campaign in Los Angeles with the actress Sharon Stone as world testimonial for the Damiani brand.

On July 7 2008, Damiani S.p.A., in accordance with article 89 bis, paragraph 3 of the Consob regulations n. 11971/1999, published the "Annual report on the corporate governance of Damiani S.p.A.". The document, available in the headquarters of the company in Valenza (AL), can be consulted online at www.damiani.com, Investor Relations section – Corporate Governance.
In September 2008, Damiani Group signed a contract with Jil Sander for the production of the first line of jewelry of the German prèt à porter house. The relationship has progressed and further reinforced in the months following up to the stipulation of a license agreement in the month of June 2009:

In October 2008, Damiani Group was present at the International Film Festival (Festival Internazionale del Cinema) in Rome, customizing the eight prestigious awards that were assigned to the best films and to the best actors of all the categories, as well as the Marc'Aurelio d'oro for the career given to the American actor Al Pacino.

In the period January 30-February 15 2009, Damiani participated in the Louis Vuitton Pacific Series in Auckland, the most prestigious world sailing event of 2009, sponsoring the team Italia Challenge with excellent results in terms of international visibility and for the flattering results achieved by the boat.

Significant events following the end of the financial year

On April 3 2009, the Shareholders' Meeting of Damiani S.p.A. appointed the new Board of Directors which remains in office until approval of the balance sheet of 31.03.2012, setting their number at seven members.

Subsequent to March 31 2009, Damiani S.p.A. continued the purchasing of own shares as authorized by the Shareholders' meeting of February 22 2008. As of June 8 2009, Damiani has a total in its portfolio of 4,714,518 ordinary shares equal to 5.71% of share capital for a value of 7,183 thousands Euro.

Damiani Group was selected by Sony Pictures to create a partnership which created the unique and exclusive jewelry worn by the cast of the film "Angels and Demons", the most highly anticipated Hollywood film of the year showing in Italian cinemas since May 2009.

In May, an agreement was signed with the prestigious fashion brand, Gianfranco Ferrè, for the production of exclusive jewelry to be distributed in the Ferrè Boutiques as well as other selected clients.

Damiani International BV is completing the restructuring and furnishing of the new Damiani boutique which will be inaugurated in London in the first half of the new financial period.

Business outlook

The global economic crisis which began to manifest its real effects in 2008 and has continued through the early months of 2009 with a general contraction of GDP, drop in employment and a lasting climate of reduced consumer confidence, makes it difficult to make forecasts even in the short term that are not characterized by a high level of uncertainty which also distinguishes the macroeconomic appraisals of all the most authoritative public and/or private institutions in the world (BCE, FED, etc. . .)
In this complex context, the management of Damiani Group launched a series of actions to rationalize its commercial and productive structure with the objective of containing operating costs and improving the profitability of the Group not only in the short but also in the medium and long term and whose guidelines are the object of constant monitoring to be able to adapt them quickly to the evolution of the macroeconomic context of reference and to the signals coming from consumers.
Thus Damiani Group intends to maintain its position of leadership in the domestic market and reinforce its presence abroad with a strongly differentiated offer thanks to its ample portfolio of own brands and prestigious third party brands sold through the Rocca network, the only player in Italy with characteristics and content which make it exportable.
On the other hand, in the next months, along the lines already developed in the course of the financial year 2008/2009 with positive reactions from the market, the Group will continue to develop commercial agreements and/or license agreements with prestigious brands of international notoriety for which the consolidated prestige of the Damiani brand and the proven technical-artistic capacity of the Group constitute factors critical to success. Lastly, in the course of 2009/2010, projects of brand extension will be developed which will constitute an important driver of growth for Damiani Group over the midterm.

Milan, June 12 2009

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

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Consolidated balance sheet

(in thousands of Euro)	**Note**	**March 31 2009**	**March 31 2008**
NON-CURRENT ASSETS			
Goodwill	5	5,002	5,002
Other Intangible Fixed Assets	6	9,204	7,056
Tangible Fixed Assets	7	26,626	14,698
of which towards related parties		16,250	8,710
Investments	8	169	169
Financial receivables and other non current assets	9	4,655	2,663
Deferred tax assets	10	18,552	12,229
TOTAL NON CURRENT ASSETS		**64,208**	**41,817**
CURRENT ASSETS			
Inventories	11	121,192	94,713
Trade receivables	12	54,551	65,794
of which towards related parties		31	3,846
Tax receivables	13	5,571	394
Other current assets	14	12,619	14,718
Cash and cash equivalents	15	9,542	52,813
TOTAL CURRENT ASSETS		**203,475**	**228,432**
TOTAL ASSETS		**267,683**	**270,249**
GROUP SHAREHOLDERS' EQUITY			
Share Capital		36,344	36,344
Reserves		96,691	102,742
Group net income (loss) for the period		(4,709)	15,127
TOTAL GROUP SHAREHOLDERS' EQUITY		**128,326**	**154,213**
MINORITY SHAREHOLDERS' EQUITY			
Minority share capital and reserves		1,668	1,571
Minority net income (loss) for the period		(156)	175
TOTAL MINORITY SHAREHOLDERS' EQUITY		**1,512**	**1,746**
TOTAL SHAREHOLDERS' EQUITY	16	**129,838**	**155,959**
NON CURRENT LIABILITIES			
Long term financial debt	17	22,029	16,631
of which towards related parties		16,272	8,069
Termination Indemnities	18	4,868	4,223
Deferred Tax liabilities	10	4,227	2,608
Other non current liabilities	19	2,046	2,441
TOTAL NON CURRENT LIABILITIES		**33,170**	**25,903**
CURRENT LIABILITIES			
Current portion of long term financial debt	17	9,681	5,162
of which towards related parties		779	688
Trade payables	20	70,923	65,305
of which towards related parties		870	746
Short term borrowings	21	16,229	2,593
Income tax payables	22	2,752	8,977
Other current liabilities	23	5,090	6,350
TOTAL CURRENT LIABILITIES		**104,675**	**88,387**
TOTAL LIABILITIES		**137,845**	**114,290**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**267,683**	**270,249**

Consolidated income statement

(in thousands of Euro)	Note	FY closed at March 31 2009	FY closed at March 31 2008
Revenues from sales and services		149,289	164,919
of which towards related parties		2,291	7,956
Other recurring revenues		502	683
Other non-recurring revenues			8,506
TOTAL REVENUES	24	**149,791**	**174,108**
Costs of raw materials and consumables	25	(71,090)	(69,898)
Costs of services	26	(55,847)	(53,719)
of which towards related parties		(1,218)	(1,499)
Personnel cost	27	(28,251)	(24,249)
Other net operating (charges) incomes	28	6,518	2,397
Amortization and depreciation	29	(4,191)	(2,503)
of which towards related parties		(1,216)	(871)
TOTAL OPERATING EXPENSES		**(152,861)**	**(147,972)**
OPERATING INCOME (LOSS)		**(3,070)**	**26,136**
Financial Expenses	30	(2,651)	(3,312)
of which towards related parties		(995)	(586)
Financial Incomes	30	2,277	2,153
of which towards related parties			37
INCOME (LOSS) BEFORE INCOME TAXES		**(3,444)**	**24,977**
Income Taxes	31	(1,421)	(9,675)
NET INCOME (LOSS) FOR THE PERIOD		**(4,865)**	**15,302**

Attibutable to:			
Group		(4,709)	15,127
Minorities		(156)	175

Basic Earnings (Losses) per Share(*)		(0.06)	0.21
Diluted Earnings (Losses) per Share(*)		(0.06)	0.21

(*) The basic earnings (losses) per share were calculated according to the instructions of IAS 33 paragraph 64 taking into account the increment of the number of shares due to the increase of capital related to the quotation of the parent company on the regulated market, STAR segment, managed by the Italian Stock Exchange. Also taken into account were the effects of the purchase of own shares since March 2008 following the authorization of the shareholders' meeting of February 22 2008.

Changes in consolidated shareholders' equity

(in thousands of Euro)	Share Capital	**Share Premium Reserve**	Legal Reserve	**Cash flow hedging reserve**	Shareholder's payment reserve	**Stock option reserve**	Own Shares	**Other reserves**	Net income (Loss) for the period	**Group shareholder's equity**	Minorities shareholder's equity	**Total shareholder's equity**
Balances at 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 profit 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 option						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 March 31 2008	**36,344**	**69,858**	**1,628**	**-**	**8,618**	**58**	**(2,337)**	**24,917**	**15,127**	**154,213**	**1,746**	**155,959**
Allocation of the profit for the period			769					14,358	(15,127)	-		-
Adjustment to fair value of the cash flow hedging				(91)						(91)		(91)
Other movements								(555)		(555)	(78)	(633)
Purchase of own shares							(5,759)			(5,759)		(5.759)
Release of stock option reserve						(58)				(58)		(58)
Utilization of own share for Rocca S.p.A.purchase							2,050			2,050		2,050
Conversion reserve								(9,458)		(9,458)		(9,458)
Surplus in the Rocca S.p.A. purchase price								(2,544)		(2,544)		(2,544)
Elimination of intercompany margins in Rocca Group inventory at the purchase date								(4,763)		(4,763)		(4,763)
Net income (loss) for the period									(4,709)	(4,709)	(156)	(4,865)
Balances at March 31 2009	**36,344**	**69,858**	**2,397**	**(91)**	**8,618**	**-**	**(6,046)**	**21,955**	**(4,709)**	**128,326**	**1,512**	**129,838**

Consolidated funds flow statement

(in thousands of Euro)		FY closed at March 31 2009	FY closed at March 31 2008
CASH FLOW PROVIDED BY OPERATING ACTIVITIES			
Net income (loss) for the period		(4,865)	15,302
Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:			
Amortization, depreciation and write-downs		4,191	2,503
Costs (Revenues) for stock option		(58)	58
Gain from sale of intangible and tangible assets		(21)	-
Provisions to Bad Debts Reserve		3,093	1,058
Changes in the Fair value of Financial Instruments		126	(109)
Provisions for termination Indemnity and actuarial valuation of ELI Fund		233	109
Termination indemnity payments		(407)	(434)
Changes in the deferred tax assets and liabilities		(3,729)	(2,499)
		(1,437)	**15,988**
Changes on operational assets and liabilities			
Trade receivables		9,395	(5,874)
Inventories		(4,959)	7
Trade payables		(8,449)	4,223
Tax receivables		(5,130)	(250)
Income Tax payables		(6,308)	4,120
Other current and non current assets and liabilities		10,622	(1,580)
NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)		**(6,266)**	**16,634**
CASH FLOW FROM INVESTING ACTIVITIES			
Cash in from disposal of Intangible and tangible Fixed Assets		83	90
Tangible Fixed Assets purchased		(4,568)	(1,762)
Intangible Fixed Assets purchased		(1,364)	(5,692)
Net change in the other non current assets		(1,255)	1,990
Cash used for the acquisition of Rocca Group, net of cash acquired [1]:		(3,865)	
Intangible assets	(2,100)		
Tangible assets	(10,994)		
Trade receivables	(1,245)		
Inventories	(30,795)		
Trade payables	14,067		
Other current and non current assets and liabilities	(10,785)		
Financial indebtness	37,954		
Minorities shareholders equity	33		
NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)		**(10,969)**	**(5.374)**
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of long-term debt		(6,155)	(25,386)
Net change in short term financial liabilities		(8,246)	(12,231)
Purchase of own shares		(5,759)	(2,337)
Cash used for the distribution of reserves to the mayorities Shareholders in relation with the acquisition of Rocca Group (1)		(494)	
Increase in share capital and payments in by shareholders			69,149
Dividends paid		-	(1,896)
Other changes in Net Equity		(5,382)	157
NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)		**(26,036)**	**27,456**
TOTAL CASH FLOW (D=A+B+C)		**(43,271)**	**38,716**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)		**52,813**	**14,097**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E)		**9,542**	**52,813**

[1] The total of the purchase was equal to 7,443 thousands Euro, of which 2,050 thousands Euro paid by transfer of own shares. The financial outlay was equal to 5,393 thousands Euro (see Note 4) of which 4,899 thousands Euro relative to the accounting value of the net assets acquired (which correspond to 1,034 thousands Euro in cash and determine a net outlay of 3,865 thousands Euro) and 494 thousands Euro as cash utilized for the distribution of the reserves of 2,544 thousands Euro to the controlling shareholders.

Explanatory Notes.

1. COMPANY INFORMATION AND STRUCTURE OF THE FINANCIAL STATEMENTS

Company information

Damiani Group has been engaged for many years in the production and distribution of jewelry products through both wholesale and retail channels. In particular, the Group offers five prestige brands: Damiani, Salvini, Alfieri & St. John, Bliss and, starting from period 2008/2009, Calderoni.
Furthermore, after the acquisition of Rocca Group on September 15 2008 (with accounting effect starting from September 1 2008), Damiani Group distributes third party brands through directly managed multi-brand boutiques – particularly timepieces.

The headquarters address of the company is Viale Santuario n. 46, Valenza (AL).

Statement of compliance

Damiani S.p.A. has prepared its financial statements as of March 31 2009 in accordance with international accounting standards (International Accounting Standards IAS /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.
These principles are in perfect agreement with those utilized for the balance sheet as of March 31 2008, whose capital and economic accounting tables are shown for comparison purposes.

Structure of the Financial Statements

The present Financial statement of Damiani Group as of March 31 2009 covering the 12-month period April 1 2008 – March 31 2009, consisting of the balance sheet, the income statement, the funds flow table, the table of changes in shareholders' equity and the explanatory notes (hereafter, the Financial Statement) was approved by the Board of Directors of the company on June 12 2009.
The structure of the balance sheet takes into account the classification between "current assets" and "non-current assets" while, with reference to the income statement, the classification by the nature of the items has been maintained since this format is believed to be most representative in relation to the so-called "presentation by destination" (also called "cost of sales" method).
Concerning the resolution of Consob (Italian SEC) number 15519 dated July 27 2006, the effects of transactions with "related parties" on the Balance Sheet assets and liabilities and on the income statement for the financial 12-month period ended on March 31 2009 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 those company executives who have strategic responsibilities. See also note 31. Transactions with related parties and note 33. Atypical and/or unusual and non-recurring transactions.
The Funds Flow Statement was drawn up using the indirect method.
The Financial Statement has been drawn up in thousands of Euro (€000s). All amounts included in the tables contained in the following notes below are expressed in thousands of Euro except where otherwise indicated.

2. ACCOUNTING STANDARDS AND CRITERIA

Criteria used

The Consolidated Financial Statement for the financial year April 1 2008 – March 31 2009 has been drawn up under IFRS as adopted by the European Union and 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 income statement figures, the changes in the net equity and the funds flow statement for the financial year of twelve months closed at March 31 2009 are presented in a comparative format with the income statement that is relative to the accounting period from April 1 2007 to March 31 2008. The balance sheet data are presented in a format that is comparable with the previous financial year period that was closed at March 31 2008. 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 March 31 2009:

Company name	Registered office	Currency	Share Capital (local currency)	Held by	% Direct	% of the Group
Alfieri & St. John S.p.A.	Valenza (AL), Italy	EUR	1,462,000	Damiani S.p.A.	100.00%	100.00%
New Mood S.p.A.	Valenza (AL), Italy	EUR	1,040,000	Damiani S.p.A.	97.00%	100.00%
Damiani Manufacturing S.r.l	Valenza (AL), Italy	EUR	850,000	Damiani S.p.A.	51.00%	51.00%
Laboratorio Damiani S.r.l.	Bassignana (AL), Italy	EUR	200,000	Damiani S.p.A.	100.00%	100.00%
Damiani International B.V.	Amsterdam, Netherland	EUR	193,850	Damiani S.p.A.	100.00%	100.00%
Damiani Japan K.K.	Tokyo, Japan	JPY	1,305,732,000	Damiani International B.V.	100.00%	100.00%
Damiani USA, Corp.	New York, USA	USD	55,000	Damiani International B.V.	100.00%	100.00%
Casa Damiani Espana S.L.	Madrid, Spain	EUR	721,200	Damiani S.p.A.	99.00%	100.00%
Damiani Hong Kong L.t.d.	Hong Kong, Hong Kong	HKD	2,500,000	Damiani International B.V.	100.00%	100.00%
Damiani France S.A.	Parigi, France	EUR	38,500	Damiani International B.V.	100.00%	100.00%
Damiani Service Unipessoal L.d.a.	Madeira, Portugal	EUR	5,000	Damiani International B.V.	100.00%	100.00%
Rocca S.p.A.	Milano, Italy	EUR	4,680,000	Damiani S.p.A.	100.00%	100.00%
Rocca International S.A.	Lugano, Switzerland	CHF	600,000	Rocca S.p.A.	100.00%	100.00%
Courmayeur Rocca S.r.l.	Courmayeur (AO), Italy	EUR	100,000	Rocca S.p.A.	100.00%	100.00%

The area of consolidation at March 31 2009 underwent the following changes with respect to March 31 2008:
• The parent company, Damiani S.p.A., on September 15 2008, purchased from W.J.R. Partecipations S.A., a company indirectly owned by the Grassi Damiani family and controlled by Guido Grassi Damiani, 100% of the share capital of Rocca S.p.A., which in turn holds the entire capital of the Swiss company Rocca International S.A. and Courmayeur Rocca S.r.l. for a total value of 7,000 thousands Euro plus accessory costs. Payment of the acquisition was effected partly in cash, for 4,950 thousands Euro, and partly utilizing 1,000 thousands own shares for a value of 2,050 thousands Euro (equal to the mean purchase value of the shares and greater than the current stock market price on the purchase date).
Rocca Group was consolidated starting from September 1 2008, the closing date closest to the acquisition date, with a significant impact on the capital and economic situation on March 31 2009, as evidenced in the following paragraphs (further details of the transaction in Note 4, Acquisition of Rocca S.p.A.).
It is noted that, in consideration of the purchase operation and its consolidation as of September 1 2008, the financial data of the period closed on March 31 2009 subsequently reported is not fully comparable with the corresponding results of the preceding financial year.

Associated companies

Associated companies are those in which the Group holds at least 20% of the voting rights, that is, exercise a significant influence, but not control, over financial and operating policies.
At March 31 2009, the Group had no participations in related companies.

Other participations

Below are data relevant to participations in other companies held by Damiani Group on March 31 2009 which have a total value of 169 thousands Euro, unvaried with respect to March 31 2008. Concerning the criteria of evaluation of the other participations, see paragraph "Accounting standards" here below.

Company name	Currency	Share capital (in thousands of Euro)	Book value in Euros	Held by	% owned directly	% owned by whole Group
Fin-or-val S.r.l.	Euro	n/d	125,6	Damiani S.p.A.	3.84%	
				Alfieri & St.John S.p.A.	0.52%	4.36%
Banca d'Alba	Euro	n/d	41,3	Damiani S.p.A.	0.50%	0.50%
Co.in.or.S.r.l.	Euro	n/d	0,1	Damiani S.p.A.	n/d	n/d
Consorzio Coral	Euro	n/d	1,5	Damiani S.p.A.	n/d	n/d
Consorzio Conai	Euro	n/d	0,3	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.

Conversion of Financial Statements expressed in currencies other than the euro

The Balance Sheet and Income Statement figures for companies operating outside the Euro zone are converted into Euro 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 rate 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 standards

The Consolidated Financial Statement is expressed in Euro; 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 March 31 2009 are the same as those used for the financial year closed at March 31 2008.
In the following are shown the new principles and interpretations incorporated by the European Union and their impact.

New accounting standards and interpretations adopted by the European Union and applicable to the Financial Statements closed on March 31 2009.

It should be noted that the following principles came into effectiveness during the financial period that closed on March 31 2009:

Interpretation IFRIC 11 (IFRS 2 – Transactions with own equity instruments and of the Group) – This interpretation states that share-based payments through which the company receives services (for example, from employees) in exchange of own shares must be accounted for as an equity-settled share-based payment transaction, regardless if the company chooses to purchase these instruments by a third party to meet the obligations to its employees. This document is not applicable to our Group.
Amendments to IAS 39 (Financial instruments: recognition and measurement) and to IFRS 7 (Financial instruments: Disclosures) – on 15

October 2008 the CE Regulations no. 1004-2008 was published which acknowledges certain amendments to IAS 39 (Financial instruments: recognition and measurement) and to IFRS 7 (Financial instruments: Disclosures) which allow, in particular circumstances, the reclassification of some financial instruments out of the category "fair value through profit or loss" and out of the "available for sale" category. The amendments to IFRS 7 also introduced new information requirements with regards to the above mentioned reclassifications. These amendments did not have any effect on the financial statements closed on 31 March 2009 since the Company did not perform these reclassifications.

Interpretation IFRIC 14 (IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) – the document providing the general guidelines on how to determine the limit amount established by IAS 19 for the acknowledgment of an asset for a defined benefit plan and giving indications about the accounting effects deriving from the existence of a clause of minimum hedging of the plan, is not applicable to the Group.

New standards and Interpretations adopted by the EU but not yet in effect

IFRS standards which came into effect starting from January 1 2009 or after and that will eventually are applicable to the Company's financial statements after the period closed on March 31 2009 are illustrated below:

IFRS 8 (Operating segments) – on November 21 2007 the European Commission through Regulations CE no. 1358/2007 acknowledged IFRS 8 which replaces IAS14 – Segment Reporting. The new accounting principle requires segment reporting to be based on the elements that management uses to make operating decisions; therefore it requires the identification of operating segments on the basis of internal reporting which is reviewed by management periodically with the goal of allocating resources to the different

segments and with the goal of performance analysis.
The Company is evaluating the impact that this principle could have on the quantity and on the quality of the information to be provided in the notes to the financial statements, considering anyhow that no effect will take place from the point of view of the evaluation of the financial statement items subject of the information document.
Amendments to IAS 23 (Borrowing costs) – on December 10 2008 the Regulations CE no. 1260-2008 was published, which acknowledged the amendments to IAS 23 (Borrowing costs).
The main change to IAS 23 is the removal of the option of immediately recognize an as expense in the income statement borrowing costs as an alternative to their capitalization.
This change does not have any impact on the Group as of today.

IFRIC 13 (Customer Loyalty Programmes) – on December 16 2008 the Regulations CE no. 1262-2008 was published, which acknowledged Interpretation IFRIC 13 (Customer Loyalty Programmes), providing general guidelines for the accounting of customer loyalty programmes. This principle is not applicable to the Group at this time.

Amendments to IAS 1 (Presentation of financial statements) – on December 17 2008, the European Commission published a revised version on IAS 1 through Regulations no. 1274/2008. The new version of the principle requires that changes generated by transactions with shareholders are presented in a table of changes in shareholders' equity. All of the transactions with third parties that have an impact on the shareholders' equity must be reported along with income and expenses in a single table (called "Table of comprehensive income statement") or in two separate tables: a first table showing the components of the profit (loss) of the period ("Separate income statement"), and a second table starting from the profit (loss) for the period and showing the changes to shareholders' equity arising from transactions different from those carried out with shareholders ("Table of comprehensive income statement").
The adoption of this principle does not have any effect from the point of view of the evaluation of the financial statement items.

Amendments to IFRS 2 (Share-based payments) – on December 16 2008 the Regulations CE no. 1261-2008 was published which acknowledged the amendments to IFRS 2 (Share-based payments).
The principle clarifies the definition of "vesting conditions" and specifies cases in which the failure to meet a condition causes the cancellation of the right granted.

Amendments to IAS 32 (Financial instruments: Presentation) and to IAS 1 (Presentation of Financial statements) – on January 21 2009 the Regulations CE no. 53-2009 was published which acknowledged certain amendments to IAS 32 (Financial instruments: Presentation) and to IAS 1 (Presentation of Financial statements).

Amendments to IAS 32 require, when certain conditions are present, to classify in shareholders' equity certain financial instruments with an option to sell (puttable instruments) or that include a contractual obligation for the issuing entity to make a payment in case of liquidation.
The amendments to IAS 1 require providing specific information about these instruments.
It is not expected that these changes will gave any effect on the financial statements of the Group.

Improvements to IFRS

Through Regulation no. 70/2009 the European Commission, on January 23 2009, published a set of amendments to certain accounting principles. The amendments that could determine a change in the presentation or in the evaluation of accounting items of the Group are illustrated below:

IAS 36 (Impairment of Assets): the amendment requires that additional information be provided in case the Company determines the recoverable amounts of cash-generating units using the method of discounting cash flow.

IAS 38 (Intangible Assets): the amendment clarifies that marketing and advertising expenses must be recognized in the income statement when incurred and can not be capitalized.

IAS 19 (Employee Benefits): the amendment, to be applied prospectively, clarifies the approach to use in case of changes in employee benefits, defines the procedures of survey of the cost/income relative to past employment, and clarifies the definition of short term benefits and long term benefits.

IAS 23 (Borrowing costs): the amendment concerned the definition of borrowing costs.

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 and in the advance

is not debt reserve.
The current economic and financial crisis makes it necessary to make assumptions as to future trends characterized by great uncertainty for which it can not be excluded that in the next financial period results may be significantly different from those estimated calling for rectifications, neither determinable nor foreseeable, of their respective valuations. The financial statement entries principally interested by these situations of uncertainty are: returned goods reserve, bad debt and inventory.
For further details on the estimates made, see the following notes.

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 impairment.
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 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 subjected annually to 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. If not, 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 rates 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 yea	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 expenditures 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.
As of March 31 2009 there are no capitalized development costs in the financial statements.

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 depreciation rates applied are as follows:

Category	**Rate**
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 installments. The installments 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 installments 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 indefinite useful lives are subjected to an impairment test every year, whether or not there is any reason to suspect 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 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 management of the parent company, 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 other non current 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 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 average 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 impairment 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 are 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 of recent transactions among independent parties; the current market value of essentially similar instruments; Discounted Cash Flow analysis; option pricing models.

De-recognition 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 de-recognition 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:
(i) 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
(ii) 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.
(iii) 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, traceable to the covered risk.
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 rates 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 and cash equivalents are recorded, according to their nature, at the nominal value.

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 at 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 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 posted 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 expiration 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 value.

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 control is also no longer exercised 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 proper 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.
Any advances paid for services still to be received are treated on an accruals basis.
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 the right of the shareholders to receive the payment arises, 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 and prepaid taxes

Deferred and prepaid taxes 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 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.

Prepaid taxes 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 foreseen they will be applied in the financial period in which the tax asset is realized or the tax liability is settled, on the bases of the law as it stands at the time.

Deferred and prepaid taxes 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.

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 Euro 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 (losses) per Share

Earnings (losses) per share are calculated by dividing the net result 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 financial period ended March 31 2009, and for the financial period ending March 31 2008, the average 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 average number of shares also takes into account any General Meeting resolutions to divide or combine shares. The company's Diluted earnings (losses) per share is calculated by taking into account the shares issued in relation to the increase of capital in connection the quoting operation and the plan to purchase treasury shares approved by the General Meeting of Shareholders on February 22 2008.

Business combinations

Business combinations are recorded 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.

Acquisition transactions between parties controlled by same entities which take the form of transactions between entities "under common control" are not presently disciplined by IFRS and so, in line with the recommendations of IFRS, for the accounting treatment of such combinations, reference is made to practices and to a set of accounting principles which are similar. On the basis of such criteria, the acquisition is booked at its historic values and any difference paid with respect to the historic values recognized in the financial statement of the acquired entity is treated as received or distributed capital to/from the controlling shareholders.

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 on March 31 2009, and, for comparison purposes, for the financial year closed on March 31 2008.

Breakdown by geographical area (financial year closed on March 31 2009)

FY closed at March 31 2009 *(in thousands of Euro)*	**Italy**	**The Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Net sales to third party customers	108,761	7,692	9,660	23,176	-	149,289
Other revenues	466	0	7	29	-	502
Intercompany sales	39,671	3,158	1,809	16,194	(60,832)	-
Total Net Sales	**148,898**	**10,850**	**11,476**	**39,399**	**(60,832)**	**149,791**
Operating costs	**(152,376)**	**(9,881)**	**(12,183)**	**(39,163)**	**60,743**	**(152,861)**
Operating profit (loss)	**(3,478)**	**969**	**(707)**	**236**	**(89)**	**(3,070)**

Situation at March 31 2009 *(in thousands of Euro)*	**Italy**	**The Americas**	**Japan**	**Rest of the World**	**Eliminations**	**Consolidated**
Total current assets	229,900	26,277	17,954	54,197	(124,853)	203,475
Total assets	323,392	28,446	24,731	136,434	(245,320)	267,683
Total liabilities	163,822	12,507	10,343	70,779	(119,605)	137,845
Capex	2,437	835	1,426	1,233		5,931

Breakdown by geographical area (financial year closed on March 31 2008)

FY closed at March 31 2008 *(in thousands of Euro)*	**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	0	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 (loss)	**21,694**	**(6,398)**	**(1,426)**	**10,873**	**1,392**	**26,136**

Situation at March 31 2008 *(in thousands of Euro)*	**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
Capex	3,836	406	259	2,953		7,454

4. ACQUISITION OF ROCCA S.P.A.

On September 15 2008, Damiani Group purchased the entire share capital of Rocca S.p.A., which in turn owns 100% of the share capital of the Swiss company Rocca International S.A. and 100% of the capital of Cormayeur Rocca S.r.l. (51% at the moment of acquisition) from W.J.R. Partecipations S.A. which is indirectly owned (in total) by the Grassi Damiani family and controlled by Guido Grassi Damiani.
In order to remove the risk that the acquisition, realized with related parties could be conditioned by these relationships, the entire operation was conducted in the best interest of all the so-called stockholders with the following modalities:
- The Board of Directors of Damiani S.p.A., which dealt with the operation (from which the Grassi Damiani brothers abstained) was informed by the Grassi Damiani brothers of the existence of the relationship between Damiani S.p.A. and W.J.R. Partecipations S.A. as to the nature and extent of their interest as per article 2391 c.c.;
- The Board of Directors of Damiani S.p.A. carried through the process of acquisition according to the modalities in line with the best practice of the market in matters of corporate governance, validating the role of the Board's internal control committee:
- The Company named, as financial advisor charged with the valuation of the economic capital of Rocca Group, Euromobiliare SIM S.p.A., independent experts of proven professionalism and experience.

Rocca Group is a prevalently Italian retail distributor of jewelry and watches of primary importance and active in the sector since 1794. Their activity is thus the commercialization of multi-brand products via sales points in the most prestigious shopping streets in Italy and abroad (Switzerland), whose locations are available through the stipulation of lease contracts, rental of company branches or other commercial cooperation agreements.
The value of the sale/purchase was fixed at 7 thousands thousands Euro (to which must be added the ancillary costs), of which 4,950 thousands Euro in cash and 2,050 thousands Euro in the form of 1,000 thousands shares of own shares held by Damiani S.p.A.; concerning the portion in shares the parties agreed to fix the value of each Damiani S.p.A. share at 2.05 Euro, equal to their weighted average cost as of September 12 2008, about 15% higher than the stock market price of the shares on the date the operation was concluded. The payment in cash occurred on the date the contract was signed and the entire share capital of Rocca S.p.A. signed over. On the same date the payment in share form of 1,000 thousands shares of Damiani S.p.A. shares was signed over to WJR Partecipations S.A.

The following data highlight the net assets purchased and the the determination of overprice paid to purchase the entire share capital of Rocca S.p.A. (in thousands of Euro)

Non current assets	14,836
Current assets	44,179
Non current liabilities	(13,250)
Current liabilities	(40,833)
Shareholder's equity	4,932
Group shareholder's equity	4,899
Purchase price(*)	7,443
Goodwill	2,544

(*) The purchase price includes also the ancillary costs (legal due diligence, auditing of the financial situation, fairness opinion of the financial advisor).

The purchase of Rocca Group by Damiani Group occurred between subsidiaries of related parties and is seen as a transaction "under common control" in the sense of company reorganization in which the participating companies are controlled by the same entity both before and after the combination and such control is not transitory. The accounting treatment of such operations is not at present disciplined by IFRS so in line with the intentions of IFRS, reference is made to practices and a set of principles which are similar. In this circumstance the reference is to market practice. On the basis of such criteria, the acquisition is booked keeping the historic values and consequently the greater amount paid with respect to the historic values reflected in the accounts is treated as a distribution to the controlling shareholders. The table shows the effect on the net financial position related to the acquisition:

Purchase cash flow	
Purchased net financial debt	(36,920)
Payment done (*)	(5,393)
Net purchased cash flow	(42,313)

(*) Net of the use of own shares for a value of 2,050 thousands Euro.

At the moment of the acquisition, the net financial indebtedness of Rocca Group included the component of debt relative to a real estate sale (shop site) effected by Rocca S.p.A. to a related party in the month of August 2008 and booked as an operation of sale and lease-back for 8,995 thousands Euro, but not the related income from the sale which, as agreed between the parties, occurred before March 31 2009.
On March 31 2009, Rocca Group had contributed 21,538 thousands Euro to the total consolidated revenues and, negatively, 1,721 thousands Euro to the net consolidated result. On March 3 2009, the net financial debt of Rocca Group was 32,201 thousands Euro (including a loan of 14,000 thousands Euro from the Parent company).
If the purchase were made at the beginning of the period 2008/2009, revenues have been higher of Euro 12,300 thousands. Data of effect related to this transaction on net result, have not been supplied because the group purchased has not closed its financial statements as at March 31 2008.

NOTES ON THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

5. GOODWILL

The breakdown of this item at March 31 2009 and at March 31 2008 is as follows:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Goodwill, boutiques	719	719
Goodwill, Alfieri & St.John	4,258	4,258
Goodwill, Damiani Service Unipessoal Lda	25	25
Total goodwill	**5,002**	**5,002**

This item refers to 4,258 thousands Euro booked as goodwill with reference to the acquisition, in 1998, of 100% of the shares of Alfieri & St. John S.p.A. and 25 thousands Euro booked as goodwill for the acquisition, in November 2007, of 100% of the shares of Damiani Service Unipessoal Lda. The remaining part refers to the goodwill paid in 1996, 2002, 2007 related to the purchase of four mono-brand shops directly managed by Damiani Group.

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 March 31 2009 and at March 31 2008 and has been subjected to the 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 2009-2012 drawn up by each company (which constitute the Cash Generating Unit – CGU) and reviewed at Corporate level by Damiani S.p.A. so as to validate the Group sinergies;
- cash flow has been determined starting from the EBITDA and adjusted in order to eliminate the amounts related to investments and to changes in net working capital. Specifically, the cash flows for 2012 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 prudent assumptions of the quantitative parameters (in particular the expected growth rate "g" after the three-year period covered by the business plan to be used for the determination of the terminal value which was assumed to be equal to zero); the parameters used were:

1. risk-free rate : 3%;
2. beta of 5%;
3. ratio of debt/equity : taken from the company's data as of March 31, 2009;

- to determine the recoverable value, reference was made to the value of use.

The impairment tests confirmed the book value of the goodwill.
Sensitivity based on changes of principal assumptions did not evidence any significant effects.

6. OTHER INTANGIBLE FIXED ASSETS

The breakdown of this item at March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Industrial rights and patents	823	188
Key Money	8,368	6,669
Fixed intangible assets under construction	13	199
Total other intangible fixed assets	**9,204**	**7,056**

Industrial rights and patents have increased by 635 thousands Euro due to the investments in Damiani USA for the implementation of SAP (349 thousands Euro) and for the component deriving from the acquisition of Rocca Group (216 thousands Euro).
"Key money", that is, the sum paid to third parties to obtain availability of rental properties taking over from existing contracts, increase:
- by 1,066 thousands Euro due to the inclusion in the consolidation perimeter of Rocca Group and in particular of the boutiques of Portofino, Porto Ercole, Rome and Genoa;
- by 748 thousands Euro paid for the commercial space in London, where the opening of a new Damiani mono-brand boutique is expected soon.

These amounts are amortized on the basis of the length of the lease contract and are subjected to annual impairment tests to determine the recoverable value based on fair value, according to appraisal by an independent expert. As of March 31 2009, the appraisals conducted confirmed the book values reported in the financial statements.

Here below are the changes in the period of the intangible assets:

(in thousands of Euro)	**Industrial rights and patents**	**Key Money**	**Fixed intangible assets under construction**	**Total**
Net book value at March 31 2008	**188**	**6,669**	**199**	**7,056**
Change in area of consolidation (Rocca Group) at the purchase date	145	1,066	513	1,724
Purchase	530	748	86	1,364
Reclassification	345	384	(729)	-
Reclassification to tangible assets			(56)	(56)
Amortization	(385)	(499)		(884)
Net book value at March 31 2009	**823**	**8,368**	**13**	**9,204**

As of March 31 2009, the contribution of Rocca Group to the consolidated value was 1,704 thousands Euro.

7. TANGIBLE FIXED ASSETS

Here follow the values on March 31 2009 and March 31 2008:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Land and buildings	17,830	10,279
Plant and machinery	1,063	503
Industrial and commercial equipment	872	813
Other assets	6,861	2,878
Fixed tangible assets under construction	-	225
Total tangible fixed assets	**26,626**	**14,698**

Tangible fixed assets increased principally due to the inclusion in the perimeter of consolidation of Rocca Group for 10,994 thousands Euro of which 9,141 thousands Euro related to land and buildings; 443 thousands Euro related to pant and machinery; 84 thousands Euro to commercial and industrial equipment;1,326 thousands Euro related to other assets.
"Land and buildings" includes also assets in sale and lease back which related parties have purchased from Group companies and subsequently leased for commercial use to these same entities (for details see note 32 Operations with related parties). Assets in sale and lease back recognized under the heading land and buildings amount respectively to 16,250 thousands Euro on March 31 2009 (of which 8,744 thousands Euro related to Rocca S.p.A.) and 8,710 thousands Euro on March 31 2008.
The item "Other assets" includes furniture, fittings, office machines, vehicles and improvements to third party buildings (costs incurred to adapt/restructure the boutiques).
Here follow the movements of the items which compose tangible fixed assets in the course of the year ended March 31 2009.

(in thousands of Euro)	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**Fixed tangible assets under construction**	**Total**
Net book value at March 31 2008	**10,279**	**503**	**813**	**2,878**	**225**	**14,698**
Change in area of consolidation (Rocca Group) at the purchase date	9,141	443	84	1,326		10,994
Purchase		407	292	3,869		4,568
Reclassification from intangible assets				56		56
Reclassification	(15)			240	(225)	-
Other movements	(321)					(321)
Disposals		(8)		(54)		(62)
Depreciation	(1,254)	(282)	(317)	(1.454)		(3,307)
Net book value at March 31 2009	**17,830**	**1,063**	**872**	**6,861**	**-**	**26,626**

As of March 31 2009, the contribution of Rocca Group to the consolidated value is 10,600 thousands Euro.
The asset values do not include assets which are the object of revaluation per article 10 of Law 72/83.

8. OTHER INVESTMENTS

On March 31 2009 the item (unchanged from March 31 2008) was exclusively made up of minority investments in consortiums, and in the companies Fin.Or.Val Srl and Banca d'Alba, for a total of 169 thousands Euro.

9. FINANCIAL RECEIVABLES AND OTHER NON CURRENT ASSETS

The breakdown of this item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Guarantee deposits	4,604	2,613
Other receivables	51	50
Total financial receivables and non current assets	**4,655**	**2,663**

The increment in guarantee deposits over the previous year is mainly due to the sums paid in guarantee for the opening of new Bliss points of sale in Japan (for 1,221 thousands Euro) and the inclusion of Rocca Group in the consolidation perimeter (for 167 thousands Euro).

10. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The balances of the items deferred tax assets and deferred tax liabilities in the financial year of twelve months closed at March 31 2009 and in the financial year of three months closed at March 31 2008 are detailed in the following schedule; the descriptions indicate the nature of the temporary differences:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Deferred tax assets:		
Impact of the returns reserve on receivables	6,047	3,256
Write off of intercompany inventory margins	5,107	3,403
Exchange loss differences	284	155
Bad Debts Reserve not deductible	714	369
Devalutaion of inventories	85	-
Intangible assets write off	335	262
Costs of the IPO	1,295	1,752
Financial interests	579	-
Fiscal losses	562	-
Write off of intercompany gains on brand transfer	2,882	2,077
Other timing differences of a taxation nature	662	955
Total deferred tax assets	**18,552**	**12,229**
Deferred tax liabilities:		
Exchange differences	142	291
Impact of the returns reserve on inventories	3,020	-
Other timing differences of a taxation nature	542	169
Deferred taxation on capital gains	523	2,148
Total deferred tax liabilities	**4,227**	**2,608**

It is to be noted that the Group computed the deferred and prepaid taxes on the basis of the expected rates in which the relative temporary differences are to reverse.

11. INVENTORIES

The breakdown of this item at March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Raw materials, semi-finished goods and advance payments	10,805	10,287
Finished products and goods	110,387	84,426
Total inventories	**121,192**	**94,713**

The net value of inventories as of March 31 2009 shows an increase of 26,479 thousands Euro with respect to the values of the preceding period influenced by the addition of the inventories of Rocca Group which as of March 31 2009 amount to 23,225 thousands Euro.
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 of 13,328 thousands Euro as of March 31 2009 (15,068 thousands Euro as of March 31 2008) because assumptions of revenue recognition werw not completely satisfed.
The inventory value as of March 31 2009 is shown net of 3,133 thousands Euro of inventory devaluation provision which is the potential loss from operations of elimination of some types of jewelry for which, in the present market conditions the Group considers no longer saleable according to the lines and standards of the Group. Moreover, in the course of 2008/2009, in the month of March 2009 an operation of destruction and transformation by melting of jewelry products was effected with respect to inventories for 2,358 thousands Euro. This operation determined a net loss, booked to the income statement, of 742 thousands Euro.

12. TRADE RECEIVABLES

The breakdown of this item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Trade receivables, gross	86,670	100,112
Bad Debts Reserve	(4,415)	(2,854)
Fund for returns on sales from customers	(27,511)	(31,135)
Impact of Net Present Value calculation of receivables	(193)	(329)
Total trade receivables	**54,551**	**65,794**

The reduction of net trade receivables of 11,243 thousands Euro is due to the drop in sales registered in the period.
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 are shown the movements of the bad debts reserve and the reserve for returns on sales during the twelve months closed at March 31 2009.

(in thousands of Euro)	**Fund for returns on sales from customers**	**Bad Debts Reserve**
Book value at March 31 2008	**(31,135)**	**(2,854)**
Accrual	(6,979)	(3,093)
Utilization	10,603	1,532
Book value at March 31 2009	**(27,511)**	**(4,415)**

It should be noted that during the period 2008/2009 the provisions for bad debt included in the item "other (costs) net operating incomes" in the income statement are higher by 2,035 thousands Euro than the preceding period since in the actual economical crisis it was decided to proceed prudently to increase provisions over present values, particularly for Italian companies. There are no receivables with a contractual duration beyond 5 years.

13. TAX RECEIVABLES

The breakdown of this item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Receivables from Tax authorities for income taxes	5,571	394
Total tax receivables	**5,571**	**394**

The increase in tax receivables is related to higher tax payments in the period 2008/2009 with respect to those in the period 2007/2008 when they were calculated on the basis of the previous period which was of only 3 months.
The contribution of Rocca Group as of March 31 2009 was 39 thousands Euro.

14. OTHER CURRENT ASSETS

The breakdown of this item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
VAT receivables from the Tax Authorities	3,471	2,706
Prepayments on exchanges of goods	2,710	1,158
Deposits to suppliers	1,971	1,479
Prepayments	2,830	3,030
Receivables from other	1,637	6,345
Total other current assets	**12,619**	**14,718**

The variation with respect to the balance of March 31 2008, a decrease of 2,099 thousands Euro, is due on the one hand to the receivable from the insurance company (6,064 thousands Euro) for the reimbursement for the robbery suffered by Damiani S.p.A. in February 2008 included among receivables from others on March 31 2008, and to the booking to the income statement of prepaid expenses for advertising contracts from the previous period which have overdue, on the other hand to increases for the inclusion in the consolidation perimeter of Rocca Group (2,116 thousands Euro on March 31 2009) and to the increase of prepaid expenses related to costs of the advertising campaign of testimonials related to services not yet rendered.

15. CASH AND CASH EQUIVALENTS

The breakdown of this item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Bank and post accounts	9,308	52,747
Cash on hand	234	66
Total cash and cash equivalents	**9,542**	**52,813**

The balance represents the liquidities available in bank and postal accounts and the existence of petty cash and cash values on the closing date of the period.
The decrease from March 31 2008 is principally related to the financial outlay connected to the acquisition of Rocca Group and to the purchase of own shares and to cover the operating cash needs of Rocca S.p.A. by the inter-company loan from the parent company.

16. SHAREHOLDERS' EQUITY

The principal changes in Shareholders' Equity over the twelve-month period ended March 31 2009 were as follows:

- The purchase of 3,583,252 own shares for a total outlay of 5,759 thousands Euro;
- The utilization of 1,000 thousands own shares equal to 2,050 thousands Euro as partial payment in the acquisition of Rocca S.p.A.
- the difference between the price paid to acquire Rocca S.p.A. and net share capital, equal to Euro 2,544 thousands Euro, which, being an operation under common control was booked directly to reduction in value of the reserves of net share capital.
- the elimination of the inte-rcompany margins for 4,763 thousands Euro relative to sales effected by companies of Damiani Group to Rocca Group before the acquisition of Rocca S.p.A. for products remaining in inventories of the three purchased companies at the moment of the operation.
- The effects deriving from exchange differences upon conversion of the financial statements which were in currencies different from the Euro for 9,458 thousands Euro.

17. 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 March 31 2009 and March 31 2008 is as follows:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**	**Note**
Non current portion			
Interbanca	2,000	4,000	a
Medio Credito Centrale	1,992	4,562	b
Banca Intesa (Rocca S.p.A.)	435		c
Banca Popolare di Milano (Rocca S.p.A.)	351		d
Unicredit (Rocca S.p.A.)	869		f
Unicredit (Courmayeur Rocca S.r.l.)	110		i
Financial leasing	16,272	8,069	l
Total non current portion of medium/long financial debt	**22,029**	**16,631**	
Current portion			
Interbanca	2,000	2,000	a
Medio Credito Centrale	2,570	2,474	b
Banca Intesa (Rocca S.p.A.)	329		c
Banca Popolare di Milano (Rocca S.p.A.)	142		d
Unicredit (Rocca S.p.A.)	2,000		e
Unicredit (Rocca S.p.A.)	131		f
Banca Mediocredito (Rocca S.p.A.)	1,667		g
Banca Popolare Bergamo (Rocca S.p.A.)	23		h
Unicredit (Courmayeur Rocca S.r.l.)	40		i
Financial leasing	779	688	l
Total current portion of medium/long financial debt	**9,681**	**5,162**	
Total medium/long financial debt	**31,710**	**21,793**	

The main information details on the loans from banks taken out by Group companies and still in being on March 31 2009 are given below.

a) Interbanca loan: an amount of 10,000 thousands Euro was originally borrowed in December 2005 with a schedule of equal half-year repayments over the period from December 28 2005 to 31 December 2010; interest on this loan is paid at the rate of 3.87% a year;

b) the Medio Credito Centrale loan: an amount of 10,000 thousands Euro was originally borrowed in November 2005 to be paid back in equal installments over the period from November 28 2005 to November 30 2010; interest on this loan is at the rate of 3.68% a year;

c) the Banca Intesa loan, an amount of 1,000 thousands Euro, was issued to Rocca S.p.A. in 2006 to be paid back with quarterly installments. The expiry of the loan is April 30 2011; interest on this loan is at the rate of 5.10% a year;

d) The Banca Popolare di Milano loan, an amount of 600 thousands Euro, was originally issued to Rocca S.p.A. in December 2007 to be paid back in quarterly installments. Expiry of the loan is December 31 2012; the interest rate on this loan is 3-months Euribor plus a spread equal to 1.10%;
e) The Unicredit loan, an amount of 2,000 thousands Euro, was originally issued to Rocca S.p.A. in December 2007 to be paid back in quarterly installments over the period September 30 2009 to June 30 2012. Interest on this loan is 3-months Euribor plus a spread of 0.90%; this loan has two covenants: i) the net share capital cannot be less than 8,300 thousands Euro; ii) the company is obliged to not distribute dividends until the expiration of the loan; since the first condition was not respected, the loan was entirely classified as short term;
f) The Unicredit loan, an amount of 1,000 thousands Euro, was originally borrowed in March 2008 by Rocca S.p.A. to be paid back in constant quarterly installments over the period from December 2009 to March 31 2013; interest on this loan is 3-months Euribor plus a spread of 1.20%.
g) The Banca Mediocredito loan, an amount of 10,000 thousands Euro, was originally borrowed by Rocca S.p.A. in 2002 to be paid back in 6-month installments and will be completely paid on December 31 2009; interest on this loan is 6-months Euribor plus a spread of 0.95%;
h) The Banca Popolare di Bergamo loan, an amount of 200 thousands Euro, was originally borrowed by Rocca S.p.A. in November 2007 to be paid back in monthly installments and will be completely paid on May 13 2009; interest on this loan is 3-months Euribor plus a spread of 1.20%;
i) the Unicredit loan, an amount of 200 thousands Euro, was originally borrowed by Cormayeur Rocca S.r.l. in December 2007 to be paid back in quarterly installments and will be paid on December 31 2012; interest on this loan is 3-months Euribor at three months plus a spread of 0.75%;
j) leasing debt on buildings for 17,051 thousands Euro includes the amount relative to contracts for the sale of building to related parties which are accounted for as a sale and leaseback arrangement under IAS 17. These properties are the locations of Bliss, Damiani and Rocca shops. This value includes 8,940 thousands Euro for buildings deriving from the consolidation of Rocca S.p.A. (of which 91 thousands Euro at short term).

The worsening in comparison with to March 31 2008 derives from the inclusion in the consolidation perimeter of Rocca Group which brought debts for 15,037 thousands Euro (of which 10,614 thousands Euro medium long term and 4.423 thousands Euro short term).

The table below gives details of the Group's net financial indebtedness on March 31 2009 and March 31 2008:

Net Financial Position (*)

(in thousands of Euro)	**Situation at March 31 2009**	**Situation at March 31 2008**
Medium-Long term loans and financing- current portion	8,902	4,474
Usage of credit lines, short term finanncing and others	16,229	2,593
Medium-Long term loans and financing with related parties- current portion	779	688
Current financial indebtness	**25,910**	**7,755**
Medium-Long term loans and financing- non current portion	5.757	8,562
Medium-Long term loans and financing with related parties- non current portion	16,272	8,069
Non-current financial indebtness	**22,029**	**16,631**
Total financial indebtness	**47,939**	**24,386**
Cash and cash equivalents	(9,542)	(52,813)
Net Financial Position (*)	**38,397**	**(28,427)**

(*) The net financial position was determined on the basis of the indications of Consob communication n. DEM/6064923 of 28.07.06.

The net financial position on March 31 2009 showed a net negative balance of 38,397 thousands Euro with a worsening of 66,824 thousands Euro with respect to March 31 2008 which shows available liquidity equal to 28,427 thousands Euro.
The worsening is due to the following factors: a) consolidation of Rocca Group which presents an indebtedness of 32.201 thousands Euro on March 31 2009 (including loans received from the parent company), b) outlay incurred for the acquisition of Rocca S.p.A. for 5,393 thousands Euro (including ancillary costs) and c) the buy-back plan for 5,759 thousands Euro, d) investments in the period and negative cash flow of the operation.

18. TERMINATION INDEMNITIES

In the twelve-month financial period ended March 31 2009 there were the following changes to the Termination indemnities ("TFR"):

(in thousands of Euro)

Termination Indemnities at March 31 2008	**4,223**
TFR according to IFRS acquired from Rocca Group	818
Cost related to current work performed	128
Financial expenses	214
Paid benefits	(407)
Actuarial Loss (Profit)	(108)
Termination Indemnities at March 31 2009	**4,868**

The movements in the period reflect the provisions and outlays, including prepayments, effected in the course of the period and the contribution deriving from Rocca Group equal to 822 thousands Euro at the end of the period.
TFR 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.

In greater detail, the assumptions adopted are:

Financial hypotheses	**March 31 2009**	**March 31 2008**
Annual rate for the Net Present Value	4.55%	4,60%
Annual inflation rate	2.00%	2,50%

Demographic hypotheses	
Mortality	RG48 (RGS table 48)
Inability	INPS tables by age and sex
Pensionable age	Reaching the general obligatory social security requirements

It must be remembered that the Group has decided not to adopt the "corridor method" provided 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.

19. OTHER NON-CURRENT LIABILITIES

The amount decreased from 2,441 thousands Euro on March 31 2008 to 2,046 thousands Euro on March 31 2009. The principal changes of the period are due to the payment of an installment of 945 thousands Euro to the previous shareholders of Damiani France with whom, at the moment of the acquisition of the company, an installment plan was agreed upon which will be completely paid by June 15 2010, to the inclusion of Rocca Group in the consolidation perimeter which determines an increase of 127 thousands Euro and to the constitution of a fund of 363 thousands Euro in the parent company for civil liability risk.

20. TRADE PAYABLES

The composition of the item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Trade payables due in less than 12 months	70,180	64,807
Bill payable, other credit securities and advances	743	498
Total trade payables	**70,923**	**65,305**

This item includes 7,870 thousands Euro of payables to suppliers of Rocca Group.
The increase despite the decrease in business activity is traceable to the revision of payment terms.

21. SHORT TERM BORROWINGS

Details of this item's composition on March 31 2009 and March 31 2008 are given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Usages of short term credit lines and bank loans	12,934	2,615
Payables to factor for receivables yielded	3,169	-
Fair value of financial derivatives	126	(22)
Total short term borrowings	**16,229**	**2,593**

This item includes 3,549 thousands Euro relative to the consolidation of current financial payables of Rocca Group.
The uses of short term credit lines are intended for the financing of working capital.

22. INCOME TAX PAYABLES

The breakdown of this item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
VAT payables	151	145
Taxes withheld from employees (IRPEF)	318	358
Current income tax payables (IRES and IRAP)	2,142	8,321
Other tax payables	141	153
Total income tax payabbles	**2,752**	**8,977**

The reduction with respect to the preceding period is substantially due to reduced tax debt consequent to the reduction in results.
The item includes 57 thousands Euro related to the consolidation of tax payables of Rocca Group.

23. OTHER CURRENT LIABILITIES

Details of this item's breakdown on March 31 2009 and March 31 2008 are given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Payables to social security institutions	1,190	1,113
Payables to employees	2,883	2,480
Other liabilities	684	2,486
Accrued expenses	265	244
Deferred income	68	27
Total other current liabilities	**5,090**	**6,350**

"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 item includes 642 thousands Euro for consolidation of other current liabilities of Rocca Group.

24. REVENUES

The table below shows the Group's consolidated revenues for the year ended March 31 2009 and the year ended March 31 2008:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Revenues from sales and services	149,289	164,919
Other recurring revenues	502	683
Other non-recurring revenues	-	8.506
Total revenues	**149,791**	**174,108**

The breakdown of revenues by distribution channel is as follows:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Retail	**25,380**	**9,856**
as% of total revenue	*16.9%*	*5.7%*
Wholesale	**107,249**	**147,852**
as% of total revenue	*71.6%*	*84.9%*
Other channels	16,660	7,211
as% of total revenues	11,1%	4,1%
Total Revenues from sales and services	**149,289**	**164,919**
as% of total revenues	99.7%	94.7%
Other recurring revenues	502	683
Other non recurring revenues	-	8,506
Total other revenues	**502**	**9,189**
as% of total revenues	0.3%	5.3%
Total Revenues	**149,791**	**174,108**

The portion of revenues from sales and services of Rocca Group (consolidated as of September 1 2008) is 21,538 thousands Euro equal to 14.4% of the total. This value consists of sales to the retail channel for 14,762 thousands Euro and sales to other channels for 6,776 thousands Euro, of which 3,690 thousands Euro for barter operations in the context of the elimination of part of the finished goods inventory which are no longer strategic for the Rocca Group following the revision of its commercial policy.

Details of other revenues (recurring and non-recurring) are given below for the twelve-month financial period ended March 31 2009 and the period ended March 31 2008.

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Leases and rentals	334	421
Franchising	107	240
Capital gain on disposals of fixed assets	53	1
Revenue from sale of advertising material	8	21
Other recurring revenues	**502**	**683**
Other non recurring revenues- Key money	**-**	**8,506**
Other revenues	**502**	**9,189**

The non recurring revenues of the period 2007/2008 refer to key money for the early release of three locations considered not strategic for the development of the retail channel of the Group.
In the period 2008/2009 the share of other revenues pertinent to Rocca Group is 58 thousands Euro equal to 11.6% of the consolidated other revenues.

25. 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 financial year ended March 31 2009 and in the financial year ended March 31 2008:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Purchases	72,778	71,270
Change in inventory of finished products	(1,166)	(2,245)
Change in inventory of raw materials and consumables	(522)	873
Total costs of raw materials and consumables	**71,090**	**69,898**

The share pertinent of Rocca Group is 15,958 thousands Euro equal to 22,5% of the total.
The amount as of March 31 2009 also includes: i) net loss of 742 thousands Euro realized by Damiani S.p.A.. Following operations of destruction and transformation by fusion of jewels and his relative partial sale of recovered raw materials, made in the month of March 2009. ii) The allocation as inventory devaluation of finished products of foreign subsidiaries with a consolidated impact of 3,133 thousands Euro. For further details relatively to the devaluation modality see note11. Inventory

26. COSTS OF SERVICES

Detailed breakdowns of this item for the year ended March 31 2009 and for the period ended March 31 2008 are given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Functional expenses	10,049	9,031
Advertising expenses	13,795	14,655
Other commercial expenses	4,370	4,728
Production costs	5,381	6,313
Consultancy	4,323	4,002
Travel/transport expenses	5,094	5,182
Directors' Fees	2,879	3,502
Usage of third party properties	9,956	6,306
Total cost of services	**55,847**	**53,719**

The share pertinent to Rocca Group is a net 3,304 thousands Euro equal to 5.9% of the total.
Costs of services increased 2,128 thousands Euro over the previous period mainly in those component costs (use of third party assets) more directly related to the development of the retail channel (rent payments relative to new openings, that is, for delta perimeter following the acquisition of the boutiques of the Rocca network).

27. PERSONNEL COST

Detailed breakdowns of this item for the year ended March 31 2009 and for the year ended March 31 2008 are given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Wages and salaries	20,725	16,522
Social security costs	5,429	4,948
Termination indemnity	1,057	728
Other personnel costs	1,040	2,051
Total personnel costs	**28,251**	**24,249**

The share pertinent to Rocca Group is 2,460 thousands Euro equal to 8.7% of the total.
The cost increase in the period, equal to +16.5%, is mainly related to the average increase of the number of Group's employees which was +26.8%, traceable to the development of the retail channel and the increase of the internal production capacity. The following table shows the average number of employees in the Group in the period closed on 31 March 2009 and the period closed on 31 March 2008.

Labour category	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Managers	57	55
Clerks	511	350
Workers	81	107
Total	**649**	**512**

The average number of employees of Rocca Group, calculated pro-rata temporis (seven months of consolidation, from September 1 2008 to March 31 2009) is 63 individuals equal to 9.7% of the total.

28. OTHER NET OPERATING (CHARGES) INCOMES

Detailed breakdown of this item for the financial year of twelve months closed at March 31 2009 and for the financial year closed on March 31 2008 is given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Bad debt reserve allowance	(3,093)	(984)
Net exchange difference from trade receivables	10,528	(2.122)
Other operating (charges) incomes	(917)	5,503
Total net other operating (charges) incomes	**6,518**	**2,397**

The portion pertinent to Rocca Group is net income of 303 thousands Euro.
The exchange difference depends upon changes of the Euro with respect to the US dollar and the Yen which has generated, on positions opened in currencies relative to transactions of commercial nature, exchange gains in the current period and exchange losses in the preceding period. In order to reduce future risks connected with exchange oscillations, open commercial agreements have been closed.
The other incomes of the previous period included 6,064 thousands Euro relative to the reimbursement received from the insurer for the robbery suffered by Damiani S.p.A. in February 2008.

29. AMORTIZATION AND DEPRECIATION

Detailed breakdowns of this item for the financial year of twelve months closed on March 31 2009 and for the financial year closed on March 31 2008 are given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Amortization of intangible assets	884	336
Depreciation of tangible assets	3,299	2,167
Devaluation of intangible and tangible assets	8	-
Total amortization, depreciation and devaluation of intangible and tangible assets	**4,191**	**2,503**

The portion pertinent to Rocca Group is 810 thousands Euro equal to 19.3% of the total.
The increase in amortization of 1,688 thousands Euro is due to the consolidation of Rocca Group and to investments realized for the new directly managed boutiques (including key money paid).

30. FINANCIAL (EXPENSES) AND INCOMES

Detailed breakdown of this item for the financial year of twelve months closed on March 31 2009 and for the financial year closed on March 31 2008 is given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Net losses on exchange	-	(213)
Interest paid	(1,541)	(2,283)
Other financial charges	(1.110)	(816)
Total financial expenses	**(2,651)**	**(3,312)**
Net profit on exchange	949	-
Fair value of financial instruments	-	109
Financial gain on discounting	328	758
Other financial revenues	1,000	1,286
Total financial incomes	**2,277**	**2,153**
Total financial (expenses) and incomes	**(374)**	**(1,159)**

The portion related to Rocca Group is equal to expenses of 1,253 thousands Euro.
The improvement in the balance of 785 thousands Euro with respect to the preceding period depended upon reduced net financial costs due to a lower average financial exposure, upon lower interest rates and positive exchange differences on financial payables generated by the depreciation of the Euro.

31. INCOME TAXES

Detailed breakdowns of this item for the financial year of twelve months closed on March 31 2009 and for the financial year closed on March 31 2008 are given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Current taxes	499	9,157
Deferred tax (assets)/Liabilities	922	518
Total income taxes	**1,421**	**9,675**

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 S.p.A is given below, for the financial year of twelve months ended March 31 2009 and for the period ended at March 31 2008:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Profit before taxes	(3,444)	24,977
IRES (Corporate) Tax Rate for the period	27,5%	33%
Theoretical Tax Burden	**947**	**(8,242)**
Non recoverable subsidiary losses	(1,688)	(2,142)
IRAP (Regional Tax on Productive Activities) effect	(881)	(1,608)
Effect of foreign companies	650	2,880
Change in the tax rate	-	(279)
Other non deductible costs	(449)	(283)
Total differences	(2,368)	(1,433)
Total taxes for Income Statement	**(1,421)**	**(9,675)**
Effective tax rate	n.m.	-38.7%

32. 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 March 31 2009 and during the financial year ended March 31 2008, 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 jewelry products, co-operation agreements – mainly with the Rocca Group. With respect to the period closed on March 31 2009 it is pointed out that Rocca Group is considered a related party only up to August 31 2008 since as of September 1 2008, the company became a consolidated part of the Damiani Group. For a description of the acquisition operation see the preceding note 4.

The table below gives details of the relations between Group companies and Related Parties during the financial year ending March 31 2009:

(in thousands of Euro)			**FY closed at March 31 2008**				
	Revenues	**Operating costs**	**Financial expenses**	**Trade receivables**	**Financial payables (including leasing)**	**Trade payables**	**Real estate in lease back**
Sparkling Inv. S.A.		(170)	(8)			(340)	
Rocca S.p.A.	2,205						
Rocca International S.A.	43						
Imm.re Miralto S.r.l.		(1,862)	(958)		(17,051)	(432)	16,250
Courmayeur Rocca S.r.l	6						
W.J.R. Partecipations S.A.			(30)				
Roof Garden S.A.		(87)				(93)	
Immobiliare Pessina S.A.		(72)					
Grassi Damiani Family	38	(243)		31		(5)	
Totals with related parties	**2,291**	**(2,434)**	**(995)**	**31**	**(17,051)**	**(870)**	**16,250**
Totals from Financial Statements	**149,791**	**(152,861)**	**(2,651)**	**54,551**	**(31,710)**	**(70,923)**	
% age weight	**2%**	**2%**	**38%**	**0%**	**54%**	**1%**	

- The costs of 170 thousands Euro to Sparkling Inv. SA are relative to a payment by Damiani International BV based on the concession agreement for the use of the winning jewels of the Diamonds International Awards, property of the related party, for special events; the financial costs of 8 thousands Euro concern interest on a financial debt paid by the company to Rocca S.p.A. and which was paid up fully on March 31 2009.
- Revenues from Rocca International SA correspond to the sale of jewelry of different Group brands for 1,733 thousands Euro and the rent received by New Mood S.p.A. and by Damiani S.p.A. for a total of 472 thousands Euro for company rent for the management of three shops (Milano, Verona and Portofino) related to the period before the acquisition.
- Revenues from Rocca S.p.A. for 43 thousands Euro are for the sale of jewelry effected by Damiani International BV in the period preceding the acquisition;
- Costs to Immobiliare Miralto S.r.l. are relative to installments paid for the rent of the shops of Corso Magenta in Milan and Valenza (AL) for a total of 646 thousands Euro. Furthermore, among the operating costs are the portions of amortization equal to 1,216 thousands Euro relative to the properties in Milano, shops of Damiani, Bliss and Rocca, of the laboratory building in Bassignana (AL) used by the subsidiary Laboratorio Damiani S.r.l. and of three shops in Portofino, Padova and Taormina.
  These properties, owned by the related party, were, in the past, the object of sale and lease-back transactions and booked as such (based on the provisions of IAS 17); in consequence, there are also financial costs for the interest rate connected to the reimbursement of the financial debt of 958 thousands Euro, reported in the table. For these sale and leaseback operations, the residual financial debt amounts to 17,051 thousands Euro and the corresponding net book value of the buildings is 16,250 thousands Euro;
- The revenues from Courmayeur Rocca S.r.l. of 6 thousands Euro are for the sale of jewels in the period April-August 2008;
- The financial costs of 30 thousands Euro towards WJR Partecipations S.A: are for interest on a financial debt paid by the company to Rocca S.p.A.; on March 31 2009, the debt was extinguished.
- The costs towards Roof Garden SA are for rents paid for the building in New York;
- Costs towards Immobiliare Pessina SA are payments for the rental of space for a Rocca boutique in Lugano.
- Revenues towards the Grassi Damiani family of 38 thousands Euro are relative to the sale of jewels; the costs towards the Grassi Damiani family for 243 thousands Euro are for rent payment for office space in Valenza (AL).

The table below gives details of the relations between Group companies and Related Parties in the financial year ended March 31 2008:

(in thousands of Euro) **FY closed at March 31 2008**

	Revenues	**Operating costs**	**Financial expenses incomes**	**Trade receivables**	**Financial payables (including leasing)**	**Trade payables**	**Real estate in lease back**
Sparkling Inv. S.A.		(170)				(170)	
Idea Rocca S.r.l	1,491			2,427			
Rocca S.p.A.	5,837	(598)		1,298		(80)	
Rocca International S.A.	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 S.A.			16				
Immobiliare Pessina S.A.			21				
Grassi Damiani Family	25	(239)				(5)	
Totals with related 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%**	

- Costs of 170 thousands Euro to Sparkling Inv. SA are for rents paid by the subsidiary Damiani International BV as per the agreement for special event usage of the winning jewels of the Diamonds International Awards which are the property of the related party;
- Revenues towards Idea Rocca S.r.l. (incorporated in Rocca S.p.A. as of May 2008) are for sales of jewels of different Group brands for 1,236 thousands Euro, royalties for 250 thousands Euro and active rents for 5 thousands Euro.
- Revenues towards Rocca S.p.A. are for sales of jewelry of different Group brands for 5,251 thousands Euro, the rent received by New Mood S.p.A. and by Damiani S.p.A. for 587 thousands Euro for company rent for the management of three mono-brand shops. Costs to Rocca S.p.A. of 560 thousands Euro are instead relative to the cost sustained by Damiani International BV for the early resolution of a preliminary contract stipulated with the related party in September 2006 for the purchase of a company division which consisted of a shop located in Italy. Moreover, the costs to Rocca S.p.A. include 38 thousands Euro for real estate intermediation costs sustained by New Mood S.p.A. with reference to a commercial space in a shopping center in Rome in which the opening of a franchise shop was foreseen for that date.

- the Revenues towards Rocca International SA of 576 thousands euro concern the sale of jewelry carried out by Damiani International BV;
- The costs towards Immobiliare Miralto S.r.l. are for rents paid for the buildings in Corso Magenta in Milano and in Valenza (AL) for a total of 469 thousands Euro. Furthermore, among the operating costs there are also the rates of amortization equal to 886 thousands Euro for the properties in Milano, boutiques of Damiani and Bliss, of the laboratory building in Bassignana (AL) used by the subsidiary Damiani S.r.l., and for a shop in Portofino. These properties, owned by the related party, were in the past the object of sale and lease back operations and booked as such (based on the provisions of IAS 17); in consequence, there are also financial costs for the interest portion connected to the reimbursement of the financial debt for 586 thousands Euro, reported in the table. For these operations of sale and lease back, the residual financial debt amounts to 8,757 thousands Euro and the corresponding net book value of the property amounts to 8,710 thousands Euro;
- Revenues from Cormayeur Rocca S.r.l. of 27 thousands Euro are for sales of jewelry;
- Financial incomes for 16 thousands Euro from Jewels Manufacturing SA are remuneration of a financial receivable paid to the company when it was still controlled by the Group. Subsequent to the sale of the company to the related party Jewelry Investment SA (actually D. Holding SA) in March 2007 and to its deconsolidation, a financial receivable of 1,531 thousands Euro emerged, which was paid in on September 14 2007;
- Financial incomes for 21 thousands Euro from Immobiliare Pessina SA (previously Damiani Suisse SA) are relative to the remuneration of a financial receivable paid to the company when it was still a subsidiary of the group. Subsequent to its sale to the related party Jewelry Investment SA (actually D.Holding SA) and its deconsolidation, a financial receivable of 2,405 thousands Euro arose which was paid in on July 23 2007;
- revenues towards the Grassi Damiani family for 25 thousands Euro are relative to sales of jewelry; the costs towards the Grassi Damiani family for 239 thousands Euro are for rent paid for office properties in Valenza (AL).

In both periods there are also loan contracts between the parent company and some subsidiaries which were negotiated at normal market conditions.

33. COMMITMENTS AND POTENTIAL LIABILITIES

There were no commitments other than those already shown in the Financial Statement on March 31 2009.

34. 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

35. EARNINGS (LOSSES) PER SHARE

Basic has been calculated by dividing the net profit for the twelve months attributable to Damiani SpA’s ordinary shareholders by the weighted average number of shares in issue during the financial period in question.
The weighted average number of ordinary shares in issue takes into account also the effects deriving from the purchase of own shares effected in the two periods per the resolution of the Shareholders’ meeting of February 22 2008.
The following table shows information on the shares utilized for the calculation of the basic earnings (losses)per share and diluted earnings per share:

Basic Earnings (Losses) per Share

	FY closed at March 31 2009	FY closed at March 31 2008
Number of ordinary shares at the beginning of the period	82,600,000	64,137,500
Number of ordinary shares at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of basic earnings per share	79,783,933	71,361,622
Basic Earnings (Losses) per Share (in Euro)	(0.06)	0.21

Diluted Earnings (Losses) per Share

	FY closed at March 31 2009	FY closed at March 31 2008
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of diluted earnings per share	79,783,933	71,361,622
Diluted effect from Stock option plan	-	466,073
Weighted average number of ordinary shares for computation of basic earnings per share	79,783,933	71,827,695
Diluted Earnings (Losses) per Share (in Euro)	(0.06)	0.21

36. STOCK OPTION PLAN

On September 26 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 1.600 thousands options, each giving an entitlement to purchase or subscribe one ordinary share at the IPO price (4 Euro per share), in the case of allocations made before trading started in the electronic stock market. For allocations after 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 November 5 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 thousands options at the price of 4.00 Euro 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 period ended March 31 2009, owing to the changed market conditions related to the world economic crisis, Damiani S.p.A. concluded that the conditions for realizing the objectives of the stock option plan for the maturation of rights of option do not exist and, while the vesting period has not been concluded, did not book the pro-rata temporis cost to the income statement deriving from the evaluation at fair value of the above mentioned options on the date of assignment effected by the actuary. The specific share capital reserve constituted on March 31 2008, equal to 58 thousands Euro, was therefore accredited to the income statement for this amount.

37. 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 adjust the capital structure, the Parent company may revise its dividend distribution policy from time to time, may sell treasury shares which it holds, purchase additional treasury shares, or make new issues of shares.

38. REMUNERATIONS FOR COMPANY BODIES

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

Individual	Office	Duration of office (*)	Remuneration from Damiani S.p.A.	Not monetary benefits	Bonus and other incentives	Other remunerations(1)	Total
Guido Roberto Grassi Damiani	Chairman and CEO Damiani S.p.A., Chairman and CEO Alfieri & St. John S.p.A., Chairman Laboratorio Damiani S.r.l., Chairman and CEO New Mood S.p.A., Chairman Rocca S.p.A.,Chairman Courmayeur Rocca S.r.l., Chairman and CEO Damiani Japan K.K.,Director Damiani Manufacturing S.r.l., Damiani International B.V., Damiani Usa Corp., Damiani Hong Kong Ltd and Damiani Service Unipessoal Lda	up al 31/3/2012	918,000	12,750		154,000	1,084,750
Giorgio Andrea Grassi Damiani	Director Damiani S.p.A., Director Alfieri & St. John S.p.A., Director New Mood S.p.A., Chairman Damiani Manufacturing S.r.l., Vice President Rocca S.p.A., Director DamianiJapan K.K., Chairman Damiani USA Corp., Chairman Damiani France S.A.and Director Damiani Service Unipessoal Lda	fup al 31/3/2012	330,000	10,210		98,667	438,877
Silvia Maria Grassi Damiani	Director Damiani S.p.A..	fino al 31/3/2012	330,000	4,974			334,974
Giulia De Luca	Up to 6/8/2008: Director and 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 K.K., Damiani USA Corp., Damiani International B.V. from 7/8/2008: Director Damiani S.p.A.	(**)	68,000	65,030		1,916,653	2,049,683
Stefano Graidi	Director Damiani S.p.A., Executive Director charged with the internal control Damiani S.p.A., Director Damiani International B.V., New Mood S.p.A., Damiani Japan K.K., Damiani Hong Kong Ltd and Damiani Service Unipessoal Lda	up al 31/3/2012	40,000			22,000	62,000
Giancarlo Malerba	Director Damiani S.p.A.	up al 31/3/2012	30,000			5,500	35,500
Fabrizio Redaelli	Director Damiani S.p.A.	up al 31/3/2012	30,000			5,000	35,000
Lorenzo Pozza	Director Damiani S.p.A.	(***)	30,000			5,500	35,500
Gabriella Colombo Damiani	Honorary Chairman Damiani S.p.A. (****)						0
Gianluca Bolelli	Chairman of the Board of Statutory Auditors Damiani S.p.A.	up al 31/03/2010	45,000				45,000
Simone Cavalli	Acting Statutory Auditor Damiani S.p.A. and Laboratorio Damiani S.r.l.	up al 31/03/2010	30,000			4,998	34,998
Fabio Massimo Micaludi	Acting Statutory Auditor Damiani S.p.A.	up al 31/03/2010	30,000				30,000
Strategic Managers				16,387	18,000	519,901	554,287

(1) Includes fees being component of the administrative body or control in other controlled company, salaries (where applicable) and from any salaries regarding the work provide.
(*) On April 3 2009 the Damiani's Shareholders Meeting appointed the new Board of Directors.Their office will be terminated on the Shareholders'Meeting for the approval of the Financial Statements as of March 31 2010.
(**) From April 3 2009 not more in charge.
(***) From April 3 2009 not more in charge. Roberta Benaglia was appointed Director of Damiani S.p.A.
(****) The office is ad honorem without a term and does not forsee any fee.

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

The capital-financial situation on March 31 2009 of Damiani Group suffers the negative trend of business operations penalized by the effects of the economic crisis and by the extraordinary transactions realized in the period (acquisition of 100% of the share capital of Rocca S.p.A. and the buy-back in course). Consequently, the Parent company has adapted its financial risk management policy to the present situation and to the specific projects which, from time to time, the Group intends to develop.

Interest rate risk

The Group debt structure on March 31 2009 consists of about 30% medium long term debt (net of the share portions consisting of debt towards related parties connected with the sale and lease back operations), with over 60% of such components at fixed rate (with annual rates between 3.7% and 5.1% in existing different loans). No medium long term loan has contract duration beyond March 31 2013. Only two contracts amounting to 2,493 thousands Euro are interest rate swap contracts stipulated with the objective of converting the variable interest rate into fixed rate.
To cover part of its operating needs, the Group had necessity to contract short term debt (credit lines and factoring), with the result of being exposed for this component to the oscillations of interest rates which are extremely large in times of crisis in the credit market like the present moment. It must be pointed out that the short term credit lines are only partially utilized and are equal to about 150,000 thousands Euro.
With the object of re-qualify the financing sources and reduce the risk of exposure to interest rate oscillations, at the beginning of June 2009, medium-long term loans were taken (for a maximum period of 6 years) at fixed rate and without guarantees and covenants, within a program to restructure the Group debt.

Exchange rate risk

Damiani Group prepares its consolidated financial statements in Euro therefore the fluctuations of exchange rates of the currencies (prevalently U.S.D. and Yen) with which the financial statements of the foreign subsidiaries situated outside the Euro area are prepared, influence the economic and capital-financial situation of the Group upon conversion.
Moreover, some purchases of raw materials and finished products are carried out in dollars and yen with consequent exposure to exchange risk. Whenever the risk is deemed significant (in periods of particular tension on exchange rates) foreign currency forward contracts are stipulated for the purpose of covering the risk of exchange oscillations wether the risk is valuated as significant (in a period of particular exchange stress) specifical agreement of forward foreign currency purchase has to be done in order to cover the risk of exchange fluctuation. The notional of forward purchase done during the FY 2008/2009 is equal to 15,088 USD thousands.
As of March 31 2009, there are forward currency purchase contracts stipulated by Damiani S.p.A. for an amount equivalent to 4,118 thousands Euro. As of March 31 2008, said contracts amounted to 3,481 thousands Euro.
The policy of such exchange rate risk hedging was not significantly different in the financial year to March 31 2009 from what it had been in the previous period.

Liquidity risk

The Group's exposure mainly consists of trade payables related to its relationships with suppliers (on March 31 2009 equal to about 69% of the total consolidated exposure) and in terms of percentage impact, such exposure did not grow with respect to the previous period. Total exposition, increased by 14,818 thousands Euro in the period 2008/2009, maintained its composition unaltered as can be seen in the following table:

Liquidity risk

	Analysis of the due dates at March 31 2009			
(in thousands of Euro)	**within 1 year**	**1 to 5 years**	**over 5 years**	**Total**
Trade payables	70,923			70,923
Long term financial debt to banks	8,902	5,757		14,659
Long term financial debt to leasing companies	779	3,116	13,156	17,051
Short term borrowings	16,229			16,229
Other current liabilities	7,842			7,842
Total Exposure	**104,675**	**8,873**	**13,156**	**126,704**

Liquidity risk

	Analysis of the due dates at March 31 2008			
(in thousands of Euro)	**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**

The related risk in any case is higher with respect to the last period due to the effect of a different composition of the assets with a contraction of available liquidity (by effect of the operations described in the explanatory notes) and a growth in investments.
In this context the Group pursues financial equilibrium by keeping tight control in the short term, on the one hand, between funds generated and funds absorbed by the working capital related to operating activities, in turn strongly influenced by important seasonal phenomena with about 40-45% of revenues concentrated in the third quarter (October-December) of the period and to a smaller degree, of investments and, on the other hand, on the due dates and renewals of the financial debt and on related conditions present in the credit market.
In the context of working capital management, the focus is on the elements which compose the working capital, consisting of inventory, trade receivables and payables. In the FY 2008/2009, Damiani S.p.A. transfers credits "pro-solvendo" in order to optimize the cost related to the various possible forms of financing. As referred in the past, Damiani Group has lines of bank credit which are superior to its current usage.

Credit risk

Credit risk may be defined as the possibility of suffering a financial loss as the result of other parties' failure to fulfill their contractual obligations.
As to trading partners, the Group deals with a select, reliable set of customers mainly consisting of jewelry stores and wholesalers. So, 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. This constant monitoring has determined, even in moments of market crisis like the present one, a containment of bad debts to an acceptable level.
The table below shows the maximum potential exposures to credit risk as of March 31 2009 and as of March 31 2008:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Cash and cash equivalents	9,542	52,813
Trade receivables	54,551	65,794
Other non current assets	4,655	2,663
Other current assets	18,190	15,112
Total maximum exposure to the Credit Risk	**86,938**	**136,382**

Price risk

The Damiani Group uses various raw materials, but mainly precious stones, gold, 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 speculative positions of investors, relations with suppliers (above all as concerns the purchase of diamonds) and consequent supply conditions.
In the course of 2008/2009, the average price of gold was 19.72 Euro/gram (with prices much higher than the average especially in February-March 2009), while it had been 17.29 Euro/gram in the previous period for an increase of about 14% on an annual basis.
The risks can grow further in relation to exchange rate trends since some purchases of raw materials are settled in currency such as Dollars (diamonds) and Yen (pearls) while the financial statements are prepared in Euro.
Damiani Group mitigates this risk since the impact of raw material purchases is relatively small with respect to the total cost of production. In fact, purchases are prevalently of finished products from suppliers with whom there are long term consolidated relations and agreements set in the medium term which make it possible to attenuate the effects connected to sudden and frequent price oscillations as happened during the period.

Other information required by IFRS 7

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

	Book Value						**Fair value**	
	Total		**of which currentt**		**of which non currentt**			
(in thousands of Euro)	**March 31 2009**	**March 31 2008**	**March 31 2009**	**March 31 2008**	**March 31 2009**	**March 31 2008**	**March 31 2009**	**March 31 2008**
Cash and cash equivalents	9,542	52,813	9,542	52,813		-	9,542	52,813
Trade receivables	54,551	65,794	54,551	65,794		-	54,551	65,794
Other financial assets	22,845	17,775	18,190	15,112	4,655	2,663	22,845	17,775
Total financial assets	**86,938**	**136,382**	**82,283**	**133,719**	**4,655**	**2,663**	**86,938**	**136,382**
Trade payables	70,923	65,305	70,923	65,305		-	70,923	65,305
Payables to banks and other financial liabilities	56,411	39,713	34,382	23,082	22,029	16,631	56,411	39,713
Total financial liabilities	**127,334**	**105,018**	**105,305**	**88,387**	**22,029**	**16,631**	**127,334**	**105,018**

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 Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Net profits on fair value instruments with changes posted to the Income Statement	145	109
Dividends	4	
Interest receivable on financial assets not valued at fair value::		
- on deposits	871	1.083
- on financial receivables from correlated parties	-	37
Total profits	**1,020**	**1,229**
Net losses on financial derivatives	-	-
Interest payable on financial liabilities not valued at fair value:		
- short term payables to banks	416	941
- loans and financing	1,878	1,308
- bonds issued	-	-
others	61	-
Losses from write downs of financial instruments		
- trade receivables	148	53
Bank charges and commissions	1,043	885
Total charges	**3,546**	**3,187**
Total	**(2,526)**	**(1,958)**

40. AUDITING COSTS

The following Schedule, drawn up in accordance with Art.149-duodecies of the CONSOB, shows the contractual fees accruing in the financial year ended March 31 2009 for services provided by the independent audit company and by other organizations belonging to the same network.

Type of services	**Service provider**	**Service provide to**	**Fee**
Audit of the accounts	Reconta Ernst & Young S.p.A.	Parent Company	188
Audit of the accounts	Reconta Ernst & Young S.p.A.	Subsidiaries	193
Fee for the Rocca acquisition	Reconta Ernst & Young S.p.A.	Parent Company	194
Other fees	Reconta Ernst & Young S.p.A.	Subsidiaries	31
Other fees	Ernst & Young L.L.P. (USA)	Parent Company	45
		Total	**651**

41. EXCHANGE RATES

Reported below are exchange rates as of March 31 2009 and March 31 2008 which are utilized in the conversion of financial statements expressed in foreign currencies:

Currency	Average 2008/2009	Spot March 31 2009	Average 2007/2008	Spot March 31 2008
USD	1.4231	1.3308	1.4163	1.5812
JPY	143.7101	131.17	161.6217	157.37
CHF	1.562	1.5152	1.6391	1.5738
HKD	11.0696	10.314	11.0444	12.3075

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

Attestation regarding the Consolidated Financial Statements, pursuant to article 81-ter of the Consob (Italian SEC) Regulation no. 11971 dated May 14, 1999, and its subsequent changes and additions

The undersigned Mr. Guido Grassi Damiani, Chairman and CEO, and Mr. Gilberto Frola, Executive in charge of drawing up the company's accounting documents of Damiani S.p.A., also considering the provisions of article 154-bis, paragraphs 3 and 4, of the Legislative Decree no. 58 of February 24, 1998:

ATTEST

- he adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for preparing the Consolidated Financial Statements for the 2008/2009 FY closed on March 31, 2009.
- Furthermore it is certified that the Consolidated Financial Statements closed on March 31,2009:
  - agree with the contents of the accounting books and entries;
  - are prepared in conformity with International Financial Reporting Standards adopted by the European Union pursuant to art. 9 of the Legislative Decree n. 38/2005 and provides a true and fair view of the assets and liabilities, results and financial position of Damiani S.p.A. and its subsidiaries included in the consolidation;
  - the report on operations contains references to important events which took place during the financial year and their impact on the result and the situation of Damiani S.p.A. and its subsidiaries, as well as the description of the main risks and uncertainties.

Milan, June 12, 2009

Mr. Guido Grassi Damiani

Chairman and CEO

Mr. Gilberto Frola

Executive in charge of drawing up the Company's accounting documents

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

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, 2009, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005 is the responsibility of the Damiani S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit

2. Our audit was made in accordance with 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 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.

   For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated July 4, 2008.

3. In our opinion, the consolidated financial statements of the Damiani Group at March 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of 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 the Damiani Group for the year then ended.

4. The management of Damiani S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the consolidated financial statements of the Damiani Group as of March 31, 2009.

Milan, July 6, 2009

Reconta Ernst & Young S.p.A.
signed by: .Maurizio Girardi, partner

Reconta Ernst & Young S.p.A.
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Financial Statements of Damiani S.p.A. as of March 31 2009

Drawn up under IAS/IFRS accounting standards

Report on operations of Damiani S.p.A. financial statements as of 31 March 2009

Report on operations[1].

Damiani S.p.A. business activities

Damiani S.p.A., parent company of Damiani Group, is focused on the commercialization of high line and designer jewelry in the national territory with its Damiani and Salvini brands via two main channels of distribution:
• The wholesale channel is made up of non-exclusive independent jewelry shops and franchisees;
• The retail channel is made up of single points of sale managed directly by the Group. On March 31 2009, there were 5 directly managed points of sale in Italy (Milan, Rome, Bologna, Florence and Naples), all under the Damiani brand.

In addition, the company handles requests for its products coming from the market, supplying, directly and indirectly, its Italian and foreign subsidiaries that cover their specific geographic areas of responsibility (Rocca S.p.A. and Courmayeur Rocca s.r.l. in Italy; Damiani International B.V., Rocca International S.A., Damiani USA Corp., Damiani Japan KK, Damiani France SA and Damiani Hong Kong Ltd abroad).

All jewelry production comes from the Group's two in-house production units and from third party producers in the district of Valenza (AL), center of international excellence in the production jewelry of high value and quality, and with whom Damiani S.p.A. has long standing relationships.

Corporate Governance

The governance system of Damiani S.p.A. is the one called "latino" or "traditional": corporate bodies are the shareholder's meeting, the board of directors and the board of statutory auditors.
The board of directors was renewed on April 3 2009 by the shareholder's meeting which appointed seven members (instead of the previous eight) of which three non-executive and two independent.
The composition of the board is in accordance with the legal rules (article 147 quater and articol 148, third paragraph, Legislative Decree n. 58/98), and the principles of corporate governance dictated by the Self-regulation Code for Listed Companies.

On April 3 2009, the Board of Directors confirmed the institution Corporate Governance Committee and an Internal Auditing and a Remuneration committe, in conformity with articles 5, 7 and 8 of the Self-regulation Code.
Three non-executive Directors were nominated, two of which are also independent Directors, following evaluation by the board as to the satisfaction of the criteria established by articles 2.C.1 (with reference to "non-executive" status) and 3.C.1 (with reference to their "independent" status) of the Self-regulation Code. The board also nominated, according to recommendations of the Code, a Lead Independent Director.
Also in conformity with the principles of self-regulation, the board defined precise criteria for the identification of important operations carried out also by subsidiaries including those carried out with related parties and which must be agreed on and/or carried out in respect of procedural and substantial correctness criteria. Such principles have been the object of concrete realization in the course of the year as in the case, among others, of the acquisition of Rocca Group as described and illustrated in the press release and in the informative document made publicly available.
On the subject of internal controls, the board confirmed the naming of the Director charged with overseeing the functionality of the internal control system.
With reference to the legislative and regulatory norms on the subject of "market abuse", on September 12 2007, the Board approved a procedure which, besides guaranteeing full respect of the publishing obligations pertaining to operations carried by "relevant individuals" as per article 152 sexies, Issuing Regulations for shares issued by Damiani S.p.A., prohibits in certain periods and instituted, according to article 115 bis of the Legislative Decree n. 58/98, the Register of persons who may have access to inside information.
On March 27 2008 the Board of Damiani S.p.A. approved a Code of Ethics and an organizational model, as per the Legislative Decree n. 231/2001. The code of ethics refers to the values Damiani Group adheres to when carrying out its 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 act for and of behalf 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.
The current Control Body is composed of the Internal Auditor of Damiani S.p.A. and two external professionals who are from partners

[1] Damiani S.p.A. closes its financial year at March 31, thus the income statement and balance sheet as of March 31 2009 covers the period April 1 2008 – March 31 2009 (henceforth the period ended March 31 2009 or the financial year 2008/2009). For comparison, the figures for the period April 1 2007 – March 31 2008 are exposed (henceforth the period ended on March 31 2008 or financial year 2007/2008).

in prestigious law firms. This structure assures that the Control Body is composed of individuals who represent all the 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 the Organizational 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 adjustments that may be necessary to the Organizational Model.
The Control Body of Damiani S.p.A. met 6 times in the course of the business year and reported on its operation to the Board and to the Internal Auditors.
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 section of the website www.damiani.com.

Compliance with title VI of the regulations of Legislative Decree n. 58 of 24/02/1998 concerning market discipline.

Damiani S.p.A. indirectly controls two companies which are constituted and regulated by the laws of countries which are not part of the European Union and which are of relevant significance as per paragraph 2 of article 36 of the Market Regulations issued by Consob- the italian SEC (in fulfillment of article 62 paragraph 3 bis of Legislative Decree 58/98 as modified on June 25 2008 by resolution n. 16530).

With reference to article 36 of the Market Regulations, the situation is the following:
• The accounting and reporting systems of the two companies permit compliance with the regulations, both in terms of public availability of accounting data prepared for the consolidated financial statements, and the ability to provide on a regular basis to the Management and the Auditors of the parent company the data necessary for compiling the consolidated financial statements;
• Damiani S.p.A. has possession of the Statute and composition of the corporate bodies with their relative powers, of the two above mentioned companies and is advised of any modifications in a timely fashion. The documents are conserved in the company files and kept up to date by the company legal department.

In compliance with article 2.6.2., paragraph 15 of Borsa Italiana (Italian Stock Exchange) Regulations, communication to Borsa Italiana was made of the certificates as provided by law in terms of adequacy as required by Market Regulations issued by Consob.

Share buy back program

The Damiani S.p.A. shareholders' meeting on February 22 2008 authorized the re-purchase by the company of its own shares. The main objective of this share buy-back program consists in the realization of industrial projects with the exchange of shares.
The operation is structured as follows:
• Damiani S.p.A. can purchase a maximum of 8,250 thousands common shares having a nominal value of Euro 0.44 each and, in any case, for a total value not greater than 10% of the share capital of the company within an 18 month period starting on the date of the shareholder 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 March 31 2008, closing date of the previous business year, n. 1,170,536 common shares equal to 1.42% of the share capital of Damiani S.p.A., had been purchased for a total amount of 2,337 thousands Euro and an average purchase price of 2.0 Euro per share.
In the course of the business year ended March 31 2009, an additional n. 3,583,252 common shares of Damiani S.p.A were purchased for a total of 5,759 thousands Euro at an average price of 1.607 Euro per share. Payment for the purchase of Rocca S.p.A. was paid in part utilizing n. 1,000 thousands which had been purchased at a cost of 2,050 thousands Euro with an average share price of 2.050 Euro per share.
Consequently, on March 31 2009, the number of re-purchased shares in portfolio (less the shares used in the purchase of Rocca S.p.A.) amounts to n. 3,753,788 (4.54% of the share capital) for a net total of 6,046 thousands Euro and an average per share price of 1.611 Euro.

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 characterized 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.

Main risks and uncertainties for Damiani S.p.A.

For the market risks which affect the company and that are due to the present situation of international economic crisis please see the report on operations of the consolidated financial statements.
The management of financial risks is part of the broader policies of managing the capital and financial structure of the Group.
Specific details are found in note 36. Financial Risk Management and other information required by the application of Standard IFRS 7.

Human resources and Environment

For details please see the report on operations of the consolidated financial statements.

Remuneration of Company bodies

Remuneration for the period in favor of the members of the administrative and control bodies, and managers with strategic responsibilities, as required by Enclosure 3C, paragraph 1 of Issuing Regulations, is shown in note 38. “Remuneration for Company Bodies” of the consolidated financial statements of Damiani Group.

Key data

Share Capital	March 31 2009	March 31 2008
Number of shares	82,600,000	82,600,000
Par value of individual share	0.44	0.44
Share capital	36,344,000	36,344,000

Ownerhsip	% on shares issued	% on shares issued
Leading Jewels S.A.	55.82%	52.49%
Guido Grassi Damiani	5.02%	5.01%
Silvia Grassi Damiani	5.68%	5.68%
Giorgio Grassi Damiani	6.11%	6.11%
Damiani S.p.A. (buyback) (1)	4.54%	1.42%
Gabriella Colombo Damiani (2)	0.15%	0.15%
Market	22.68%	29.14%

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

Individual	Office	Number of shares
Guido Grassi Damiani (indirectly n.46,103,092) (3)	Director	4,150,808
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,687,371
Strategic Managers		9,000

(1) On February 2008, the Shareholders' Meeting authorized the purchase of own shares over the following 18-month period for a maximum of n. 8,250 thousands ordinary shares of Damiani S.p.A.. At March 31 2009, the acquired shares amounted to n. 3,753,788 equal to 4.54% of share capital.
(2) Usufructuary of n. 943,125 shares corresponding to 1.14% of share capital.
(3) As controlling shareholder of Leading Jewels S.A. the own shares of Damiani S.p.A. (n. 3,753,788) are attributable to Guido Grassi Damiani.

Main economic data
(in thousands of Euro)

	FY 2008/2009	FY 2007/2008	Change %
Revenues from sales and services	**71,106**	**101,273**	**-29.8%**
Total revenues	71,236	101,485	-29.8%
Cost of production	(71,165)	(80,359)	-11.4%
EBITDA*	**71**	**21,126**	**-99.7%**
EBITDA%	**0.1%**	**20.8%**	
Depreciation and amortization	(1,117)	(994)	12.4%
Operating Income	**(1,046)**	**20,132**	**-105.2%**
Operating Income %	**-1.5%**	**19.8%**	
Net Financial incomes (losses)	2,405	(614)	n.m.
Result before taxes	1,359	19,518	-93.0%
Net result	737	10,970	-93.3%
Gross Margin%**	45.2%	43.5%	
Average numbers of employees	262	258	1.6%

(*) 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 Damiani S.p.A. results. Since EBITDA is not regulated by the accounting standards, 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.
(**) Gross Margin: the difference between revenues from sales and the cost of good sold (COGS) understood as the sum of costs for raw materials, finished goods and the cost of operations performed outside the company. Gross margin thus defined is a measure used by management to monitor and evaluate the company's operational performance and is not considered an IFRS accounting measure. It cannot be considered an alternative measure for the evaluation of the company's results. Since the composition of Gross Margin is not regulated by the referenced accounting standard, the criteria of determination applied by the company could not be homogeneous with that adopted by others and thus not comparable.

Balance sheet Data

(in thousands of Euro)	**Situation at March 31 2009**	**Situation at March 31 2008**	**Change**
Fixed Assets	113,993	39,846	74,147
Net working capital	42,548	74,864	32,316
Non current liabilities	(6,453)	(6,306)	(147)
Net Capital Invested	**150,088**	**108,404**	**41,684**
Net Equity	132,911	135,873	(2,962)
Net Financial Position*	17,177	(27,469)	44,646
Sources of financing	**150,088**	**108,404**	**41,684**

(*) The Net Financial Position was determined on the basis of the indications of CONSOB comunication n. DEM/6064923 of 28.07.08

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

Total revenue and profitability of Damiani S.p.A. for the FY ended March 31 2009 show the following variations with respect to the previous period:

- Total revenue declined by 30,249 thousands Euro (-29.8%) owing mainly to the contraction of the wholesale channel sales both in Italy (-37.7%) and in export, via the indirect channel consisting of the inter-company sales (out of the total decline of -23.7%, the foreign inter-company sales alone declined by -30.0%). Less severe was the reduction in sales in the retail channel (-2.2%), highlighting the fact that in spite of the heavy contraction of the jewelry market in Italy, with the wholesale customers that in time of crisis prefer reducing their stock instead of making new purchases, the end consumer manifested his appreciation of the jewels proposed through directly managed boutiques. Revenues by channel are shown in the following table:

Revenues by Sales Channels

(in thousands of Euro)	FY 2008/2009	FY 2007/2008	change %
Third-parties Wholesale	**41,006**	**65,829**	**-37.7%**
% on total sales	57.6%	64.9%	
Third-parties Retail	**6,369**	**6,514**	**-2.2%**
% on total sales	8.9%	6.4%	
Total revenues wholesale and retail from third-parties	**47,375**	**72,343**	**-34.5%**
% on total sales	66.5%	71.3%	
Intercompany sales	19,170	25,124	-23.7%
% on total sales	26.9%	24.8%	
Other channels/sales/other income	4,691	4,018	16.7%
% on total sales	6.6%	4.0%	
Total revenues	**71,236**	**101,485**	**-29.8%**

- EBITDA for the year ending on March 31 2009 was 71 thousands Euro, a decline of 21,055 thousands Euro with respect to the previous period ended March 31 2008 and having an impact on revenue of 0.1% (20.8% in 2007/2008). The decline is not traceable to an erosion of the gross margin percentage which, due to a different sales mix and the negative entries (such as the robbery experienced in February 2008) which had penalized the margin in the preceding year, yields on the contrary an increment of 1.7% (from 43.5% to 45.2%). The decline of EBITDA is mainly related to the reduction of revenues from sales as described above and to the other net operating income (9,610 thousands Euro less), for increased credit devaluation reserves and negative foreign exchange differences as well as the lack of the insurance reimbursement during the previous year for the robbery experienced in the headquarters of Damiani S.p.A. in February 2008.

All together, the net production costs during the year ended on March 31 2009 were 71,165 thousands Euro, a decline of 11.4% compared to the previous period which ended on March 31 2008.

As of March 31 2009, the **Net Invested Capital** of Damiani S.p.A. amounts to 150,088 thousands Euro, an increase with respect to March 31 2008 of 41,684 thousands Euro. Apart from a different split-up of the items mainly due to the reclassification of the receivables from Damiani International (equal to 44,870 thousands Euro) from trade receivables to financial receivables as an effect of the uncertainty on the collection timing, the increase of fixed assets for 29,277 thousands Euro is mainly due to the investments of financial nature sustained in the business year, and for the purchase of 100% of the shares of Rocca S.p.A. for a total cost (including accessory costs) of 7,443 thousands Euro (for fuller detail regarding the operation see the management report and note 4 of the consolidated financial statements) and for the financing of the subsidiaries (for a total of 18,855 thousands Euro during 2008/2009 of which 14,000 thousands Euro to Rocca S.p.A. alone). Net working capital decreased by 32,316 thousands Euro principally due to the reclassification of the receivables from Damiani International B.V. mentioned above.

Owing to the variations in net invested capital, in the course of the year ended March 31 2009 the **Net Financial Position** changed radically. The net liquid assets of 27,469 thousands Euro recorded on March 31 2008 became negative for 17,177 thousands Euro on March 31 2009. The variation of 44,646 thousands Euro is due to the cash flow absorbed by operating activities (32,357 thousands Euro, net of reclassifications) and by the cash out for the already mentioned purchase of Rocca S.p.A. and the financing of subsidiaries sustained during the year and the purchase of company shares for 5,759 thousands Euro, which took place according to the limits established by shareholder meeting of February 22 2008.

In the year ended March 31 2009 n. 3.583,252 of common shares of Damiani S.p.A. were purchased at an average price of 1.607 Euro per share for a total cost of 5,759 thousands Euro. 1 million of the purchased shares were utilized as partial payment in the purchase of Rocca S.p.A. for a corresponding value of 2,050 thousands Euro.

Transactions with related parties

Damiani S.p.A. deals with related parties mostly for commercial operatings (sales of jewelry products of the two company brands) concerning the core business and for real estate (rental of shops and offices).
For numerical evidence and the description of the nature of the relationship with related parties see paragraph 31. Operations with related parties, of the explanatory notes accompanying the financial statement.

Significant events of the financial year

On September 15 2008, Damiani S.p.A. completed the purchase of 100% of the shares of Rocca S.p.A. with accounting effectiveness from September 1 2008, this being the first accounting period close to the purchase (for more details on the operation see note 4 of the explanatory notes accompanying the consolidated financial statements of Damiani Group as well as the contents of the various notes of the financial statements which illustrate the principal accounting and financial impacts on the consolidated values).

Furthermore, in the course of the business year, the process of developing the retail channel progressed with the opening in October 2008 in Naples of the boutique Damiani, the fifth directly managed point of sale of Damiani S.p.A. in Italy.

On July 7 2008, Damiani S.p.A. in accordance with article 89 bis, paragraph 3 of Consob Regulations n. 11971/1999 issued the "Annual report of Corporate Governance of Damiani S.p.A." The document, available at the company headquarters in Valenza (AL), is viewable online at www.damiani.com, under "Investor Relations – Corporate Governance".

In October 2008, Damiani Group was present at the International Movies Festival (Festival Internazionale del Cinema) in Rome providing the eight prestigious awards which were given to the best films and to the best actors in all categories as well as the Marc'Aurelio d'oro awarded to the career of American actor Al Pacino.

Significant events following the end of the financial year

On April 3 2009, the Shareholders' meeting of Damiani S.p.A. appointed the new Board of Directors, including 7 members who will be in office until the approval of the financial statements of 31/3/2012.

After March 31 2009, Damiani S.p.A. continued its program of purchasing its own shares as deliberated by the shareholder meeting of February 22 2008. As of June 8 2009, Damiani S.p.A. has in its portfolio a total of n. 4,714,518 shares of common stock equal to 5.71% of its share capital for a corresponding value of 7,183 thousands Euro.

Business outlook

The current global economic crisis, which started to show its real effects in 2008 and continued in the beginning of 2009 with contractions of the GDP, decrease in employment and lasting loss of consumer confidence, makes difficult to carry out some predictions, also in the short period, that are not marked by a high level of uncertainty. This uncertainty characterizes also the macroeconomic predictions of all the most authoritative public and/or private institutions in the world (ECB, FED, etc.)
In this complex contest the management of Damiani S.p.A. started a series of rationalization measures of the organizational structure with the goal of controlling operation costs and of improving the profitability of the Company not only in the short-term but principally in the medium/long term. Guidelines of the Company are being monitored constantly so that they can be quickly adjusted to the changes of the macro-economic situation and to the signals coming from the consumers. In this way Damiani S.p.A. believes to be able to keep and consolidate its leadership position in the Italian market.

Proposed resolution on the results for the financial year ended March 31 2009 of Damiani S.p.A.

Shareholders,
to conclude our report, and trusting in your approval of the form and criteria used in preparing the financial statements at March 31 2009, we propose:

1. to approve the financial statements of Damiani S.p.A. for the year ended March 31 2009;
2. to distribute the net profit of 736,947 Euro as follows:
   - legal reserve of 36,848 Euro;
   - extraordinary reserve of 700,099 Euro.

Milan, June 12 2009

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

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Balance Sheet

(in Euro)	**Note**	**March 31 2009**	**March 31 2008**
NON CURRENT ASSETS			
Goodwill	4	726,704	726,704
Other Intangible Fixed Assets	5	873,732	882,689
Tangible Fixed Assets	6	6,648,282	6,587,778
of which towards related parties		*3,259,500*	*3,588,500*
Investments	7	26,597,699	18,104,507
Other investments	7	152,079	152,079
Financial receivables and other non current assets	8	72,252,118	8,588,389
of which towards related parties		*72,046,212*	*8,320,000*
Deferred tax assets	9	6,742,007	4,804,152
TOTAL NON CURRENT ASSETS		**113,992,621**	**39,846,298**
CURRENT ASSETS			
Inventories	10	43,396,166	39,894,509
Trade receivables	11	47,043,774	86,994,281
of which towards related parties		*12,541,153*	*42,035,183*
Tax receivables	12	5,022,398	565,237
Other current assets	13	2,697,086	9,901,436
of which towards related parties		-	*1,128,000*
Cash and cash equivalents	14	3,182,878	45,889,374
TOTAL CURRENT ASSETS		**101,342,302**	**183,244,837**
TOTAL ASSETS		**215,334,923**	**223,091,135**
SHAREHOLDERS' EQUITY			
Share Capital		36,344,000	36,344,000
Reserves		95,829,702	88,558,635
Net profit of the period		736,947	10,969,958
TOTAL SHAREHOLDERS' EQUITY	15	**132,910,649**	**135,872,593**
NON CURRENT LIABILITIES			
Medium-long term financial debt	16	7,373,016	12,072,647
of which towards related parties		*3,381,000*	*3,511,000*
Termination Indemnities	17	2,810,052	3,093,838
Deferred Tax liabilities	9	3,279,936	3,212,607
Other non current liabilities	18	363,000	-
TOTAL NON CURRENT LIABILITIES		**13,826,004**	**18,379,092**
CURRENT LIABILITIES			
Current portion of medium long term financial debt	16	4,760,631	4,689,261
of which towards related parties		*191,000*	*215,000*
Trade payables	19	50,558,746	50,415,404
of which towards related parties		*18,599,288*	*16,926,844*
Short term borrowings	20	8,226,069	1,658.384
Income tax payables	21	1,263,112	7,406,932
Other current liabilities	22	3,789,712	4,669,469
of which towards related parties		*1,295,000*	*152,000*
TOTAL CURRENT LIABILITIES		**68,598,270**	**68,839,450**
TOTAL LIABILITIES		**82,424,274**	**87,218,542**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**215,334,923**	**223,091,135**

Income Statement

(in Euro)	**Note**	**FY closed at March 31 2009**	**FY closed atMarch 31 2008**
Revenues from sales and services		71,106,096	101,273,418
of which towards related parties		*20,870,015*	*30,362,748*
Other recurring revenues		130,253	211,988
TOTAL REVENUES	23	**71,236,349**	**101,485,406**
Costs of raw materials and consumables	24	(36,544,058)	(53,180,905)
of which towards related parties		*(4,583,100)*	*(8,894,000)*
Costs of services	25	(22,274,472)	(23,625,855)
of which towards related parties		*(5,605,179)*	*(2,231,000)*
Personnel cost	26	(12,746,845)	(13,562,754)
Other net operating (charges) incomes	27	399,903	10,009,514
of which towards related parties		*2.857,448*	*3,357,000*
Amortization and depreciation	28	(1.117,152)	(994,260)
of which towards related parties		*(329,000)*	*(329,000)*
TOTAL OPERATING EXPENSES		**(72,282,624)**	**(81,354,260)**
OPERATING INCOME (LOSS)		**(1,046,275)**	**20,131,146**
Financial expenses	29	(1,116,535)	(2,861,574)
of which towards related parties		*(436,000)*	*(357,000)*
Financial incomes	29	3,521,609	2,248,334
of which towards related parties		*1,477,059*	*399,000*
NET INCOME BEFORE INCOME TAXES		**1,358,799**	**19,517,906**
Income Taxes	30	(621,852)	(8,547,948)
NET INCOME (LOSS) FOR THE PERIOD		**736,947**	**10,969,958**

Changes in shareholders' equity

(In Euro)	Share Capital	**Share Premium Reserve**	Legal Reserve	**Cash flow hedging reserve**	Shareholders payment reserve	**Stock option reserve**	Own Shares	**Other reserves**	Net income (Loss) for the period	Total Shareholders' equity
Balances at 31/03/07	**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 result 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 option						58,301				58,301
Purchase of own shares							(2,337,000)			(2.337,000)
Net income for the period									10,969,958	10,969,958
Balance at 31/03/08	**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**
Allocation of the result for the period			548,498					10,421,460	(10,969,958)	-
Other movements								68,053		68,053
Purchase of own shares							(5,758,643)			(5,758,643)
Release of stock option reserve						(58,301)				(58,301)
Utilization of own shares for Rocca S.p.A. purchase							2,050,000			2,050,000
Net income for the period									736,947	736,947
Balance at 31/03/09	**36,344,000**	**69,857,285**	**2,396,857**	**-**	**3,641,000**	**-**	**(6,045,643)**	**25,980,203**	**736,947**	**132,910,649**

Funds flow statement

(in Euro)	FY closed at March 31 2009	FY closed at March 31 2008
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Net income (loss) for the period	736,947	10,969,958
Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:		
Amortization and depreciation	1,117,152	994,260
(Revenues) costs for stock option	(58,301)	58,301
Gain from sale of intangible and tangible assets	(21,250)	-
Provisions to bad debts reserve	1,875,406	218,593
Provisions for termination Indemnity and actuarial valuation of E.L.I. Fund	6,214	(71,151)
Termination indemnity payments	(290,000)	(316,000)
Changes in the deferred tax assets and liabilities	(1,870,526)	(85,291)
	1,495,642	11,768,670
Changes on operational assets and liabilities		
Trade receivables	38,075,101	(6,155,368)
Inventories	(3,501,657)	7,040,326
Trade payables	143,342	(1,683,304)
Tax receivables	(4,457,161)	(446,005)
Income tax payables	(6,143,820)	2,179,206
Other current and non current assets and liabilities	6,687,593	(6,042,186)
NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)	**(32,299,040)**	**6,661,339**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash in from disposal of intangible and tangible fixed assets	30,000	90,000
Tangible fixed assets purchased	(1,061,375)	(383,542)
Intangible fixed assets purchased	(116,074)	(829,829)
(Purchase)/disposal of the investment	(8,493,192)	(230,000)
Net change in the other non current assets	(63,663,729)	(4,104,169)
NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)	**(73,304,370)**	**(5,457,540)**
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of long-term debt	(4,628,261)	(24,938,065)
Net change in short term financial liabilities	6,567,685	(4,322,503)
Purchase of own shares	(5,758,643)	(2,337,000)
Own shares used for the acquisition of Rocca Group	2,050,000	-
Dividends paid	-	(1,847,160)
Increase in share capital and payments in by Shareholders net of costs of IPO	-	69,148,851
Other changes in Net Equity	68,053	116,048
NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)	**(1,701,166)**	**35,820,171**
TOTAL CASH FLOW (D=A+B+C)	**(42,706,496)**	**37,023,970**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	**45,889,374**	**8,865,404**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E)	**3,182,878**	**45,889,374**

Explanatory notes

1. COMPANY INFORMATION AND STRUCTURE OF THE FINANCIAL STATEMENTS

Company information

The company has been engaged for many years in the production and distribution of jewelry products through both wholesale and retail channels under the brand names Damiani and Salvini.
The headquarters address of the company is Viale Santuario n. 46, Valenza (AL).

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.
No exception to the application of IFRS standards was made in the preparation of the Company's financial statements for the financial years ended on March 31 2009 and March 31 2008.

Structure of the Financial Statements

The present Financial statement of Damiani S.p.A. AS of March 31 2009 covering the financial period April 1 2008 – March 31 2009, consisting of the balance sheet, the income statement, the funds flow table, the table of changes in shareholders' equity and the explanatory notes (hereafter, the Financial Statement) was approved by the Board of Directors of the company on June 12 2009.
The structure of the balance sheet takes into account the classification between "current assets" and "non-current assets" while, with reference to the income statement, the classification by the nature of the items has been maintained since this format is believed to be most representative in relation to the so-called "presentation by destination" (also called "cost of sales" method).
Concerning the resolution of Consob (Italian SEC) number 15519 dated July 27 2006, the effects of transactions with "related parties" on the Balance Sheet assets and liabilities and on the income statement for the financial period ended on March 31 2009 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 those company executives who have strategic responsibilities. See also note 31 "Transactions with related parties" and note 33 "Atypical and/or unusual and non-recurring transactions".

The Funds Flow Statement was drawn up using the indirect method. The financial statement has been drawn up in thousands of Euro (€ 000s). All amounts included in the table contained in the following notes below are expressed in thousands of Euro except where otherwise indicated.

The Financial Statement has been drawn up in thousands of Euro (€000s). All amounts included in the tables contained in the following notes below are all expressed in thousands of Euro except where otherwise indicated.
The economic data, the changes in net shareholders' equity and the cash flow of the business year ended on March 31 2009 were presented in comparative form with the corresponding table of the financial statement of the preceding business year April 1 2007 - –March 31 2008. The balance sheet figures are presented in comparative form along with the situation of the preceding year which closed on March 31 2008.

2. ACCOUNTING STANDARDS AND CRITERIA

Standards and information report

The accounting principles adopted for the drawing up of the financial statement of March 31 2009 are the same as those used for the financial year closed at March 31 2008.
In the following paragraph are shown the new principles and interpretations incorporated by the European Union and their impact.

New accounting Standards and Interpretations adopted by the EU and applicable to the financial statements closed on March 31 2009

It should be noted that the following principles came into effectiveness during the financial period that closed on March 31 2009:

Interpretation IFRIC 11 (IFRS 2 – Transactions with own equity instruments and of the Group) – This interpretation states that share-based payments through which the company receives services (for example, from employees) in exchange of own shares must be accounted for as an equity-settled share-based payment transaction, regardless if the company chooses to purchase these instruments by a third party to meet the obligations to its employees. This document is not applicable to our Company.

Amendments to IAS 39 (Financial instruments: recognition and measurement) and to IFRS 7 (Financial instruments: Disclosures) – on 15 October 2008 the CE Regulations no. 1004-2008 was published which acknowledges certain amendments to IAS 39 (Financial instruments: recognition and measurement) and to IFRS 7 (Financial instruments: Disclosures) which allow, in particular circumstances, the reclassification of some financial instruments out of the category "fair value through profit or loss" and out of the "available for sale" category. The amendments to IFRS 7 also introduced new information requirements with regards to the above mentioned reclassifications. These amendments did not have any effect on the financial statements closed on March 31 2009 since the Company did not perform these reclassifications.

Interpretation IFRIC 14 (IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) – the document providing the general guidelines on how to determine the limit amount established by IAS 19 for the acknowledgment of an asset for a defined benefit plan and giving indications about the accounting effects deriving from the existence of a clause of minimum hedging of the plan, is not applicable to the Company.

New Standards and Interpretations adopted by the EU but not yet in effect

IFRS principles which came into effect starting from January 1 2009 or after and that will eventually are applicable to the Company's financial statements after the period closed on March 31 2009 are illustrated below:

IFRS 8 (Operating segments) – on November 21 2007 the European Commission through Regulations CE no. 1358/2007 acknowledged IFRS 8 which replaces IAS14 – Segment Reporting. The new accounting principle requires segment reporting to be based on the elements that management uses to make operating decisions; therefore it requires the identification of operating segments on the basis of internal reporting which is reviewed by management periodically with the goal of allocating resources to the different segments and with the goal of performance analysis.
The Company is evaluating the impact that this principle could have on the quantity and on the quality of the information to be provided in the notes to the financial statements, considering anyhow that no effect will take place from the point of view of the evaluation of the financial statement items subject of the information document.

Amendments to IAS 23 (Borrowing costs) – on December 10 2008 the Regulations CE no. 1260-2008 was published, which acknowledged the amendments to IAS 23 (Borrowing costs).
The main change to IAS 23 is the removal of the option of immediately recognize an as expense in the income statement borrowing costs as an alternative to their capitalization.
This change does not have any impact on the Company as of today.

IFRIC 13 (Customer Loyalty Programmes) – on December 16 2008 the Regulations CE no. 1262-2008 was published, which acknowledged Interpretation IFRIC 13 (Customer Loyalty Programmes), providing general guidelines for the accounting of customer loyalty programmes. This principle is not applicable to the Company at this time.

Amendments to IAS 1 (Presentation of financial statements) – on December 17 2008, the European Commission published a revised version on IAS 1 through Regulations no. 1274/2008. The new version of the principle requires that changes generated by transactions with shareholders are presented in a table of changes in shareholders' equity. All of the transactions with third parties that have an impact on the shareholders' equity must be reported along with income and expenses in a single table (called "Table of comprehensive income statement") or in two separate tables: a first table showing the components of the profit (loss) of the period ("Separate income statement"), and a second table starting from the profit (loss) for the period and showing the changes to shareholders' equity arising from transactions different from those carried out with shareholders ("Table of comprehensive income statement").
The adoption of this principle does not have any effect from the point of view of the evaluation of the financial statement items.

Amendments to IFRS 2 (Share-based payments) – on December 16 2008 the Regulations CE no. 1261-2008 was published which acknowledged the amendments to IFRS 2 (Share-based payments).
The principle clarifies the definition of "vesting conditions" and specifies cases in which the failure to meet a condition causes the cancellation of the right granted.

Amendments to IAS 32 (Financial instruments: Presentation) and to IAS 1 (Presentation of Financial statements) – on January 21 2009 the Regulations CE no. 53-2009 was published which acknowledged certain amendments to IAS 32 (Financial instruments: Presentation) and to IAS 1 (Presentation of Financial statements).
Amendments to IAS 32 require, when certain conditions are present, to classify in shareholders' equity certain financial instruments with

an option to sell (puttable instruments) or that include a contractual obligation for the issuing entity to make a payment in case of liquidation.
The amendments to IAS 1 require providing specific information about these instruments.
It is not expected that these changes will gave any effect on the financial statements of the Company.

Improvements to IFRS

Through Regulation no. 70/2009 the European Commission, on January 23 2009, published a set of amendments to certain accounting principles. The amendments that could determine a change in the presentation or in the evaluation of accounting items of the Group are illustrated below:

IAS 36 (Impairment of Assets): the amendment requires that additional information be provided in case the Company determines the recoverable amounts of cash-generating units using the method of discounting cash flow.

IAS 38 (Intangible Assets): the amendment clarifies that marketing and advertising expenses must be recognized in the income statement when incurred and can not be capitalized.

IAS 19 (Employee Benefits): the amendment, to be applied prospectively, clarifies the approach to use in case of changes in employee benefits, defines the procedures of survey of the cost/income relative to past employment, and clarifies the definition of short term benefits and long term benefits.

IAS 23 (Borrowing costs): the amendment concerned the definition of borrowing costs.

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 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, the valuation of expected future returns, and in the allowances to bad debt reserve.
Additional details on the estimates made are found in the specific notes to the financial statements.

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 impairment.
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 units) 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 of intangible assets is assessed as "definite" or "indefinite". Intangible assets with a definite useful life 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 subjected annually to 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; if not, the change from definite to finite 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 rates applied are as follows:

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

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 Damiani S.p.A. 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.
As of March 31 2009 there are not capitalized development costs.

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 depreciation rates are as follows:

Category	Rate
Buildings	3%
Plant and Machinery	12,5%
Industrial and commercial equipment	Da 12% a 35%
Other assets	Da 12% a 25%
Leasehold improvements	for the duration of the rent agreement

Leased assets

Finance leases, which essentially transfer all the risks and rewards arising from ownership of the leased asset to Damiani S.p.A., 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 installments. The installments 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 Damiani S.p.A will become the owner of the asset on the end of the contract.

Rent installments on operating leases are charged to the Income Statement in equal portions over the duration of the lease.

Investments

Shareholdings in subsidiaries and other companies are booked at cost modified, in the presence of a loss of value, on the basis of an appropriate impairment test.

Loss of value of the asset (impairment)

At the closing date of each accounting period Damiani S.p.A. 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 indefinite useful lives are subjected to an impairment test every year, whether or not there is any reason to suspect 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 impairment.
Fair value is determined as the greater of the recoverable 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 Damiani S.p.A. estimates the recoverable value of the cash-generating unit to which the asset belongs. In particular, since goodwill 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, Damiani S.p.A. 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 Damiani S.p.A.'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 recoverable value, that asset is impaired, and is consequently written down to its recoverable 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.

Other non current assets

Receivables and loans included among other non current 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 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 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 average 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 impairment 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 financial statements 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 instruments. 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 are non-derivative financial assets with fixed or determinable payments are classified as "investments held to maturity" when Damiani S.p.A. 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 of recent transactions among independent parties; 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;
– Damiani S.p.A. keeps the right to receive the asset's financial flows, but has the contractual obligation to transfer them without delay to a third party;
– Damiani S.p.A. 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 Damiani S.p.A. 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 Damiani S.p.A.'s Financial Statement to the extent of its 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 Damiani S.p.A. 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 de-recognition 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:
(i) 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);
(ii) 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;
(iii) net hedging of an investment in a foreign firm (net investment hedges).
At the start of a hedge transaction, Damiani S.p.A. 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, traceable to the covered risk.
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 is 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 and cash equivalents are recorded at the nominal value 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 at 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 indemnity) 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.
Damiani S.p.A. 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 value.

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.
• The usual activities that are associated with the ownership of the goods are no longer exercised and control over the goods that have been sold is also no longer exercised.
• 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 of 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 amounts 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 associated with the ownership of the property will 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

Costs are posted on an accruals timing basis and, specifically, as follows:
Costs for advertising campaigns and testimonials
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.
Costs relative to the advertising campaigns and 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 broadcast, the testimonials already rendered. Any advances paid for services still to be received are treated on an accrual basis.
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 the right of the shareholders to receive the payment arises, which coincides with the time when the resolution regarding them is passed .

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 positive and negative components which will be taxable or deductible in other financial periods and excludes items which will never be taxable or deductible. The liability for current taxes is calculated using the tax rates that are in force at the closing date of the accounting period.

Deferred taxes and prepaid taxes
Deferred and prepaid tax are taxes on the temporary differences between the accounting value of the assets and liabilities in the financial statement and the corresponding fiscal value utilized 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 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 difference 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.
Prepaid taxes are recognized to the extent that it is thought likely that there will be sufficent taxable profits in future to enable the temporary differences to be dedudect, 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, is foreseen they will be applied in the financial period in which the tax asset is realized or the tax liability is settled, on the basis of the law as it stands at the time.
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.
Following the disposition of the Legislative Decree n. 344 of December 12 2003 which introduced the fiscal regime of group taxation called "Fiscal Consolidated", Damiani S.p.A. formalized an agreement with its subsidiaries New Mood S.p.A., Alfieri & St. John S.p.A. and Damiani Manufacturing S.r.l. relative to the joint exercise of the option for the "National Consolidated" for the three-year period 2007-2009.

Foreign currency conversion

The Damiani Group's functional currency is the Euro.
Transactions in other currencies are booked initially at the exchange rate (with reference to the functional currency) at the time of the transaction. Any foreign currency based assets and liabilities are converted in the functional currency using the rate at the date of closing of the financial statement. 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 TO THE MAIN FINANCIAL STATEMENTS ITEMS

The following are comments on the single items of the Balance Sheet and the Income Statement.

4. GOODWILL

Goodwill amounts to 727 thousands Euro and is unchanged compared to the figure at March 31 2008. The item refers 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 having indefinited useful life as of March 31 2009 and as of March 31 2008 is the Goodwill which was subjected to impairment test to evaluate the congruence of its posted value.
The following data and assumptions have been considered in performing the test:
- the financial data have been derived from the business plan 2009-2012 prepared by the Company (which is the Cash Generating Unit – CGU) and reviewed by Damiani's Corporate offices with the goal of enhancing the synergies of the Group;
- cash flow has been determined starting from the EBITDA and adjusted in order to eliminate the amounts related to investments and to changes in networking capital. Specifically, the cash flows for 2012 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;
- cash flows have been discounted at the Weighted Average Cost of Capital (WACC), determined on the basis of prudent assumptions of the quantitative parameters (in particular the expected growth rate "g" after the three year period covered by the business plan to be used for the determination of the terminal value was conservatively assumed equal to zero); the parameters used were the following:
- risk free rate: 3%
- beta of 5%
- debt/equity ratio: taken from the company's data as of March 31 20009

To determine the recoverable value reference was made to the value in use.

The impairment test confirmed the book value of the goodwill.

5. OTHER INTANGIBLE FIXED ASSETS

Here follows the composition of this item as of March 31 2009 and March 31 2008.

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Industrial rights and patents	187	142
Key money	687	741
Total other intangible fixed assets	**874**	**883**

The item "Key money" refers to the amount paid for the purchase of a rental contract for the shop in Naples where Damiani S.p.A. took over direct management of a distributor during the financial year; this amount was already paid during the previous financial year. This amount is amortized on the basis of the residual duration of the rental contract.
The purchases relative to the item "Industrial rights and patents" refer to software user licenses.

(in thousands of Euro)	**Industrial rights and patents**	**Key money**	**Total**
Net book value at March 31 2008	**142**	**741**	**883**
Purchase	116	-	116
Disposal	-	-	-
Amortization	(71)	(54)	(125)
Net book value at 31 March 2009	**187**	**687**	**874**

6. TANGIBLE FIXED ASSETS

The composition of this item as of March 31 2009 and March 31 2008 follows:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Lands and Buildings	4,775	5,139
Plant and machinery	344	342
Industrial and commercial equipment	36	49
Leasehold improvements	272	-
Other assets	1,221	1,058
Total tangible fixed assets	**6,648**	**6,588**

The item Land and buildings includes sales and lease back assets that correlated parties purchased from Damiani S.p.A. and after words rented to the same company. The value of sale and lease back assets is of 3,259 thousands Euro at March 31 2009 and 3,588 thousand Euro at March 31 2008.
The item other assets is comprised mainly of furniture, decorations, office machines and vehicles.
Here follows a description of the movements of tangible fixed assets during the year closed on March 31 2009.

(in thousands of Euro)	**Lands and Buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Leasehold improvements**	**Other assets**	**Total**
Historical cost	5,915	1,611	623	-	13,230	21,379
Depreciation reserve at 31 March 2008	(776)	(1,269)	(574)	-	(12,172)	(14,791)
Net book value at 31 March 2008	**5,139**	**342**	**49**	**-**	**1,058**	**6,588**
Purchases	-	147	4	300	610	1,061
Disposals	-	-	-	-	(9)	(9)
Depreciation	(364)	(145)	(17)	(28)	(438)	(992)
Net book value at 31 March 2009	**4,775**	**344**	**36**	**272**	**1,221**	**6,648**

The asset values do not include assets which are the object of revaluation per article 10 of Law 72/83.

7. INVESTMENTS

Below is the breakdown of the item at March 31 2009 and March 31 2008:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Investments in subsidiaries companies	26,598	18,105
Investments in other companies	152	152
Total investments	**26,750**	**18,257**

The increase in value of the investments in subsidiaries companies for 8,493 thousands Euro is mainly attributable to the purchase of 100% of the shares of Rocca S.p.A. in September 2008 for a total value of 7,443 thousands Euro (including accessory costs) and to the recapitalization of Laboratorio Damiani S.r.l. for 1,050 thousands Euro.
Below is the detail of the subsidiary companies:

Company name	Registered office	Share Capital	Net equity Total	Net equity of which net profit/loss	%	Net equity owned	Book value	Note
Casa Damiani Espana S.L.	Madrid (Spain)	721	840	-	99%	832	330	2)
Damiani International B.V.	Amsterdam (Netherlands)	194	67,673	1,436	100%	67,124	9,894	2)
New Mood S.p.A.	Valenza (Italy)	1,040	(80)	(4,301)	97%	(78)	2,959	1)
Damiani Manufacturing S.r.l.	Valenza (Italy)	850	3,240	(341)	51%	1,652	467	2)
Alfieri & St John S.p.A.	Valenza (Italy)	1,462	4,762	898	100%	4,761	4,225	1)
Laboratorio Damiani S.r.l.	Bassignana (Italy)	200	304	(578)	100%	304	1,250	2)
Damiani Service Unipessoal Lda	Madeira (Portugal)	5	(54)	(33)	100%	(54)	30	2)
Rocca S.p.A. (3)	Milan (Italy)	4,680	5,552	(630)	100%	5,552	7,443	2)
Total							**26,598**	

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.

In relation to the shareholdings whose book value is higher than the net equity equivalent, on the basis of the impairment tests done using the hypothesis and the data used also for the evaluation of goodwill in note 4, the negative difference does not represent a permanent loss of value in consideration of the expected results of the subsidiaries.
The following is a list of the other investments.

Description	Book values (in thousands Euro)
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

The breakdown of this item on March 31 2009 and March 31 2008 is given below:

(in thousands Euro)	March 31 2009	March 31 2008
Receivables towards subsidiaries	72,045	8,230
Receivables towards others	207	268
Total financial receivables and other non current assets	**72,252**	**8,588**

Receivables owed by subsidiaries increased in the financial year by 63,664 thousands Euro due to inter-company financings by Damiani S.p.A. to support the needs of the companies under its control, and to the reclassification among financial receivables of the trade receivables from Damiani International B.V. because of the uncertainty on the timing of repayment. On March 31 2009, the financial receivables were the following:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Rocca S.p.A.	14,000	-
New Mood S.p.A.	9,750	6,150
Alfieri & St. John S.p.A.	1,600	-
Damiani International B.V.	46,370	1,500
Laboratorio Damiani S.r.l.	-	400
Damiani Japan K.K.	325	270
Total	**72,045**	**8,320**

Loans issued to subsidiaries carry interest rates based on Euribor (3 or 6 months Euribor) plus a spread equal to 0.5%

9. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

A breakdown of this item as of March 31 2009 and as of March 31 2008 is given below:

(in thousand of Euro)	**March 31 2009**	**March 31 2008**
Deferred tax assets		
Impact of the returns reserve on receivables	4,136	1,980
Exchange loss differences	267	155
Bad Debts Reserve not deductible	577	369
Emoluments yet not paid to the workers	-	300
Costs of the IPO	1,295	1,752
Other timing differences of a taxation nature	467	248
Total deferred tax assets	**6,742**	**4,804**
Deferred tax liabilities		
Exchange differences	101	291
Impact of the returns reserve on inventories	2,156	-
Other timing differences of a taxation nature	126	85
Deferred taxation on capital gains	897	2,837
Total deferred tax liabilities	**3,280**	**3,213**

Note that Damiani S.p.A. computed the deferred and prepaid taxes on the basis of the expect rates in which the relative temporary differences are to reverse.

10. INVENTORIES

The breakdown of this item at March 31 2009 and March 31 2008 is given below:

(in thousand of Euro)	**March 31 2009**	**March 31 2008**
Raw materials, semi-finished goods and advance payments	8,524	8,086
Finished products and goods	34,872	31,809
Total inventories	**43,396**	**39,895**

It should be noted that the heading finished products and goods includes for 6,341 thousands Euro (unchanged compared with the previous financial report) delivered to customers for which it was not yet certain on the Financial Statement date because assumptions of revenue recognition where not completely satisfied.
The value of inventory at March 31 2009 is reported net of the effects deriving from a transaction of elimination and transformation through casting of jewellery products performed in March 2009, related to stock inventory of 2,358 thousands Euro. This transaction caused a net loss, booked to the income statement, of 742 thousands Euro.
The Company 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 March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Trade receivables towards third companies	53,258	62,832
Trade receivables towards subsidiaries companies	9,060	39,183
Trade receivables, gross	62,318	102,015
Bad debts reserve	(1,918)	(1,532)
Fund for return on sales from customers	(13,173)	(13,173)
Impact of Net Present Value calculation of receivables	(183)	(316)
Total trade receivables	**47,044**	**86,994**

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 March 31 2009.

(in thousands of Euro)	**Fund for returns on sales from customers**	**Bad debt reserve**
Book value at March 31 2008	**13,173**	**1,532**
Accrual	7,432	1,875
Utilization	(7,432)	(1,489)
Book value at March 31 2009	**13,173**	**1,918**

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 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.

The breakdown of trade receivables relative to companies of the group for the two periods examined is given in the following table: The increment booked in the year 2008/2009 depends on a) the quota of Rocca S.p.A. (and Courmayeur Rocca S.r.l.) due to the acquisition which occurred during the year, while in the previous year the receivables were classified among the third parties; b) the reclassification among financial receivables of the trade receivables from Damiani International because of the uncertainty on the timing of repayment

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Rocca S.p.A.	3,449	-
Courmayeur Rocca S.r.l.	1	-
New Mood S.p.A.	1,035	1,596
Alfieri & St John S.p.A.	4,068	2,094
Damiani Manufacturing S.r.l.	243	859
Damiani International B.V.	-	31,647
Laboratorio Damiani S.r.l.	255	65
Casa Damiani Espana S.L.	2	2
Damiani Usa Corp.	2,261	2,073
Damiani Japan K.K.	1,196	847
Totale	**9,060**	**39,183**

12. TAX RECEIVABLES

The breakdown of this item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Receivables from Tax authorities for income taxes	5,022	565
Total tax receivables	**5,022**	**565**

The increase in tax receivables is due to higher tax prepayments paid in the 2008/2009 financial year compared to the prepayment paid in the 2007/2008 year when they were calculated based on the result on the previous year which was of only 3 months.

13. OTHER CURRENT ASSETS

The breakdown of this item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
VAT Receivables from the tax authorities	687	744
Prepayments	409	554
Other receivables towards subsidiaries companies	-	1,128
Receivables towards others	1,601	7,475
Totale other current assets	**2,697**	**9,901**

Compared to the balance on March 31 2008, the decrease of receivables from others is due to the payment of receivables from the Insurance company (equal to 6,064 thousands Euro posted in June 2008) for the settlement for the robbery suffered by Damiani S.p.A. in February 2008.

14. CASH AND CASH EQUIVALENTS

The breakdown of this item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Bank and post accounts	3,136	45,849
Cash on hand	47	40
Total cash and cash equivalent	**3,183**	**45,889**

The balance is the available liquidity in the bank and postal accounts and the petty cash at the closing date of the period. The decrease compared to the previous period is a consequence of the utilization of financial resources for the purchase of Rocca S.p.A. (for 5,393 thousands Euro and a partial payment “no cash” in shares for an equivalent vale of 2,050 thousands Euro), and of the buy back plan (for 5,759 thousands Euro) as well as the financing of the subsidiaries (for 18,855 thousands Euro). Available liquidities on March 31 2008 were positively influenced by the income of cash from the stock exchange quotation with a gross amount net of related costs equal to 73,850 thousands Euro on November 8 2007, date of the start of trading of the shares of Damiani S.p.A. on the Italian Stock Exchange, STAR segment.

15. SHAREHOLDERS’ EQUITY

The principal changes in Shareholders’ Equity over the twelve-month period ended March 31 2009 were as follows:
- The Shareholders meeting of February 22 2008 authorized the purchase of own shares with the following 18 months for a maximum of n. 8,250 thousands common shares of Damiani S.p.A.. In the period ended on March 31 2009 the shares purchased amounted to n. 3,583,252 equal to 4.338% of the share capital for an otlay of 5,759 thousands Euro.
- Payment for the purchase of 100% of the shares of Rocca S.p.A., was made in part utilizing n. 1,000 thousands own shares for an equivalent value of 2,050 thousands Euro.

Details of the reserves by usability and availability are given below:

(in thousands of Euro)

Description	**Amount**	**Usage**	**Part available**	**Usage in the three previous financial years**	
				to cover losses	**for other uses**
Share capital	36,344				
Share Premium Reserve	69,857	1), 2),3)	69,857	-	-
Legal Reserve	2,397	2)		-	-
Other reserves: extraordinary reserves	23,575	1), 2),3)	23,575	-	-
Total	**132,173**		**93,432**	**-**	**-**

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 composition of the current and medium/long-term portions for March 31 2009 and March 31 2008 is as follows:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**	**Note**
Non current portion			
Interbanca	2,000	4,000	a
Mediocredito Centrale	1,992	4,562	b
Financial leasing	3,381	3,511	c
Total non current portion of medium/long financial debt	**7,373**	**12,073**	
Current portion			
Interbanca	2,000	2,000	a
Mediocredito Centrale	2,570	2,474	b
Financial leasing	191	215	c
Total current portion of medium/long financial debt	**4,761**	**4,689**	
Total medium/long financial debt	**12,134**	**16,762**	

The main information details on the leans from banks taken by Damiani S.p.A. are given below:

a) The Interbank loan was originally issued in December 2005 for 10,000 thousands Euro with a payment plan which contemplated equal six-month installments for the period from November 28 2005 to December 31 2010; interest of 3.87 % per annum is paid on this loan.
b) The Medio Credito Italiano loan was originally issued in November 2005 for 10,000 thousands Euro with a reimbursement plan of equal payments running from November 28 2005 to November 30 2010; interest of 3.68% per annum is paid on this loan;
c) Debts for leasing of buildings include the debt relative to the contract, qualified as a sale and leaseback contract in conformity with IAS 17 with related parties for a Damiani shop.

The difference compared to March 31 2008, equal to 4,628 thousands Euro, derives from the payment on loans as foreseen by the plan of amortization of the loans. The following table details the financial indebtedness as of March 31 2009 and March 31 2008:

Net Financial Position (*) *(in thousands of Euro)*	**Situation at March 31 2009**	**Situation at March 31 2008**
Medium-Long term loans and financing - current portion	4,570	4,474
Medium-Long term loans and financing with related parties - current portion	191	215
Usage of credit lines, short term financing and others	5,057	1,658
Payables to factor for receivables	3,169	-
Current financial indebtness	**12,987**	**6,347**
Medium-Long term loans and financing - non current portion	3,992	8,562
Medium-Long term loans and financing with related parties - non current portion	3,381	3,511
Non current financial indebtness	**7,373**	**12,073**
Total financial indebtness	**20,360**	**18,420**
Bank and post accounts	(3,136)	(45,849)
Cash and cash equivalents	(47)	(40)
Net Financial Position (*)	**17,177**	**(27,469)**

(*) The Net Financial Position was determined on the basis of the indication of the Consob report n. DEM/6064923 of 28 July 2006

The net financial position on March 31 2009 presents a net negative result for 17,177 thousands Euro, a reduction of 44,646 thousands Euro due to the effect of negative cash flows absorbed by the operating management (32,357 thousands Euro, net of reclassifications) as well as for those related to the acquisition of 100% of the shares of Rocca S.p.A. (5,393 thousands euro net of part paid with shares and including accessory costs) and for the continuation of the buy back program (5,759 thousands Euro cash in the period 2008/2009) and the financing of the subsidiaries (for 18,855 thousands Euro) with consequent reduction of available liquidity and the booking of financial receivables under the item of capital invested.

17. TERMINATION INDEMNITIES

In the financial period ended March 31 2009 there were the following changes to the Termination indemnities ("TFR"):

(in thousands of Euro)

Termination Indemnities at March 31 2008	**3,094**
Financial expenses	137
Paid benefits	(290)
Actuarial Loss (Profit)	(130)
Termination Indemnities at March 31 2009	**2,810**

The movements in the period reflect the provisions and the outlays (including prepaiments effected benefits) in the course of the period ended March 31 2009.
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.

In detail, the assumptions adopted are the following:

Financial hypotheses	**March 31 2009**	**March 31 2008**
Annual rate for the Net Present Value	4.55%	4,60%
Annual inflation rate	2.00%	2,50%

Demographic hypotheses

Mortality	RG48 (RGS Table 48)
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 or financial income.
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

The value of this item passes from zero Euro of the period ended on March 31 2008 to 363 thousands Euro for the period ended March 31 2009, due to the effect of the reserve created against civil responsibility risk.

19. TRADE PAYABLES

The composition of the item on March 31 2009 and March 31 2008 is given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Trade payables due in less than 12 months	32,146	33,667
Trade payables towards subsidiaries due in less than 12 months	18,230	16,555
Bill payables other credit securities and advances	183	193
Total trade payables	**50,559**	**50,415**

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

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
New Mood S.p.A.	-	10
Damiani Manufacturing S.r.l.	3,491	4,101
Laboratorio Damiani S.r.l.	143	59
Rocca S.p.A.	813	
Damiani International BV	10,661	9,765
Casa Damiani Espana S.L.	721	721
Alfieri & St John S.p.A.	58	-
Damiani Usa Corp.	1,961	1,581
Damiani Japan KK	382	318
Total	**18,230**	**16,555**

20. SHORT TERM BORROWINGS

Details of this item as of 31 March 2009 and 31 March 2008 are given below:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
Usage of short term credit lines and bank loans	5,057	1,658
Payables to factor for receivables yielded	3,169	
Total short term borrowings	**8,226**	**1,658**

Uses of short term credit lines are intended for the financing of working capital. The reduction in available cash in the period, as described above, led to the necessity to have recourse to factoring with the yielding of receivables "pro-solvendo" and partial anticipation of the yielded value prior to the natural term.

21. INCOME TAX PAYABLES

A balance is shown of 1,263 thousands Euro on March 31 2009 compared to 7,407 thousands Euro on March 31 2008. The decrease of 6,144 thousands Euro is mainly due to reduced tax payables owing to the decreased results in the year.

22. OTHER CURRENT LIABILITIES

A balance is shown of 3,790 thousands Euro on March 31 2009 compared to 4,669 thousands Euro on March 31 2008.
This item consists mainly of payables to social security institutions for social security charges and compulsory contributions to retirement, unemployment and other insurance and payables toward employees for vacations and holidays not taken as well as the unpaid 13th and 14th monthly salaries and payables to subsidiaries.
The amount of debt toward subsidiaries is:

(in thousands of Euro)	**March 31 2009**	**March 31 2008**
New Mood S.p.A.	1,036	6
Damiani Manufacturing S.r.l.	166	78
Alfieri & St John S.p.A.	93	68
Total	**1,295**	**152**

the change of payables toward the subsidiary New Mood is related to the increase of the benefit for Damiani S.p.A. deriving from the losses of the subsidiary at the consolidation tax.

23. REVENUES

The table below shows the year's consolidated revenues for the twelve-month financial period ended March 31 2009 and the twelve-month financial period ended March 31 2008:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Revenues from sales and services	71,106	101,273
Other recurring revenues	130	212
Total revenues	**71,236**	**101,485**

The decrease in revenues from sales and services of 30,249 thousands Euro derives from the reduction registered by the third party wholesale channel of 24,823 thousands Euro and in the inter-company sales for 5,954 thousands Euro, while sales to the retail channel are substantially stable (decrease of 145 thousands Euro) and slightly increasing in the residual other channels in which sales to clients with whom there are no continuous commercial ties (increase of 673 thousands Euro).

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 March 31 2009 and the financial year ended March 31 2008:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Total costs for raw materials and consumables	36,544	53,181

The values reported also include the changes in raw materials and finished goods.
With reference to the financial period closed on March 31 2009, it should be noted that the value reported is net of the loss of 742 thousands Euro deriving from a transaction of elimination and transformation through casting of jewellery products performed in March 2009, related to stock inventory of 2,358 thousands Euro. The incidence of this net loss (mitigated by the consequent sale of raw materials recovered from the gold casting) on the value of inventory was of 31.5%.

25. COST OF SERVICES

Detailed breakdowns of this item for the year ended March 31 2009 and for the year ended March 31 2008 are given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Functional expenses	4,485	3,909
Advertising expenses	4,705	5,589
Other commercial expenses	1,070	1,377
Production costs	2,421	4,024
Consultancy	2,388	2,116
Travel/transport expenses	1,810	1,985
Directors' Fees	1,717	2,262
Usage of third party properties	3,678	2,364
Total cost of services	**22,274**	**23,626**

26. PERSONNEL COST

Detailed breakdowns of this item for the year ended March 31 2009 and for the year ended March 31 2008 are given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Wages and salaries	8,836	8,675
Social security costs	2,785	2,743
Termination indemnity	601	518
Other personnel costs	525	1,627
Total personnel cost	**12,747**	**13,563**

Personnel costs show a decrease of 816 thousands Euro due to the reduction of the Other personnel costs, among which an amount of 1 thousands thousands Euro was registered in the previous year as a reserve to cover costs related to the departure from the company of some Directors in the period 2008/2009, already known at the time the previous financial statement was approved.
The following table shows the average number of employees of the company in the period ended March 31 2009 and for the period ended March 31 2008.

Labour category	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Managers	29	29
Clerks	213	211
Workers	20	18
Total	**262**	**258**

27. OTHER NET OPERATING (CHARGES) INCOMES

Detailed breakdowns of this item for the financial year closed at March 31 2009 and for the financial year closed at March 31 2008 are given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Other operating incomes (charges)	3,333	9,348
Bad debt reserve allowance	(1,875)	(219)
Net exchange differences from trade receivables	(1,058)	881
Total net other operating (charges) incomes	**400**	**10,010**

Other net operating incomes are reduced by 9,611 Euro mainly because the previous year included the insurance reimbursement (6,064 thousands Euro) related to the robbery suffered by Damiani S.p.A. in February 2008 and which the insurance companies had already formalized the liquidation and which was collected in the course of the first quarter of the year 2008/2009.
Moreover, in the year 2008/2009, given the situation of economic crisis which seriously affected some clients, the company prudently reserved a greater amount than usual (increase of 1,656 thousands Euro over the preceding year) against receivables default risk.

28. AMORTIZATION AND DEPRECIATION

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

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Amortization and depreciation of Assets	1,117	994
Devaluation of tangible and intangible assets	-	-
Total Amortization and depreciation	**1,117**	**994**

29. FINANCIAL (EXPENSES) AND INCOMES

Detailed breakdowns of this item for the financial year closed on March 31 2009 and for the financial year closed on March 31 2008 are given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at 31 March 2008**
(Financial expenses)	(1,117)	(2,861)
Financial incomes	3,522	2,248
Total (expenses) and financial incomes	**2,405**	**(613)**

This item consists mainly of interest on loans, exchange gains and losses and financial income deriving from the discounting of bank receipts.
This item also includes 501 thousands Euro of dividends from Damiani Manufacturing S.r.l. (105 thousands Euro) and Casa Damiani Espana S.L. (396 thousands Euro).

30. INCOME TAXES

Detailed breakdowns of this item for the financial year of twelve months closed at March 31 2009 and for the financial year closed at March 31 2008 are given below:

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Current taxes	1,027	7,852
Deferred tax (assets)/Liabilities	(405)	696
Total income taxes	**622**	**8,548**

Current taxes include both 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 March 31 2009 and for the year ended March 31 2008.

(in thousands of Euro)	**FY closed at March 31 2009**	**FY closed at March 31 2008**
Profit before taxes	1,359	19,518
IRES (Corporate) Tax Rate for the period	27.5%	33%
Theoretical Tax Burden	**(374)**	**(6,441)**
IRAP (Regional Tax on Productive Activities)	(511)	(1,405)
Other deductible costs	263	(702)
Total differences	**248**	**(2,107)**
Total taxes for Income Statement	**(622)**	**(8,548)**
Effective tax rate	45.7%	43.8%

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 March 31 2009 and during the financial year ended March 31 2008, and sets out the effect of these transactions on the figures in the 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 (which was purchased by Damiani S.p.A. effective September 1 2008 and thus is to be included among the subsidiaries).
The table below gives details of the relations between Damiani S.p.A. and Related Parties during the financial year ending March 31 2009.

(in Euro)	FY closed at March 31 2009				Situation at March 31 2009					
	Revenues	**Other net operating incomes**	**Operating costs**	**Financial expenses incomes**	**Financial receivables**	**Trade receivables**	**Financial payables (including leasing)**	**Trade payables**	**Other current liabilities**	**Real estate in lease back**
Damiani International B.V.	15,998.000	536,000	(327,000)	78,000	46,371,212			(10,661,000)		
Alfieri & St.John S.p.A.	433,000	1,175,000	(66,000)	72,000	1,600,000	4,068,000		(58,000)	(93,000)	
Damiani Manufacturing S.r.l.	881,000	192,000	(5,256,000)	105,000		243,000		(3,491,000)	(166,000)	
New Mood S.p.A.	10,000	548,000	(572,000)	496,000	9,750,000	1,035,000			(1,036,000)	
Damiani Japan K.K.		177,000		5,000	325,000	1,196,000		(381,000)		
Damiani Usa Corp.		117,000	(79,000)			2,261,000		(1,961,000)		
Courmayeur Rocca S.r.l.	1,000					1,000				
Casa Damiani Espana S.L.				396,000		2,000		(721,000)		
Rocca S.p.A.	3,378,000	99,000	(1,204,000)	319,000	14,000,000	3,449,000		(813,000)		
Laboratorio Damiani S.r.l.	131,000	115,000	(1,936,000)	6,000		255,000		(143,000)		
Imm.re Miralto S.r.l.			(938,893)	(436,000)			(3,572,000)	(364,819)		3,259,500
Grassi Damiani Family	38,015		(242,817)			31,153		(5,469)		
Totals with related parties	**20,870,015**	**2,959,000**	**(10,621,710)**	**1,041,000**	**72,046,212**	**12,541,153**	**(3,572,000)**	**(18,599,288)**	**(1,295,000)**	**3,259,500**
Total from financial statement	**71,236,349**	**3,206,086**	**(54,895,195)**	**2,405,074**	**72,252,118**	**47,043,774**	**(12.,133,647)**	**(50,558,746)**	**(3,789,712)**	
% age weight	**29%**	**92%**	**19%**	**43%**	**100%**	**27%**	**29%**	**37%**	**34%**	

- Revenues from the subsidiaries Damiani International B.V., Alfieri & St. John S.p.A., Damiani Manufacturing S.r.l., New Mood S.p.A., Cormayeur Rocca S.r.l., Rocca S.p.A. and Laboratorio Damiani S.r.l. consist of sales of jewelry of the brands Damiani and Salvini and of raw materials (corresponding to trade receivables);
- Other operating income from the subsidiaries Damiani International B.V., Alfieri & St. John S.p.A., Damiani Manufactring S.r.l., New Mood S.p.A., Damiani Japan K:K:, Damiani USA Corp., Rocca S.p.A. and Laboratorio Damiani S.r.l. include the charges for services of an advertising nature and consultancies effected centrally;
- Costs related to the subsidiaries 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., Damiani USA Corp. concern the purchase of goods and services (repairs, contract work) corresponding to trade payables;
- Rocca S.p.A.: costs stated concern mainly charges for expenses incurred for restructuring and furnishings and for renntals relative to the shops in Milano (Salvini and Calderoni, with partial redebiting to Alfieri & St. John S.p.A.) and Torino (Single brand Damiani), managed on behalf of Damiani S.p.A.; also included are charges for advertising expenses of 196 thousands Euro;
- Financial incomes from the subsidiaries Damiani International B.V., Alfieri & St. John S.p.A., New Mood S.p.A., Damiani Japan K:K:, Laboratorio Damiani S.r.l.e., Rocca S.p.A. concern interest on loans to those companies;
- Financial incomes from Casa Damiani Espana S.L. and Damiani Manufacturing S.r.l. concern distributed dividends;
- The capital balances relative to other current assets/(liabilities) of subsidiaries are traceable to transactions relative to the consolidated fiscal balance sheet realized by Damiani S.p.A.;
- Immobiliare Miralto S.r.l.: costs stated concern amounts paid as rent for offices in Milano and Valenza (AL) for a total of 610 thousands Euro. Moreover, these costs also include amortization for 329 thousands Euro relative to the buildings in Milano, location of the Damiani shop, and in Portofino. These two buildings, owned by the related party have been subjected in the past to sale and lease back and booked as such (in compliance with IAS 17); consequently, there are also financial costs for the interest connected to the reimbursement of the financial payable for 436 thousands Euro, shown in the table. The residual financial payable relative to the sale and lease back amounts to 3,572 thousands Euro and the corresponding net book value of the buildings amounts to 3,253 thousands Euro;

- Revenues from the Grassi Damiani family for 38 thousands Euro concern sales of jewelry; Grassi Damiani family costs of 243 thousands Euro concern rentals paid for office quarters in Valenza (AL).

In the following table are details relative to the relationships between Damiani S.p.A., the subsidiaries and related parties in the period ended March 31 2008.

(in Euro)	FY closed at March 31 2008				Situation at March 31 2008						
	Revenues	**Other net operating incomes**	**Operating costs**	**Financial expenses incomes**	**Financial receivables**	**Trade receivables**	**Other current activities**	**Financial payables (including leasing)**	**Trade payables**	**Other current liabilities**	**Real estate in lease back**
Damiani International B.V.	22,865,000	972,000	(752,000)	81,000	1,500,000	31,647.000			(9,765,000)		
Alfieri & St.John S.p.A.	1,038,000	818,000	(662,000)			2,094,000	631,000			(68,000)	
Damiani Manufacturing S.r.l.	1,176,000	285,000	(7,884,000)			859,000	225,000		(4,101,000)	(78,000)	
New Mood S.p.A.	15,000	793,000	(891,000)	250,000	6,150,000	1,596,000	272,000		(10,000)	(6,000)	
Damiani Japan K.K.		277,000		4,000	270,000	847,000			(318,000)		
Damiani Usa Corp.		187,000				2,073,000			(1,581,000)		
Laboratorio Damiani S.r.l.	31,000	25,000	(219,000)	3,000	400,000	65,000			(59,000)		
Casa Damiani Espana S.L.			(25,000)	1,000		2,000			(721,000)		
Rocca S.p.A.	4,254,141					1,135,413			(80,052)		
Idea Rocca S.r.l.	813,488					1,716,769					
Imm.re Miralto S.r.l.			(781,934)	(357,000)				(3,726.000)	(287,011)		3,588,500
Courmayeur Rocca S.r.l.	145,359										
Grassi Damiani Family	24,761		(239,440)						(4,782)		
Totals with related parties	**30,362,748**	**3,357,000**	**(11,454,374)**	**(18,000)**	**8,320,000**	**42,035,183**	**1,128,000**	**(3,726,000)**	**(16,926,844)**	**(152,000)**	**3,588.500**
Total from financial statement	**101,485,406**	**11,189,218**	**(78,980,724)**	**(613,240)**	**8,588,389**	**86,994,281**	**9,901,436**	**(16,761,908)**	**(50,415,404)**	**(4,669,469)**	
% age weight	**30%**	**30%**	**15%**	**3%**	**97%**	**48%**	**11%**	**22%**	**34%**	**3%**	

- Revenues from the subsidiaries 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 sales of jewelry of the brands Damiani and Salvini and raw materials (to which correspond trade receivables);
- The other net operating incomes from the subsidiaries 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 charging of services of advertising and consulting effected at a centralized level;
- Costs to the subsidiaries 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. concern the purchase of goods and services (repairs and contract work) corresponding to trade payables.
- Financial incomes from the subsidiaries Damiani International B.V., New Mood S.p.A., Damiani Japan K.K., Laboratorio Damiani S.r.l. and Casa Damiani Espana S.L. concern interest on loans to those companies;
- The capital balances relative to other current assets/liabilities of subsidiaries are traceable to transactions related to the consolidated financial report of Damiani S.p.A.
- Incomes from Rocca S.p.A. include sales of jewelry of the brands Damiani and Salvini for 4,088 thousands Euro and payment of 166 thousands Euro received in payment of rents for the two shops.
- Income from Idea Rocca S.r.l. (incorporated into Rocca S.p.A. after May 1 2008) is for sales of jewelry for 808 thousands euro and rents of 5 thousands Euro.
- Costs to Immobiliare Miralto S.r.l. are for rental of office sites in Milano and Valenza (AL) for a total of 453 thousands Euro. Furthermore, amortizations of 329 thousands Euro for buildings in Milano, site of boutique Damiani, and in Portofino are included among the operating costs. These two buildings, owned by the related party, were subjected to sale and lease back in the past and as such were booked (based on IAS 17); consequently financial costs arise for the interest connect to the refund of the financial debt of 357 thousands Euro shown in the table. For these sale and lease back operations, the residual financial debt amounts to 3,726 thousands Euro and the net book value of the buildings to 3,588 thousands Euro;
- Incomes from Courmayeur Rocca S.r.l., managers of a boutique in Val d'Aosta, are for jewelry sales.
- Incomes from the Grassi Damiani family for 25 thousands Euro concern jewelry sales; costs to the Grassi Damiani family for 239 thousands Euro are for office site rentals in Valenza (AL).

In both periods there are also loan contracts between Damiani S.p.A. and some of the subsidiaries negotiated at normal market conditions and described in the preceding notes.

32. COMMITMENTS AND POTENTIAL LIABILITIES

At this date there are no commitments or potential liabilities which have not been reflected in the balance sheet of March 31 2009.

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.

34. STOCK OPTION PLAN

On September 26 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 November 5 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 thousands options at the price of 4.00 Euro 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 period ended March 31 2009, owing to the changed market conditions related to the world economic crisis, Damiani S.p.A. takes note that the conditions for realizing the objectives of the stock option plan for the maturation of rights of option do not exist and, while the vesting period has not been concluded, did not book the pro-rata temporis cost to the income statement because of the evaluation at fair value of the subject options on the date of assignment effected by the actuary. The specific share capital reserve constituted on March 31 2008, equal to 58 thousands Euro, was therefore accredited to the income statement for this amount.

35. CAPITAL MANAGEMENT

The company's primary objective is to ensure, even in times of clear crisis in the profitability and financial situations, 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.

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

The capital-financial situation of March 31 2009 of Damiani S.p.A. is negatively affected by the reduced results owing to the economic crisis and by non-operating events (purchase of 100% of the shares of Rocca S.p.A, the buy back program and the granting of loans to the subsidiaries). Consequently, Damiani S.p.A. has adjusted its general policy of financial risk management to the ongoing situation and to the specific projects which it intends to develop.

Interest rate risk

At the financial year's closing date, the company does not have loans of importance consistent with the credit system which create a significant exposure of the company to such risks, and consequently possesses no derivative instruments which imply such a risk. In fact, in the course of the financial year, Damiani S.p.A. did not open new loans and has continued the regular repayment of pre-existing medium and long term debts.

Exposure to interest rate risk is limited to the short term borrowings using credit lines and/or factoring for needs related to working capital management.
During the year the interest rates related to this type of short-term financing progressively decreased (for the different types of financing used the rates went from 4.5-5% in the first half-year to 2.7-3.7% on a yearly level) with consequent benefits in terms of financial management.

Exchange rate risk

Damiani S.p.A. makes 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 notional of forward purchase done during the FY is equal to 15,088 USD thousands. As of March 31 2009 there are forward purchase contracts stipulated by Damiani S.p.A. for an amount equivalent to 4,118 thousands Euro. The policy of such exchange rate risk hedging was not significantly different in the financial year to March 31 2009 from what it had been in previous periods.

Liquidity risk

Liquidity risk for the Damiani S.p.A. consists principally of commercial debts toward suppliers and such exposure has not increased over the previous year nor substantially modified in its composition, as evidenced in the following table.

Liquidity risk	**Analisys of the due date at March 31 2009**			
(in thousand of Euro)	**within 1 year**	**1 to 5 year**	**over 5 years**	**Total**
Trade payables	50,559			50,559
Long term financial debt to banks	4,570	3,992		8,562
Long term financial debt to leasing companies	191	764	2,617	3,572
Short term borrowings	8,226			8,226
Other current liabilities	5,053			5.053
Total exposure	**68,599**	**4,756**	**2,617**	**75,972**

Liquidity risk	**Analisys of the due date at March 31 2008**			
(in thousand of Euro)	**within 1 year**	**1 to 5 year**	**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**

The related risk is higher compared to the previous year due to a different composition of assets with a decrease of available cash and an increase of investment in the form of loans granted to the subsidiaries by Damiani S.p.A. (mainly to Rocca S.p.A. following the acquisition), as described in the following paragraph.

Credit risk

Credit risk may be defined as the possibility of suffering a financial loss as the result of other parties' failure to fulfill their contractual obligations.
With respect to bank deposits, which reduced in the course of the year due to the reasons described above, the risk is limited since the other parties 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, 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 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. dishonored 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.
During the year, the exposure of the subsidiaries increased, in particular Damiani International B.V., as a result of a looser policy aiming to support the foreign subsidiaries in a market situation which has steadily deteriorated in the course of the year.

The table below shows the maximum potential exposure to credit risk, for March 31 2009 and March 31 2008.

Credit Risk

(in thousand of Euro)	**March 31 2009**	**March 31 2008**
Cash and cash equivalents	3,183	45,889
Trade receivables	47.044	86,994
Financial receivables towards subsidiaries companies	72,046	8,320
Other non current assets	207	268
Other current assets	7,719	10,467
Total maximum exposure to the Credit Risk	**130,199**	**151,938**

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 behavior 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 (gold in particular).

Other information required by 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 thousand of Euro)	**March 31 2009**	**March 31 2008**	**March 31 2009**	**March 31 2008**	**March 31 2009**	**March 31 2008**	**March 31 2009**	**March 31 2008**
Cash and cash equivalents	3.183	45.889	3.183	45.889	-	-	3.183	45.889
Trade receivables	47.044	86.994	47.044	86.994	-	-	47.044	86.994
Other financial assets	7.926	10.735	7.719	10.467	207	268	7.926	10.735
Financial receivables towards subsidiaries companies	72.046	8.320	72.046	-	-	8.320	72.046	8.320
Total financial activities	**130.199**	**151.938**	**129.992**	**143.350**	**207**	**8.588**	**130.199**	**151.938**
Trade payables	50.559	50.415	50.559	50.415	-	-	50.559	50.415
Payables to banks and other financial activities	25.413	30.496	18.040	18.423	7.373	12.073	25.413	30.496
Total financial liabilities	**75.972**	**80.911**	**68.599**	**68.838**	**7.373**	**12.073**	**75.972**	**80.911**

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 closed at March 31 2009**	**FY closed at March 31 2009**
Net profits on fair value instruments with changes posted to the Income Statement	145	109
Dividends	501	-
Interest receivable on financial assets not valued at fair value:		
- on deposits	856	1,056
- on financial receivables from correlated parties	976	339
Total profits	**2,478**	**1,504**
Interest payable on financial liabilities not valued at fair value:		
- short term payables to banks	55	673
- loans and financing	853	1,308
others	61	-
Losses from write downs of financial instruments		
- trade receivables	-	2
Bank charges and commissions	452	426
Total charges	**1,421**	**2,409**
Total	**1,057**	**(905)**

37. 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 ended on March 31 2009 for services provided by the independent audit company and by any other organization belonging to the same network.

Type of services	**Service provider**	**Fee**
Audit of the accounts	Reconta Ernst & Young S.p.A.	188
Fee for Rocca S.p.A. acquisition	Reconta Ernst & Young S.p.A.	194
Other fees	Ernst & Young L.L.P. (USA)	45
Total		**427**

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

ATTACHMENT 1

Summery of key data for directly and indirectly held subsidiaries

Alfieri & St. John S.p.A.

Registered office	Valenza (AL), Italy

Key figures (in thousand of Euro)	FY closed at March 31 2009
Share Capital	1,462
Revenues from sales and services	23,054
Operating result	1,324
Net Result	898
Total assets	27,597
Shareholders' equity	4,762
Total liabilities	22,835

Financial report according to IFRS

New Mood S.p.A.

Registered office	Valenza (AL), Italy

Key figures (in thousand of Euro)	FY closed at March 31 2009
Share Capital	1,040
Revenues from sales and services	18,082
Operating result	(3,934)
Net Result	(4,301)
Total assets	27,809
Shareholders' equity	(80)
Total liabilities	27,889

Financial report according to IFRS

Damiani Manufacturing S.r.l.

Registered office	Valenza (AL), Italy

Key figures (in thousand of Euro)	FY closed at March 31 2009
Share Capital	850
Revenues from sales and services	5,523
Operating result	(311)
Net Result	(341)
Total assets	6,113
Shareholders' equity	3,240
Total liabilities	2,873

Financial report according to local Gaap

Laboratorio Damiani S.r.l.

Registered office	Bassignana (AL), Italy

Key figures (in thousand of Euro)	FY closed at March 31 2009
Share Capital	200
Revenues from sales and services	2,952
Operating result	(765)
Net Result	(578)
Total assets	2,218
Shareholders' equity	304
Total liabilities	1,914

Financial report according to local Gaap

Damiani International B.V.

Registered office — Amsterdam, Netherlands

Key figures (in thousand of Euro)	FY closed at March 31 2009
Share Capital	194
Revenues from sales and services	34,297
Operating result	291
Net Result	1,436
Total assets	134,366
Shareholders' equity	67,673
Total liabilities	66,693

Financial report according to local Gaap

Damiani Japan K.K.

Registered office — Tokyo, Japan

Key figures (in millions of Jpy)	FY closed at March 31 2009
Share Capital	1,306
Revenues from sales and services	1,439
Operating result	(832)
Net Result	(141)
Total assets	3,244
Shareholders' equity	1,887
Total liabilities	1,357
Average exchange rate 2008/2009	Euro/Jpy 143,71
Exchange rate at 31 March 2009	Euro/Jpy 131,17

Financial report according to local Gaap

Damiani USA Corp.

Registered office — New York, USA

Key figures (in thousand of USD)	FY closed at March 31 2009
Share Capital	55
Revenues from sales and services	9,275
Operating result	(8,421)
Net Result	(8,564)
Total assets	37,856
Shareholders' equity	21,212
Total liabilities	16,644
Average exchange rate 2008/2009	Euro/Usd 1,4231
Exchange rate at 31 March 2009	Euro/Usd 1,3308

Financial report according to local Gaap

Casa Damiani Espana S.L.

Registered office — Madrid, Spain

Key figures (in thousand of Euro)	FY closed at March 31 2009
Share Capital	721
Revenues from sales and services	0
Operating result	(6)
Net Result	0
Total assets	847
Shareholders' equity	840
Total liabilities	7

Financial report according to local Gaap

Damiani Hong Kong L.t.d.

Registered office Hong Kong, Hong Kong

Key figures (in thousand of Hkd)	FY closed at March 31 2009
Share Capital	2,500
Revenues from sales and services	3,842
Operating result	(3,407)
Net Result	(3,801)
Total assets	22,730
Shareholders' equity	(2,683)
Total liabilities	25,413
Average exchange rate 2008/2009	Euro/Hkd 11,07
Exchange rate at 31 March 2009	Euro/Hkd 10,31

Financial report according to local Gaap

Damiani France S.A.

Registered office Paris, France

Key figures (in thousand of Euro)	FY closed at March 31 2009
Share Capital	39
Revenues from sales and services	460
Operating result	(565)
Net Result	(566)
Total assets	3,260
Shareholders' equity	(2,792)
Total liabilities	6,052

Financial report according to local Gaap

Damiani Service Unipessoal L.d.a.

Registered office Madeira, Portugal

Key figures (in thousand of Euro)	FY closed at March 31 2009
Share Capital	5
Revenues from sales and services	-
Operating result	(29)
Net Result	(33)
Total assets	10
Shareholders' equity	(54)
Total liabilities	64

Financial report according to local Gaap

Rocca S.p.A.

Registered office Milano, Italy

Key figures (in thousand of Euro)	Period closed at March 31 2009(*)
Share Capital	4,680
Revenues from sales and services	21,370
Operating result	(102)
Net Result	(630)
Total assets	40,037
Shareholders' equity	5,552
Total liabilities	34,485

Financial report according to local Gaap

(*) For the FY from September 1 2008 up to March 31 2009 after the acquisition happened in the month of September 2008.

Courmayeur Rocca S.r.l.

Registered office Courmayeur (AO), Italy

Key figures (in thousand of Euro)	Period closed at March 31 2009(*)
Share Capital	100
Revenues from sales and services	35
Operating result	(95)
Net Result	(107)
Total assets	254
Shareholders' equity	(37)
Total liabilities	291

Financial report according to local Gaap

(*) For the FY from September 1 2008 up to March 31 2009 after the acquisition happened in the month of September 2008.

Rocca International S.A.

Registered office Lugano, Switzerland

Key figures (in thousand of Euro)	Period closed at March 31 2009(*)
Share Capital	600
Revenues from sales and services	1,561
Operating result	144
Net Result	114
Total assets	2,753
Shareholders' equity	1,209
Total liabilities	1,544
Average exchange rate 2008/2009	*Euro/Chf 1.56*
Exchange rate at 31 March 2009	*Euro/Chf 1.52*

Financial report according to local Gaap

(*) For the FY from September 1 2008 up to March 31 2009 after the acquisition happened in the month of September 2008.

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

Attestation regarding the Damiani S.p.A. Financial Statements, pursuant to article 81-ter of the Consob (Italian SEC) Regulation no. 11971 dated May 14, 1999, and its subsequent changes and additions

The undersigned Mr. Guido Grassi Damiani, Chairman and CEO, and Mr. Gilberto Frola, Executive in charge of drawing up the company's accounting documents of Damiani S.p.A., also considering the provisions of article 154-bis, paragraphs 3 and 4, of the Legislative Decree no. 58 of February 24, 1998:

ATTEST

• the adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for preparing the Damiani S.p.A. Financial Statements for the 2008/2009 FY closed on March 31, 2009.
• Furthermore it is certified that the Damiani S.p.A. Financial Statements closed on March 31,2009:
  - agree with the contents of the accounting books and entries;
  - ß are prepared in conformity with International Financial Reporting Standards adopted by the European Union pursuant to art. 9 of the Legislative Decree n. 38/2005 and provides a true and fair view of the assets and liabilities, results and financial position of Damiani S.p.A.;
  - the report on operations contains references to important events which took place during the financial year and their impact on the result and the situation of Damiani S.p.A. as well as the description of the main risks and uncertainties.

Milan, June 12, 2009

Mr. Guido Grassi Damiani

Chairman and CEO

Mr. Gilberto Frola

Executive in charge of drawing up the Company's accounting documents

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,

In the financial year ended at 31 March 2009, we discharged the supervisory tasks imposed under Law, in accordance with the rules of conduct for the Board of Auditors as provided for by the Italian Board of Professional Accountants and Auditors, attending the meeting of corporate organs, carrying out the periodic checks and meeting with the Reconta Ernst & Young Independent Auditors' managers, the Company's Internal Control managers and the Executive in charge of drawing up of the company's accounting documents, 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 no. 58/1998 and section 2429 of the Italian Civil Code, as well as taking into account the indications in Consob notices no. DEM/1025564 of 6 April 2001, as further amended and extended, we report the following:

- We have supervised and checked 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 transactions 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 nor received information from the Board of Directors, the Independent Auditors or the Internal Control and Corporate Governance Committee regarding the existence of atypical and / 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 normal business nature operations 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 information pertaining to transactions with group companies and / or related parties, contained, in particular, in the paragraphs "Transactions with related entities" in the explanatory notes attached to the IAS/IFRS statutory and consolidated financial statements of the Damiani Group and Casa Damiani S.p.A. and in the "Transaction with related entities" in the respective directors' reports are adequate in light of the Company's size and structure. In particular, on 15 September 2008, the parent company Damiani S.p.A. acquired 100% of the share capital of Rocca S.p.A. from W.J.R. Partecipations S.A., a company indirectly owned by Grassi Damiani Family and controlled by Guido Grassi Damiani. Rocca S.p.A. in turn owns the entire share capital of the swiss company Rocca International S.A. and of Courmayeur Rocca S.r.l. The information pertaining the operation is analytically described in the explanatory notes and directors' reports. We supervised the transaction in order the latter to be carried out in compliance with the applicable rules and in line with the proposed regulation illustrated by Consob (Italian National Commission for Listed Companies and the Stock Exchange) in the consultation document on the implementation of article 2391 bis of the Italian Civil Code regulating transactions with related parties. The Independent Auditors have expressed an unqualified opinion on the financial statements, thereby attesting that the same are in accordance with the rules governing financial statements. They also expressed an opinion on Directors Report consistency with the statutory financial statements.

- Neither complaints, pursuant to article 2408 of the Italian Civil Code, nor reports were received during the course of the financial year.
- The information received from the Independent Auditors indicates that in the financial year Damiani S.p.A. conferred to them or to other subjects belonging to the "network" 2 assignments for a total amount of fees amounting to Euro 238 thousand, in addition to those pertaining to the auditing of the Financial Statements of the Company and its subsidiaries, as follows:
  - Professional fees relating to the acquisition of Rocca Group (Euro 194 thousand plus VAT);
  - Professional fees relating to the execution of "due diligence" (USD 57 thousand).

  As far as the subsidiaries, the Independent Auditors were involved in the following assignment:
  - Alfieri & Saint John S.p.A.: Professional fees relating to the IAS/IFRS transition (Euro 15 thousand plus VAT);
  - New Mood S.p.A.: Professional fees relating to IAS/IFRS transition (Euro 15 thousand plus VAT).

Following the involvement of the board of auditors in the assessment of the independence of the auditing firm, no critical aspects have emerged, which are worthy of mention.

Further we outline the following:

- During the course of financial year we have issued our opinions as provided for by law.
- During the course of financial year we have attended 9 meetings of the Board of Directors. In the same period the Board of Statutory Auditors met 21 times, 9 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 meetings held with the same bodies in the subsidiary companies.

- 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, confirmed in the Board of Directors meeting of 13 June 2008 and lastly of the 12 June 2009. In the meeting of 12 February 2009 the Board of Directors of Damiani S.p.A. identified as *"strategically significant subsidiary"* Rocca S.p.A. and Damiani International B.V., a company incorporated under Dutch Law and already identified in the previous meeting of 27 June 2007.
- 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. The 30 September 2008 the "Organizational Model" of the Italian subsidiaries were approved. The "Organizational Model" of the new acquired Rocca S.pA. is about to be completed.

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 2009 and we have no comments to make on the proposed result destination.

We hereby attach a list of our appointments pursuant to article 144-quinquiesdecies of the Consob Regulations no. 11971/1999.

Milan, 6 July 2009

The Board of Statutory Auditors

Gianluca Bolelli - Chairman

Simone Cavalli – Active Statutory Auditor

Fabio Massimo Micaludi – Active Statutory Auditor

List of the positions held by Board of Statutory Auditor members in other companies at 6 July 2009 Art. 144-Quinquiesdecies of Regulation implementing Legislative Decree no. 158 of 24 February 1998, concerning the Regulation of Issuers

Gianluca Bolelli (Chairman)

Company	Position	Term of the office
Damiani S.p.A. (*)	Chairman of the Board of Statutory Auditors	Financial Statements 31.03.2010
Agriwatt Asola Società Agricola a Responsabilità Limitata	Active Statutory Auditor	Financial Statements 31.12.2011
Agriwatt Castel Goffredo Società Agricola a Responsabilità Limitata	Active Statutory Auditor	Financial Statements 31.12.2011
Agriwatt San Benedetto Società Agricola a Responsabilità Limitata	Active Statutory Auditor	Financial Statements 31.12.2011
Bart-Med S.r.l.	Director	
CFO SIM S.p.A.	Chairman of the Board of Directors	Financial Statements 31.12.2011
Comifin S.p.A.	Director	Financial Statements 31.12.2011
Edizioni Piemme S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2011
Fiera Milano Congressi S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2009
Immobiliare Mugiasca S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2010
Impar S.r.l.	Director	
La Provincia Editoriale S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2010
Mid Industry Capital S.p.A.(*)	Body of Surveillance	Financial Statements 31.12.2009
Mondadori Retail S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2010
Brugola Oeb Industriale S.p.A.	Director	Financial Statements 31.12.2010
Oeb S.r.l.	Director	Financial Statements 31.12.2010
Pierrel S.p.A.(*)	Director	Financial Statements 31.12.2011
Rubelli S.p.A.	Chairman of the Board of Statutory Auditors	Financial Statements 31.12.2009
Sesto Siderservizi S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2009
Si Lin Tsi S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2010
Tre Laghi S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2010
Tesmec S.p.A.	Director	Financial Statements 31.12.2011

Total position held: 22, of which 3 in listed companies.

(*) Position in listed company

Simone Cavalli

Company	Position	Term of the office
Damiani S.p.A. (*)	Active Statutory Auditor	Financial Statements 31.03.2010
Attijariwafa Finanziaria S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2011
Comitalia Compagnia Fiduciaria S.p.A.	Independent Auditor	Financial Statements 31.12.2009
Coprosider IBF S.p.A.	Chairman of the Board of the Statutory Auditors	Financial Statements 31.12.2009
Dynapac S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2009
Finanziaria Immobiliare d'Este S.r.l.	Independent Auditor	Financial Statements 31.12.2010
Gianni Crespi Foderami S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2011
Hydroservice S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2010
IBF S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2010
Ilva S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2009
Laboratorio Damiani S.p.A.	Active Statutory Auditor	Financial Statements 31.03.2010
Merati A. e C. – Cartiera di Laveno S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2010
Misco Italy Computer Supplies S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2011
OMR Italia S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2011
Perini Navi Group S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2009
Sugarmusic S.p.A.	Independent Auditor	Financial Statements 30.06.2010
Gamma S.r.l.	Chairman of the Board of Statutory Auditors	Financial Statements 31.12.2010
Soller S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2010
T.FIN S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2011
Tecnologie e Servizi per il Pubblico S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2011
B.C. Immobiliare S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2011

Total position held: 21, of which 1 in listed companies.

(*) Position in listed company

Fabio Massimo Micaludi

Company	Position	Term of the office
Damiani S.p.A. (*)	Active Statutory Auditor	Financial Statements 31.03.2010
A & D - Gruppo Alimentare e Dietetico S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2009
Adlink Internet Media S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2011
B.S.M. S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2009
CFM Nilfisk – Advance S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2009
Fantastic S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2011
Gritti Gas Rete S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2011
Gritti Gas S.r.l.	Active Statutory Auditor	Financial Statements 31.12.2009
La Compagnia Finanziaria S.p.A.	Active Statutory Auditor	Financial Statements 30.06.2009
Landi S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2009
Media Finanziaria di Partecipazione S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2011
Metallurgica Alta Brianza S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2009
Principio Attivo S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2010
Reddy Pharma Italia S.p.A	Active Statutory Auditor	Financial Statements 31.03.2011
Sesvanderhave Italia S.p.A.	Active Statutory Auditor	Financial Statements 30.06.2009
Setrimex S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2011
Zambetti e Lumina S.p.A.	Active Statutory Auditor	Financial Statements 31.12.2011
Business Consulting S.r.l.	Chairman of the Board of Directors	
Associazione Amici del FAI - Restauro Monumenti e Paesaggio Onlus	Independent Auditor	Financial Statements 31.12.2011

Total position held: 19, of which 1 in listed companies.

(*) Position in listed company

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

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 December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005 is the responsibility of the Damiani S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit

2. Our audit was made in accordance with 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.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated July 4, 2008.

3. In our opinion, the financial statements of Damiani S.p.A. at December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of 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.

4. The management of Damiani S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the financial statements of Damiani S.p.A. as of December 31,2008.

Milan, July 6, 2009

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

Yearly Corporate Governance Report of Damiani S.p.A.

Financial year from
1 april 2008 to 31 march 2009

Prepared pursuant to articles 124 bis,
of Legislative Decree 58/98
(Consolidated Law on Finance),
89 bis of 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,
pursuant to the applicable legislation and regulations as well as to the Instructions on the Italian Stock Exchange Regulation, and having taken into account the “Experimental format for the corporate governance report” issued by the Stock Exchange Management Company, the Board of Directors of Damiani S.p.A. provides you with a complete information on its system of “Corporate Governance”, with reference to the principles contained in the Corporate Governance Code (March 2006 edition; hereinafter also referred to as “Code”). This Report - approved by the Board of Directors during the meeting of 21 June 2009 – includes some information on the ownership structure of the Company pursuant to article 123 bis, second paragraph, of the Legislative Decree no. 58/1998 (in the version in force before the entrance into force of the Legislative Decree no. 173/2008, whose provisions will apply – according to article 6 of the same Decree – to any balance-sheets and reports concerning financial years starting after the entrance into force of the decree, i.e. 21 November 2008) and will be also made available in the section “Investor Relations - Corporate Governance” on the website www.damiani.com, within the timeframes set forth by the applicable legislation.

1. GENERAL CORPORATE GOVERNANCE STRUCTURE OF THE COMPANY (ISSUER'S 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, the corporate bodies of the company are the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.
The Board of Directors has two internal committees: 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 functionality and the activities of the Board.

A) THE SHAREHOLDERS' MEETING

The competences, role and functioning of the Shareholders' Meeting are set forth by the law and by the Company's By-laws currently in force, which we hereby make reference to.

B) THE BOARD OF DIRECTORS

The Board of Directors consists of a number of directors between five and fifteen, said number being set, from time to time, by the Shareholders' Meeting. The Board appoints a Chairman among its members and can also appoint one or more Vice Chairmen.
According the Company's By-laws the Chairman, or the subject taking his place, legally acts on behalf of the Company, both towards third parties and in judicial proceedings, with single signature, being entitled to file suits and pleas as well as suits of annulment and appeal to the Supreme Court, to appoint lawyers and attorneys for disputes. Moreover, the legal representation is granted disjointly, 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 managing directors.
As detailed below, the Board of Directors is provided with the most wide range of powers for the ordinary and extraordinary management of the Company (with the only exception of the powers reserved by the law to the approval by the Shareholders' Meeting), including the power to resolve upon mergers in cases described by articles 2505 and 2505 bis of the Italian Civil Code, to set up and terminate branch offices, to appoint the directors with the powers to legally represent the Company, to approve the reduction of Company's share capital in case of withdrawing by any shareholders, to conform the Company's By-law to any law provisions, and to approve the transfer of the registered office within the national territory.

C) THE COMMITTEES

Pursuant to the Corporate Governance Code, an Internal Control and Corporate Governance Committee and a Remuneration Committee - with advisory and proposing functions - are set within the Board of Directors. On the other hand, as of today it was not deemed necessary to set up an Nomination Committee.

D) THE BOARD OF STATUTORY AUDITORS

Consisting of three statutory members and two substitute members, it is the Company's control body. The Board is entrusted with the task of supervising on the compliance by the Company of the laws and Company's By-law, as well as of the standard principles of accounting and administration, also verifying that appropriate instructions are given by the Company to its internal bodies and subsidiary companies. The Board of Statutory Auditors must also supervise on the adequacy of the Company's organizational structure, on its internal control and accounting-administration systems, carrying out any necessary control with this purpose.
Furthermore, the Board must also supervise that the corporate governance rules provided for by the codes approved by the stock-exchanges managing companies and by trade associations and to which the Company publicly declares to comply with, are effectively complied by the Company.

2. INFORMATION ON THE OWNERSHIP STRUCTURE ON THE DATE OF APPROVAL OF THIS REPORT (AS PER ARTICLE 123 BIS OF THE CONSOLIDATED LAW ON FINANCE)

Please find below the information on the ownership structure of the Company as to the date of approval of this Report, pursuant to article 123 bis of the Consolidated Law on Finance and to the provisional regulations set forth by Legislative Decree 3 November 2008, no. 173.

(A) SHARE CAPITAL STRUCTURE

The entire share capital of Damiani S.p.A. consists of ordinary shares with voting right, listed on the computerized stock exchange, STAR segment (i.e. "Segmento Titoli Alta Rilevanza"), managed by Borsa Italiana S.p.A..
The current share capital of the Company is wholly subscribed and paid up, amounts to EUR 36,344,000.00 (thirtysixmillionthreehundredandfortyfourthousand) and it is divided into 82,600,000.00 (eightytwomillionsixhundredthousand) ordinary shares, having nominal value of EUR 0.44 (zeropointfortyfour) each.
On the date of approval of this Report the Board has resolved to propose to the Shareholders' Meeting the adoption of two incentive plans based on financial instruments: for any further details please make reference to the documents prepared pursuant to article 84 bis of CONSOB Regulation no. 11971/99, that will be made available within the "Investor Relation" section of the website www.damiani.com.

(B) RESTRICTION ON TRANSFER OF SHARES.

The By-laws of Damiani S.p.A. neither set any restrictions on the transfers of shares or to the holding of shares, nor require the approval by any corporate bodies or shareholders for the admission of new shareholders.

(C) SIGNIFICANT INTERESTS IN THE SHARE CAPITAL.

Based on the entries in the Shareholders Register updated up to the date of approval of this Report, including any communication received by the Company as per article 120 of legislative Decree no. 58/98, as well as on the basis of any other available information, 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	PERCENTAGE OF THE SHARE CAPITAL
GUIDO GRASSI DAMIANI	50,551,305[1]	61.19%
of which:		
- directly	4,150,808	5.02%
- indirectly through Leading Jewels SA	46,400,497[1]	56.18%
GIORGIO GRASSI DAMIANI	5,047,371[2]	6.11 %
SILVIA GRASSI DAMIANI	4,687,371[2]	5.68 %
DGPA SGR	4,430,000	5.36 %

(D) OWNERS OF SHARES GRANTING SPECIAL RIGHTS OF CONTROL.

The Company has not issued any shares granting special rights of control and the Company's By-laws ("By-laws") do not provide for any special powers for specific shareholders or for owners of particular kind of shares.

(E) EMPLOYEES' SHAREHOLDING

The By-laws of Damiani S.p.A. do not include any special provision regarding voting rights of the employees.

(F) RESTRICTIONS ON VOTING RIGHT

The By-laws of Damiani S.p.A. do not provide for any restrictions or limitations to the voting rights, and the financial rights pertaining to the shares are not separated from the ownership of the relevant shares.

(G) SHAREHOLDERS' AGREEMENT PURSUANT TO ARTICLE 122 OF THE CONSOLIDATED LAW ON FINANCE

As on the date of approval of this Report, one Shareholders' Agreement exists as per article 122 of Legislative Decree 58/1998 ("Consolidated Law on Finance"), entered into by and between the Damiani Siblings (Guido, Giorgio and Silvia) on 9 September 2007. Said agreement was published, pursuant to article 122 of the Consolidated Law on Finance and following amendments, in the daily newspaper "La Repubblica" on 18 November 2007 and it was registered with the Companies Register of Alessandria (AL) on 19 November 2007.
The companies whose shares are concerned by the Agreement are "D Holding S.A." and "Leading Jewels S.A.", the latter being the owner of a direct controlling interest in Damiani S.p.A.

1 Of which 616,379 of bare ownership with voting rights.
2 Of which 163,373 of bare ownership with voting rights.

For further information please make reference to the abstract of the agreement published on the CONSOB website www.consob.it.

(H) APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE COMPANY'S BY-LAWS.

As per by article 147 ter of the Consolidated Law on Finance, the Company's By-laws of Damiani S.p.A. (article 16) provide that the members of the Board of Directors are to be appointed by means of a voting-list procedure, granting to the second-ranked list the appointment of one director (all the other members of the Board being taken from the first-ranked list).
Shareholders owning a participation equal at least to the percentage set forth by CONSOB - as provided for by the law and regulations - have the right to present lists of candidates for the appointment of Directors. Furthermore, pursuant to the corporate governance principles the Company complies with, the candidates' curricula - including the statements and certificates provided by the law - must be registered at least fifteen days before the date of first call of the Shareholders' Meeting. By means of resolution no. 16872 of 21 April 2009, CONSOB fixed the relevant shareholding necessary in order to present minority lists in 2,5% of the company's share capital.
Any replacement of directors is regulated according to the provisions of the law.
Any amendments of the Company's By-Laws will be implemented in compliance with the principles of law and regulations, taking into consideration the provisions of article 20 of the Company's By-Laws pursuant to which the Board of Directors is entitled to resolve upon the matters listed by article 2365, second paragraph, of the Italian Civil Code.

(I) DELEGATED POWERS TO INCREASE THE COMPANY'S SHARE CAPITAL AND TO PURCHASE COMPANY'S OWN SHARES.

The Ordinary Shareholders' Meeting of 22 February 2008 authorized the Board of Directors, pursuant to articles 2357 and followings of the Italian Civil Code, to purchase Company's own shares up to a maximum number of 8,250,000 (eightmilliontwohundredandfiftythousand) ordinary shares and, in any case, not exceeding one tenth of the Company's share capital, over a period of 18 months starting from the resolution hence expiring on 22 August 2009. The resolution also granted the power to dispose of the own shares eventually bought, without any time limit, in one or more lots, even prior to the completion of the purchase of the maximum number of own shares allowed.
Pursuant to article 132 of the Consolidated Law on Finance and article 144 bis of CONSOB Regulation no. 11971/99 – the purchases of shares can be made on regulated stock-exchange by means of modalities – set forth under the regulations of the same stock-exchanges - that do not allow a direct connection between specific purchase and sale offers, in order to ensure the same treatment to all the shareholders.
On 29 February 2008 the Board of Directors passed a resolution, in line with the abovementioned one, regarding a plan to purchase the Company's own shares up to a maximum number of 2,200,000 shares, at a maximum price of Euros 8,800,000, to be finalized – in compliance with the applicable laws and regulations – between 1 March 2008 and 9 June 2008.
By means of a press release issued on 29 May 2008 the Company informed the market that the share purchase transactions referring to the abovementioned plan were completed, specifying that:
- the purchase transactions started on 4 March 2008 and ended on 28 May 2008;
- during said period the Company bought a total amount of 2,200,000 ordinary shares, amounting to 2.663 % of its share capital, during no. 53 Stock-Exchange sessions;
- 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 Euro 4,658,758;
- the purchases were carried in compliance with the applicable laws and regulations.

Successively on 13 June 2008 the Board of Directors passed a resolution, in line with the abovementioned Shareholders' Meeting resolution, approving a further plan to purchase Company's own shares for a maximum number of 6,050,000 shares (therefore within the limits authorized by the same Shareholders' Meeting) which is still under implementation on the date of approval of this Report.
As on 12 June 2009, date of approval of this Report, the Company owns an overall amount of 4,777,271 shares in Damiani S.p.A..

(L) CLAUSES ON CHANGE OF CONTROL.

As of the date of publication of this Report the Company is party to two loan agreements which do not contain any clauses affecting their effectiveness or implying their termination in case of any change in the control of the Company (so called provisions of "change of control"), however granting to the bank the right of withdrawal in case of merger or split off of the Company. More specifically reference is made to:
- a loan agreement with Interbanca with effect as from 31.12.2005 and duration until 31.12.2010;
- a loan agreement with Medio Credito Centrale with effect as from 30.11.2005 and duration until 30.11.2010.

Clauses on change of control are included in some selective distribution agreements entered into by the subsidiary Rocca S.p.A. with Rolex Italia S.p.A., Patek Philippe S.A., Richemond Italia S.p.A. and Bulgari Italia S.p.A., in order for the Rocca's branches over the Italian territory to be qualified as "Authorized Dealers" of Rolex, Patek Philippie, Cartier, IWC, Baume & Mercier, Lange et Sohne, Bulgari brands.
More in particular, Rocca entered into:
- no. 7 selective distribution agreements with Rolex Italia S.p.A. for the distribution of Rolex products in the shops of Bari, Catania, Lecce, Milano Piazza Duomo, Padova, Porto Ercole and Taormina; each agreement includes a limit to the transfer of the "Authorized Dealer" qualification that also includes the change of the control of the company; the breach of said clause by one party entitles the other party to terminate the contract without need of any notice or intimation;
- no. 4 selective distribution agreements with Patek Philippe S.A. for the distribution of Patek Philippe products in the shops of Bari,

Mantova, Padova and Taormina; each agreement includes a clause binding the distributor to communicate to the seller the total or partial transfer of property or possession of the distributor's going concern with a three-month previous written notice; failing said communication or in case of opposition by the seller, the latter is entitled to terminate the contract without need of any notice and without any liability, terms and conditions;
- no. 4 selective distribution agreements with Richemond Italia S.p.A. for the distribution of Cartier products in the shops of Bari, Mantova, Milano Piazza Duomo and Portofino; articles 6 of each agreement (headed "Personality") entitles Richemond Italia to terminate the agreement with immediate effect should Mr Guido Grassi Damiani cease to manage Rocca S.p.A. also as a consequence of transfer of the same to another company;
- no. 2 selective distribution agreements with Richemond Italia S.p.A. for the distribution of IWC products in the shops of Milano and Torino; article 11 includes a limit to the possibility for the distributor to transfer, sell or negotiate the agreement, being the distributor otherwise entitled to terminate the agreement with no need of any notice;
- no. 3 selective distribution agreements again with Richemond Italia S.p.A. for the distribution of Baume & Mercier products in the shops of Milano, Padova and Torino; articles 6 of each agreement (headed "Personality") entitle Richemond Italia to terminate the agreement with immediate effect should Mr Guido Grassi Damiani cease to manage Rocca S.p.A. also as a consequence of transfer of the same to another company; the same articles also bind Mr Guido Grassi Damiani to promptly inform the seller should the same cease to control Rocca S.p.A., in such a case being the seller entitled to immediately terminate the agreement;
- no. 1 selective distribution agreement with Lange Uren Gmvh for the distribution of A. Lange & Sohne products in the Padova shop, whose article 16 prevents the distributor from transferring, selling or negotiating the agreement, being the distributor otherwise entitled to terminate the agreement with no need of any notice; the same article also provides for the immediate termination of the agreement should Mr Guido Grassi Damiani cease to be a shareholder of Rocca S.p.A.;
- no. 8 selective distribution agreements with Bulgari Italia S.p.A. for the distribution of Bulgari products in the shops of Mantova, Milano Piazza Duomo, Pescara, Porto Ercole and Torino; article 10 of each agreement includes a limit to the transfer of the agreement without Bulgari's prior consent, that also applies in case of change in the shareholding of the company superior to 50% compared to the situation on the date of execution of the agreement.

(M) INDEMNITIES IN FAVOUR OF DIRECTOR IN CASE OF THEIR RESIGNATION, DISMISSAL OR TERMINATION OF THE EMPLOYMENT AGREEMENT (ALSO AS RESULT OF A TAKEOVER BID).

As of the date of this Report no agreements have been entered into between the Issuer and its Directors granting to the latter any indemnity in the event of resignation or termination of the employment relation without just cause. Furthermore, no provisions referring to cases of termination of the employment relation as a result of a takeover bid have been agreed.

3. ADOPTION OF THE PRINCIPLES OF 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 efficient and important opportunity to consolidate its reliability before the market.
Therefore, as already explained in the last annual Report, on 27 June 2007 the Board of Directors passed a frame-resolution that, together with other resolutions, was meant to carry into effect the principles of the Corporate Governance Code as shown in detail below; such resolutions have been further implemented during the fiscal year ended on 31 March 2009.

Before describing the structure of the Issuer's Corporate Governance structure, please note that during the meeting of 12 February 2009 the Board of Directors of Damiani S.p.A. qualified Rocca S.p.A. and Damiani International B.V. as "subsidiary companies with strategic relevance"; according to the Board of Directors the Dutch nationality of Damiani International B.V. does not significantly affect the Issuer's structure of Corporate Governance.

4. MANAGEMENT AND COORDINATION ACTIVITIES

Damiani S.p.A. is not subject to any management and coordination activity (as per articles 2497 and followings of the Italian Civil Code) neither by the direct parent company, Leading Jewels S.A., which holds 56.18% of the Issuer's share capital, nor by the indirect parent company D. Holding S.A.; on the other hand the Issuer manages and coordinates its own subsidiaries.
Pursuant to the principles of corporate governance - as detailed below - any transactions of particular strategic, economic and financial importance concerning the Damiani Group are subject to the examination and exclusive approval of the Issuer's Board of Directors which, as of 3 April 2009, includes 3 non-executive directors, two of whom are independent as per article 3 of the Corporate Governance Code.
It is deemed that the expertise and the reputation of the non-executive and independent directors and their significant importance in the Board's decisions are further guarantees that all the decisions of the Board of Directors are taken in the interest of Damiani S.p.A. only and that there are no directives or interferences by any third parties bearing interests different from those of the Group.

5. BOARD OF DIRECTORS

5.1 COMPOSITION

Before considering the composition of the managing body in office during the financial year ended on 31 March 2009, please note that the current Board of Directors was appointed by the Shareholders' Meeting of 3 April 2009, which also resolved the whole number of directors to be seven (7) and their office to end on the date of the Shareholders' Meeting called for the approval of the Financial Statement as to 31 March 2012.
We hereinafter provide a personal and professional profile of each director currently in office, also in accordance with Article 144 of CONSOB Regulation No. 11971/99.

1) **GUIDO ROBERTO GRASSI DAMIANI**, Chairman and Managing Director of the Company, joined the Company in 1994 and was entrusted both with the management of both the Italian sales network and marketing, introducing new strategies and contributing significantly to the development of the Group. He took the helm of Damiani Group in 1996.
Graduated with honours in Sociology, he also holds a diploma in Gemmology from the International Gemmological Institute. Before joining the family business, he had a successful real estate career.

2) **GIORGIO ANDREA GRASSI DAMIANI**, Vice President, is entrusted with the purchase of raw materials, product development and business relations, as well as with the office of Chairman and President of Damiani USA.
He joined the family business in 1990 immediately following to its graduation in a technical business high school. Within the Company he learned various profiles of the goldsmith art and got familiar in different business fields, especially focusing on the appraisal and acquisition of precious raw materials. Successively he was appointed Head of International Distribution, gathering a wide knowledge on foreign markets. Afterwards he managed the Raw Material Purchasing, the Creation and the Product Development Areas, being at the same time the Art Director. On 1994 he won the Diamonds International Award.

3) **SILVIA MARIA GRASSI DAMIANI**, Vice Chairman of Damiani Group entrusted with External Relations and Group Image, she held the role of Image and VIP Relations Manager, choosing many international celebrities as testimonials for the different trademarks. She won the Diamonds International Award in 1996. She also holds an MBA from IPSOA as well as a diploma in Gemmology from the International Gemmological Institute. She started her career in the family business in 1985, getting experienced in pearl purchasing and a long term experience in the creative department.

4) **STEFANO GRAIDI**, Executive Director of Damiani, entrusted with the supervision of the internal control system. Graduated in Political Economy at "Università Bocconi" of Milan. He is a Certified Public Accountant registered on the Roll of Accounting Auditors. He previously worked for Pirelli Group in various positions of responsibility in International Taxation before becoming Director of both Taxation and Operational Sectors. In addition, he gained significant experience in Switzerland in the areas of finance and administration of the listed company Pirelli International. He played an active role in both the restructuring of the tyre sector as well as in the listing of Tyre Holding on the Amsterdam Stock Exchange. A publicist and lecturer, he is currently a partner of Tax Advisors S.A. of Lugano.

5) **GIANCARLO MALERBA**, Non-Executive Director and Chairman of the Internal Control and Corporate Governance Committee as well as of the Remuneration Committee, holds a degree in Business Management at "Università Bocconi" of Milan. He started his career in 1986 in KPMG, where he played a managerial role in the banking and financial sectors. Certified Public Accountant, he is registered on the Roll of Accounting Auditors and is partner of Biscozzi Nobili Law Firm. He is an expert in the civil and tax law aspects of consolidated financial statements and he has frequently published articles in magazines and journals on taxation and financial reportings.

6) **ROBERTA BENAGLIA**, Non-Executive and Independent Director, member of the Internal Control and Corporate Governance Committee and of the Remuneration Committee. Graduated in Management Engineering at "Politecnico" of Milan. On 1999 she started working in the listing department of Borsa Italiana S.p.A.. Starting from 2001 she has cooperated with the advisory company Onetone Consulting in favour of Venture Capital Onetone, and held the office of Sole Director of Action Management Consulting, a company specialized in M&A and Financial Advisory. Starting from 2005 she has held the office of Managing Director of DGPA SGR S.p.A., a company of management of private equity funds, active in the study evaluation and selection of investments, business & financial due diligence, structuring, negotiation and completion of investment transactions.

7) **FABRIZIO REDAELLI**, Non-Executive and Independent Director, was appointed as Lead Independent Director by the Board of Directors initially on 12 September 2007 and successively on 3 April 2009. He is also a member of the Internal Control and Corporate Governance Committee as well as of the Remuneration Committee. He graduated in Business Management at Università Bocconi of Milan and is Certified Public Accountant also registered on the Roll of Accounting Auditors. He runs his own accounting firm, Studio Redadelli & Associati, in Milan and is also Senior Professor of Real Estate and Business Finance at the School of Business Management at "Università Bocconi" at Milan.

The existence of the abovementioned executive/non-executive as well as independent/non-independent requirements of the current Directors of the Company has been assessed by the Board of the Directors pursuant the criteria set forth by Articles 2 and 3 of the Corporate Governance Code of 14 March 2006 and most recently, during the Board Meeting of 3 April 2009; the Board of Auditors acknowledged the application of said criteria.

The Board of Directors holding the office during financial year ended on 31 March 2009 was composed by the current directors, Guido Grassi Damiani, Silvia Grassi Damiani, Giorgio Grassi Damiani, Stefano Graidi, Giancarlo Malerba and Fabrizio Redaelli, also by Professor Lorenzo Pozza and Giulia De Luca, whose curricula are hereinafter transcribed for completeness of information of this Report (regarding the financial year from 1° April 2008 to 31 March 2009).

• **LORENZO POZZA**, former non-executive and independent director of Damiani, as well as member of the Internal Control and Corporate Governance Committee and of the Remuneration Committee until 3 April 2009. Professor Pozza graduated in Business Economics at "Università Bocconi" of Milan and is a registered Accountant and Auditor. He is associate professor in Business Economics at "Università Bocconi" of Milan. Former director of the Master in Accounting and Auditing at "Università Bocconi", starting from 2003 he has held the office of director of the Specialist Degree in Business Economics and Legislation (CLELI-LS) at "Università Bocconi".

•**GIULIA DE LUCA**, former Executive Director in charge of supervising over internal control system until 6 August 2008, when she ceased to hold the offices of General Manager, CFO of the Group and Financial Director of the Company. Graduated in Politic Sciences, her professional career stared in 1979 with roles of increasing responsibility. Initially she worked by a small business before moving to a professional firm. Over the years she has gained a wide range of managerial experiences 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. Over the year she has held the office of director in some of the companies of the Group.

The existence of the abovementioned executive/non-executive as well as independent/non-independent requirements in respect of the two former directors, Lorenzo Pozza e Giulia De Luca, has been assessed by the Board of Directors of the Company pursuant to the criteria set forth by articles 2 and 3 of the Code - 14 march 2006 edition, lastly during the Board meeting of 13 June 2008.

In order to properly apply the principles of corporate governance, on 27 June 2007 the Board identified Damiani International B. V. as a "company of strategic importance" for Damiani Group S.p.A.; during the meeting of 12 February 2009 the Board of Directors of the Company also qualified Rocca S.p.A. as "company of strategic importance", also confirming the previous assessment in respect to Damiani International B.V..
The following table lists all relevant information pertaining each Director holding the office during the financial year ended on 31 March 2009 (please note that all the Directors holding the office in said period were appointed by the Shareholders' Meeting of 27 June 2007).

• BOARD OF DIRECTORS

POSITION	BOARD MEMBERS	IN OFFICE SINCE	EXECUTIVE	NON EXECUTIVE	INDEPENDENT	% MEETINGS	NO. OF RELEVANT APPOINTMENTS
Chairman and Managing Director	GUIDO GRASSI DAMIANI	27.06.07	YES	NO	NO	100%	see Att. A
Vice Chairman	GIORGIO GRASSI DAMIANI	27.06.07	YES	NO	NO	89%	see Att. A
Vice Chairman	SILVIAGRASSI DAMIANI	27.06.07	YES	NO	NO	100%	see Att. A
Director	GIULIA DE LUCA	27.06.07	YES	NO	NO	89%	see Att. A
Director	STEFANO GRAIDI	27.06.07	YES	NO	NO	89%	see Att. A
Director	GIANCARLO MALERBA	27.06.07	NO	YES	NO	100%	see Att. A
Director	LORENZO POZZA	27.06.07	NO	YES	YES	89%	see Att. A
Director	FABRIZIO REDAELLI	27.06.07	NO	YES	YES	89%	see Att. A

MEETINGS FREQUENCY

Board of Directors	9
Internal Control & Corporate Governance Committee	10
Remuneration Committee	1

• **COMMITTEES**

MEMBERS	OFFICE	INTERNAL CONTROL COMMITTEE	% ICC	REMUNERATION COMMITTEE	% RC
GIANCARLO MALERBA	Chairman	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 holds the title of Honorary President. Said honorary position does not have an expiration date, but since 1 October 2007 Ms. Colombo Damiani has not received any remuneration for such position.

MAXIMUM NUMBER OF OFFICES HELD IN OTHER COMPANIES

In relation to Criterion 1.C.3. of the Code, please note that on the date of approval of this Report, the Board has not yet determined its position regarding the maximum number of offices of director and auditor that the directors of the company are allowed to hold, at the same time, in other listed companies as well as in financial, banking and insurance companies or in other companies of a relevant size. The Board, in its meetings of 13 June 2008 and 3 April 2009, examined on a case by case basis and in relation to the characteristics of the each Director (i.e. experience, offices, etc.) the compatibility of the offices held in other companies with the office of member of the Board of Directors.
Also in observance of the Criterion 1.C.2. of the New Code, the offices of director or auditor that are held, as of the approval date of this Report, in other companies listed on regulated markets (also foreign) and in financial, banking and insurance companies or in companies of a relevant size by the current directors and by directors holding the office during the financial year ended on 31 March 2009 are shown afterwards in the Scheme attached sub "A".

5.2 ROLE OF THE BOARD OF DIRECTORS

As already described in the Yearly Corporate Governance Report of the last year, the Board of Directors of Damiani S.p.A. plays a central role in fixing the strategic targets of the Issuer and of the Group.
During the financial year ended on 31 March 2009, the current Board of Directors met 9 (nine) times, whilst during the current financial year the new Board of Directors met 3 (three) times, so far, including the meeting for the approval of this Report.
Each meeting of the Board lasts about an hour and a half.
The directors have attended regularly and, in fact, the overall attendance of the meetings is 93.05%.

According to the Law and to the Company's By-Laws, the Board is granted with all the powers of ordinary and extraordinary administration, being entitled to make any act that the Law and the Company's By-Laws do not specifically reserve to the Shareholders' Meeting.
Article 20 of the Company's By-Laws grants to the Board the powers to resolve upon the matters listed under article 2365, second paragraph, of the Italian Civil Code: therefore the Board is entitled to resolve upon mergers in cases described by article 2505 and 2505 bis of the Italian Civil Code, the opening and closing of branches, the appointment of directors with legal representation of the Company, the reduction of the share capital in case of withdrawal by shareholders, the updating of the By-Laws following to any legislative amendments, as well as the transfer of the registered office within Italy.
Moreover, in relation to criteria 1.C.1. e 8.C.1 of the Code, the Board of Directors has decided to retain for its approval (in addition to those set forth by the law and the Company's By-laws) the following matters:

a) examination and approval of the strategic, industrial and financial plans of the Company and of the Group, as well as of the system of corporate governance of the Company and of the structure of the Group;

b) the identification - subject to the determination of the relevant criteria - of the subsidiary companies with strategic importance; the evaluation on of the adequacy of the organizational, administrative and general accounting structure of the Company and of its subsidiaries with strategic importance (set by the Managing Directors), with particular attention to the internal control system and to the treatment of conflicts of interests;

c) delegation and revocation of powers of the Managing Directors and of the Executive Committee, with definition of their limits and modalities of implementation; determination of the frequency of reporting by the Managing Directors to the Board on the activities performed in the exercise of the delegated powers, in any case to be not lower than once every quarter;

d) after having considered the proposals of the special committee and consulted with the Board of Statutory Auditors, fixation the remuneration of the Managing Directors and of other directors with specific particular tasks, as well as fixing the allocation of the total remuneration of the Board members in case the Shareholders' Meeting has not resolved upon this matter;

e) evaluation of the general performance of the Company, taking into specific account the information received from the delegated bodies, and periodical comparison of the actual results with the plans;

f) examination and approval of transactions having strategic relevance or economic, patrimonial and financial importance for the Company, both when carried out by the Issuer and its subsidiaries, with particular attention to transactions in relation to which one or more directors holds a interest (also on behalf of third parties) and generally to transactions involving related parties. For this purpose the Board of Directors sets forth the general criteria to identify significant operations;

g) evaluation – at least once a year – of the size, composition and functioning of the Board and of its committees, pointing out the types of professionals that would be opportune in the Board, checking the existence of executive/non-executive and independent/non-independent requirements pursuant to the Code;

h) appointment of a lead independent director, when deemed appropriate also in relation to the number of non-executive and independent directors, with the following tasks:
-coordination of the activities of the non-executive directors in order to maximize their contribution to the activities and works of the Board;
-cooperation with the Chairman in order to ensure that all the directors are properly informed,
-convening meetings of the independent directors whenever deemed necessary in relation to his tasks and at least once a year;

i) specification - to be included in the Report on Corporate Governance - of any information on the implementation of article 1 of the Code and, specifically, on the number of meetings held during the financial year by the Board of Directors and by the Executive Committee, with evidence of the percentages of attendance of each director;
as well as, with the assistance of the Internal Control Committee:

l) definition of the guidelines for the internal control system, in order to properly identify, assess, manage and monitor the main risks of the Issuer and of its subsidiaries, also determining the criteria of compatibility between said risks and the correct and proper management of the Company;

m) identification of an executive director to be entrusted with the supervision of the functionality of the internal control system;

n) evaluation of the adequacy, effectiveness and functioning of the internal control system and approval of the Risk Management Policies of the Company and of the Group;

o) description – to be included in the Corporate Governance Report – of the essential elements of the internal control system, indicating the assessment of adequacy;

p) appointment, revocation and determination of the remuneration (to be consistent with the policy of the Company) of one or more persons in charge of the internal control, on proposal of the director in charge of supervising on the functionality of the internal control system and having considered the opinion of the Internal Control Committee.

With regard to article 1.C.1 of the Code, the Board reiterated - also in its "Framework Resolution" approved on 27 June 2007 - the principle of reporting by the delegated bodies to the Board on the implementation of the delegated powers, at least quarterly and in compliance with the applicable provisions.

In order to implement the principles and authorities described above, the Board of Directors:
(A) approved, on 27 June 2007, the "Guidelines on transaction of particular importance and with related parties of the Damiani Group" ("Guidelines"), including precise criteria for identifying operations with "particular relevance" as well as those entered into with third or related parties, also through subsidiary companies, falling within the competencies of the Board (even when delegated); in particular:

- are to be considered as "particularly important", being therefore always subjected to the prior examination and approval of the Board, the following transactions, regardless of the counterparty:
  a) transactions that require the Company to make available to the public an information document drafted in accordance with the provisions of CONSOB;
  b) passive financial transactions (such as mortgages and loans, as well as collateral and personal guarantees issuing) for amounts higher than Euro 15,000,000.00 for each transaction;
  c) transactions of acquisition and disposal of trademarks;
  d) trademark licenses for amounts higher than Euro 10,000,000.00 for each transaction;
  e) transactions other than those listed under the previous points, whose value is higher than Euro 15,000,000.00 for each transaction.
- are to be qualified as "particularly important transaction with related parties" the transactions, also implemented through subsidiary companies, that:

a) are "particularly important", pursuant to paragraph 2 above or that, in any case:
b) are for an amount higher than Euro 5,000,000.00 for each transaction.

However, as an exception to provisions of letters a) and b) above, are not considered as "particularly important" and, therefore, are not necessarily subject to the prior examination and approval by the Board of Directors, the transactions with related parties that are typical or usual or at standard conditions.

Transactions are typical or usual when, because of their object, nature, features and conditions are part of the Company's normal business, as well as when do not contain any particular elements of criticality as to their features or to the risks related to the nature of the counterparty at the time when they take place: are normally included in said category the transactions between companies of the Damiani Group as long as they are carried out according to the normal arm's length market values.

Transaction are at standard conditions when are agreed at the same conditions as with any counterparty whatsoever.

Are to be considered transactions with "related parties" those meeting the requirements of the regulations applicable at the time when each operation is approved, being at the time of approval of this document those defined as such by IAS 24 adopted by means of the EEC Regulation 1725/2003 and their successive amendments and additions.

Regardless of the criteria of relevance, the Board of Directors has always been promptly updated on the transactions with related parties, also pursuant to article 22 of the By-laws and article 150 of the Legislative Decree no. 58/1998.

With specific reference to transactions with related parties, please note that during the financial year ended on 31 March 2009 the Group entered into transactions with related parties both included and not-included in the consolidation area.

The relations with related parties within the consolidation area were of commercial nature mainly, consisting of sales of jewelry or raw materials, and took place in the context of normal inter-company operations carried out at normal arm's length market conditions.

As to the relations with related parties outside the consolidation area, please note that on 15 September 2008 the Company purchased the entire share capital of Rocca S.p.A. from WJR Participations S.A., company held by the Damiani family.

Being a transaction with a related party subject to the same control as the Issuer, the acquisition was approved by the Board of Directors with the prior opinion of the Internal Control Committee and with the assistance of Euromobiliare SIM as financial advisor. On 29 September 2008 the Company made available to the public (at its registered office and Borsa Italiana) the informational document drafted pursuant to article 71 bis of the Issuers' Regulation and approved by the Board of Directors on 15 September 2008, the content of which was anticipated by means of press release on 18 September 2008.

The relations with the other related parties outside the consolidation area – and namely with Immobiliare Miralto S.r.l. – have been of non-commercial nature only and concerned real estate rental agreements solely.

The relations with related parties were examined and analyzed by the Internal Control Manager who, carrying out his functions, controlled that the same transactions took place at normal arm's length market conditions.

Moreover, the Board of Directors:

(B) evaluated the adequacy of the organizational, administrative and accounting structure (i) of the subsidiaries having strategic importance, during the meeting of 12 June 2009 and (ii) of the Issuer, during the meeting of 12 June 2009 convened for the approval of both the financial report as to 31 March 2009 and the draft financial statement as to 31 March 2009. More specifically, the evaluation was made with the support of the Internal Control Committee which, in the context of its own meetings and with the participation of the Internal Control Manager, has been able to continuously check the functioning of the internal control systems of both the Issuer and the other companies of the Group, with particular reference to the companies with strategic importance. With specific regard to said companies, please note that, during the meetings of 27 June 2007 and 12 February 2009, the Board of Directors of the parent company Damiani S.p.A. resolved to identify the "subsidiary companies having strategic importance" taking into account the following criteria listed in the "Guidelines of the Internal Control System of the Group":

(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) the invoicing volume of the subsidiary;
(iv) the value of its assets;
(v) the presence of an articulated organizational structure, with a significant presence of managers (other than directors) granted with management autonomy.

From the combination of the abovementioned parameters, during the meetings of 27 June 2007 and 13 June 2008, Damiani International B.V., a company incorporated under Dutch Law, was identified as a subsidiary company of Damiani S.p.A. having strategic importance; during the meeting of 12 February 2009, the same qualification was also attributed to Rocca S.p.A., a company entered into the Damiani Group in September 2009 following to the abovementioned acquisition of its entire share capital by the Issuer;

(C) fixed the remuneration of directors entrusted with particular duties, based on the proposals of the Compensation Committee and having considered the opinion of the Board of Statutory Auditors, on 27 June 2007 and 3 April 2009;

(D) on 12 June 2009, evaluated the general trend of the management, based on the information received from the delegated bodies and compared the actual results with the plans;

(E) again on 12 June 2009, carried out the evaluation of the size, composition and functioning of the Board and of its committees - the so-called self assessment - acknowledging that the current Board consists of 7 directors, 3 of which are non-executive and 2

independent according to the criteria set by the Code. The assessment, based on a report by the Internal Control Committee, confirmed the wide range of professional skills existing within the Board and, specifically, the expertise in economic, accounting, legal and/or financial matters of the non-executive directors.
As already pointed out in the Corporate Governance Report of the financial year ended on 31 March 2008, the evaluation on the "self assessment" of the Board of Directors holding the office during last financial year was carried out by the Board of Directors during the meeting 13 June 2008.

PLEASE NOTE THAT, AT THE APPOINTMENT OF THE CURRENT BOARD OF DIRECTORS, THE SHAREHOLDERS' MEETING EXPRESSLY AUTHORIZED THE APPOINTED DIRECTORS TO HOLD OFFICES AND TO CARRY OUT ACTIVITIES PURSUANT TO ARTICLE 2390 OF ITALIAN CIVIL CODE. THE BOARD WILL ASSESS EACH PROBLEMATIC POSITION IN RELATION TO THE ABOVE; NO PROBLEMATIC POSITIONS HAVE BEEN REPORTED TO THE BOARD AS TO THE DATE OF APPROVAL OF THIS REPORT.

5.3 DELEGATED BODIES; DISTRIBUTION OF TASKS; EXECUTIVE DIRECTORS AND INDEPENDENT DIRECTORS.

(A) Managing Directors
The current Board of Directors performs its functions directly and collegially, as well as through:
- its Chairman, who has also been appointed Chief Executive Officer;
- two Vice-Chairmen;
- one further Executive Director besides the Chairman and Vice Chairmen.

The Board of Directors holding the office during the financial year ended on 31 March 2009 carried out its activity directly and collegially, as well as by means of:
- its Chairman, who was also appointed Managing Director;
- two Vice-Chairmen;
- two further executive directors besides the Chairman and Vice-Chairmen.

At least quarterly, the Chief Executive Officer and the other Executive Directors:
- report to the Board of Directors on transactions carried out exercising their powers (both on ordinary, atypical and particular transactions, as well as in connection with transactions – other than important ones –with related parties);
- submit to the Board for its approval important transactions with related parties which, in accordance with the "Guidelines" approved by the Board of Directors on 27 June 2007, are reserved to the Board of Directors.

As mentioned above, in relation to Article 1.C.1 of the Code, the Board has also formally confirmed (in its "Framework Resolution" approved on 27 June 2007) the principle that any bodies and officers granted with delegated powers must report to the Board - during the financial year the powers refer to - at least quarterly and in any case pursuant to the applicable law provisions.

Before the meetings of 27 June 2007 and 3 April 2009, the Board of Directors appointed **the CHAIRMAN, Mr Guido Grassi Damiani** also as Chief Executive Officer, confirming in favour of the same all the powers – including the powers to sign on behalf of and to represent the Company, pursuant to the Law and to the Company's By-Laws vis-à-vis third parties and before any Courts – of ordinary and extraordinary management, with the exception of powers reserved to the Shareholders' Meeting and to the Board of Directors by the Law or by the Company's By-law or by the same Board of Directors pursuant to the principles of the Corporate Governance Code, together with the authority to appoint and revoke representatives and attorneys for single deeds or group of deeds, to take actions or judicial suite, also of annulment and before the Supreme Court, as well as to appoint lawyers and attorneys for disputes of any kind and degree of judgment.

During the same meetings the Board of Directors resolved the following:
- to entrust the **VICE-CHAIRMAN, Mr Giorgio Grassi Damiani** with the disjoint powers relating to the purchase of raw materials, product development and commercial relationships, namely:
(i) full powers to supervise the activities of the Company's department dealing with the purchase of raw materials, to be exercised with disjoint signature and without any restrictions as to the amounts involved (with the sole exception of the matters reserved by the Company's By-Laws or by the Board itself to the competence of the Board of Directors, pursuant to the Corporate Governance Code for Listed Companies); such powers include, for instance (but not limited to) the authority to negotiate and purchase raw materials and components necessary for the production of jewellery, watches and precious items in general; and
(ii) any powers to carry out any activity necessary for the development of new products, with single and disjoint signature and no limits of value, with the exception of the matters reserved to the Board of Directors by the Company's By-Laws or by the Board itself pursuant to the Corporate Governance Code;
(iii) any powers necessary in order to take care of and develop relationships with the clients and suppliers of the Group, and more generally to develop the Company's and the Damiani Group's market and commercial communication, supporting the devoted departments, with single and disjoint signature and no limits of value, with the exception of the matters reserved to the Board of Directors by the Company's By-laws or by the Board itself pursuant to the Corporate Governance Code;
- to entrust the other VICE-CHAIRMAN, MRS SILVIA GRASSI DAMIANI, with the external relations and image care of the Damiani Group, granting her – with single and disjoint signature - all the powers necessary to:

(i) take care of the image of the Company's and Group's products vis-à-vis its clients and, more in general, the public, as well as to take care of the relationships with celebrities, members of the national and international "jet set" and personalities from the world of fashion and entertainment, even by organizing and promoting events;
(ii) take care of and develop relations with the press and media in general;
(iii) take care and develop relations with testimonials, promoting their fidelity to the Group's brands;
all the above with the support of and in coordination with the devoted Company's departments; all the abovementioned powers can be exercised by means of her disjoint and single signature and without any limit as to the amounts involved, and with the exception of those matters reserved to the Board of Directors by the Company's By-Laws or by the Board itself pursuant to the applicable principles (also of "Self-Discipline").

Further to the resignation by Giulia De Luca from the office of General Director (as well as CFO of the Damiani Group), communicated on 31 May 2008 and due to personal reasons, her tasks have been distributed among the Chairman and CEO of the Company, Guido Grassi Damiani, and the management of the Company.

In relation to article 2 of the Code, please note that the Chairman of the Board of Directors, Guido Grassi Damiani, is the controlling shareholder of the Company as well as Chief Executive Officer and that therefore the Board of Directors has decided to adopt the suggestions concerning the appointment of a Lead Independent Director with the functions suggested by the Corporate Governance Code.
Furthermore it should be noted that, in relation to Principle 2.P.4 (suggestion to avoid concentration of more corporate offices in one person) and Principle 2.P.5 (reasons for delegating executive powers to the Chairman), the Board reconsidered said issue lastly on 12 June 2009 and reached the conclusion that the governance of Damiani S.p.Aa is fully in line with its corporate interests, despite such concentration of offices, also considering that: (i) the Chairman's position is not limited to institutional or representative functions, but it is fully operative and therefore essential to improve the performance of the Company; and (ii) executive powers have also been delegated to other Directors, in addition to the Chairman (with four Executive Directors appointed).
In compliance with Criterion 2.C.2 and with the suggestions included in the comment to Article 2, on 3 April 2009 the Board of Directors confirmed **Fabrizio Redaelli**, 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 cooperate with the Chairman to ensure that all Directors are promptly and fully informed;
- to convene meetings exclusively among Independent Directors whenever he deems it necessary and to ensure that the Independent Directors meet separately – i.e. without the other Directors - at least once a year.

In this regard please note that the Independent Directors holding the office during the financial year ended on 31 March 2009 met on 20 January 2009 to review the state of implementation of the principles of corporate governance set forth by the Corporate Governance Code.

In relation to the Directors holding the office during the financial year ended on 31 March 2009, it was pointed out that, besides Guido Grassi Damiani, Giorgio Grassi Damiani and Silvia Grassi Damiani, also Giulia De Luca and Stefano Graidi were Executive Directors pursuant to Article 2 of the Corporate Governance Code; in particular the latter Director held an executive role as executive officer of Damiani International BV, Group's subsidiary of strategic importance.
With regard to the current Directors, Guido Grassi Damiani, Giorgio Grassi Damiani, Silvia Grassi Damiani and Stefano Graidi are Executive directors, the latter continuing to be executive officer of Damiani International BV (subsidiary controlled by Damiani and having strategic importance) and, starting from 7 August 2008, having assumed a further role of executive director in charge of the functionality of the internal control system.
As already mentioned, the Board of Directors held on 13 June 2008 assessed, on the basis of the information provided by each Director, that the directors Lorenzo Pozza and Fabrizio Redaelli meet the requirement to be qualified as Independent directors.
Lastly, further to the appointment of the new Directors, on 3 April 2009 the Board of Directors assessed the information provided by each Director, confirming the existence of the independence requirements with Roberta Benaglia and Fabrizio Redaelli.
During the meetings of 13 June 2008 and 3 April 2009, the Board of Directors assessed the existence with its members of the independence requirements set forth under article 147-ter, forth paragraph, of the Legislative Decree no. 58/98 and under the principles of Self-Discipline, considering the same requirements to exist with regard to:
- Professor Lorenzo Pozza and Fabrizio Redaelli, as to the Directors holding the office during the financial year ended on 31 March 2009;
- Roberta Benaglia and Fabrizio Redaelli, as to the current Directors.

The Board of Statutory Auditors approved the criteria and procedures adopted by the Board of Directors in assessing the independence of directors.

6. TREATMENT OF CORPORATE INFORMATION (ARTICLE 4 OF THE CODE)

The Code requires Directors and members of the Board of Statutory Auditors to keep confidential all documents and information acquired while performing their office, and to comply with the procedures adopted by the Company for the internal handling and external communication of such documents and information.

In compliance with said provisions and with those referred to under Articles 114, first a twelfth paragraphs, and 115bis of the (Italian) Consolidated Law on Finance, as well as by Articles 66 and followings and 152bis and followings of the Issuers Regulation, on 27 June 2007 the Board of Directors approved the "Procedure for the treatment and disclosure of privileged information" and on 12 September 2007 the "Procedure for the constitution, maintenance and update of the Group Register of the subjects having access to Damiani SpA privileged information".
The registers of the Company and of its subsidiaries have been duly constituted.

In compliance with the provisions set forth by Article 114, seventh paragraph, of the (Italian) Consolidated Law on Finance and by Articles 152-sexies and followings of the Issuers Regulation, on 12 September 2007 the Board of Directors also resolved upon the adoption of the "Procedure for identifying Relevant Persons and for the disclosure of transactions carried out by the same in Company's shares or equity-related securities, both directly and through an intermediary" (the "INTERNAL DEALING PROCEDURE"): such procedure identifies the so called "Relevant Persons" and focuses on how to inform CONSOB and the market of any transactions carried out by the same in the Company's shares or equity-related securities. During the meeting of 12 June 2009, the Board of Directors entrusted the Internal Control and Corporate Governance Committee with the drafting and approval of a new version of the Internal Dealing Procedure, updated in order to comply with the amendments and integrations made by CONSOB to the Issuers Regulation by means of the resolution no. 16850 of 1 April 2009, with specific reference to the modalities of communication of said transactions.
Both versions of the Internal Dealing Procedure – as per article 2.2.3, third paragraph, letter p, of the Stock-Exchange Regulation – forbids "Relevant Persons" to deal in the Company's shares or equity-related securities during the so-called "blackout periods", i.e. during the 15 days immediately previous to the Board's meetings convened to approve the draft annual Financial Statement, the consolidated Financial Statement, the half-year or quarterly reports or some other determined reports or budgets.
The Internal Dealing Procedure in force during the financial year ended on 31 March 2009 came into force starting from the trading of the company's shares in the STAR segment of the electronic market (MTA) managed and organised by Borsa Italiana S.p.A..

7. COMMITTEES INTERNAL TO THE BOARD (ARTICLES 5 AND 6 OF THE CODE)

On 27 June 2007 the Board resolved upon adopting the principles and criteria provided for by Article 5 of the Corporate Governance Code, and, accordingly, resolved upon the creation of a "*Internal Control and Corporate Governance Committee*" as well as a "*Remuneration Committee*", created and operating pursuant to the same Code. The working principles and criteria of the two Committees, both of which have been confirmed on 3 April 2009, are the followings:

a) the Committees are composed of at least three members, all of them non-executive and most of which independent; at least one member of Internal Control Committee has to be specialized in accounting and finance;
b) the Board may subsequently resolve upon adding or varying the tasks of the Committees as hereinafter indicated;
c) each meeting of the committees must be entered in the minutes;
d) while performing their activity, the Committees must have access to such information and Company's offices as it is necessary in order to carry out their functions; with the Board's prior authorisation, they may also seek for the advice of external consultants;
e) non-members may take part in the meetings of the Committee, on the Committee's invitation and with limitation to specific items on the Agenda;
f) resolutions of the Committees will only be valid if a majority of the Committee's current members are present; decisions are taken by absolute majority of the present members and in the event of a tie the Chairman has 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, are able to follow and participate in real time to the discussion on the Agenda, and are able to receive and transmit documents; in such cases the Committee is regarded as been held in the place where the Chairman is located;
g) the Board's annual Report on Corporate Governance must inform the market of the Committees' establishment and composition, the terms of their tasks and the activities actually carried out during the financial period, specifying the number of meetings held and each member's percentage of attendance.

On 3 April 2009, following to the appointment of the new Directors resolved on the same date, the new Board confirmed the creation of the two Committees and appointed the new members of the Internal Control and Corporate Governance Committee and Remuneration Committee. As to the date of approval of this Report, the Board has not deemed necessary the creation of an Nominations Committee, considering the current ownership structure.

The principles of Corporate Governance (implemented by Damiani by means of the Board resolution of 27 June 2007) require in any case:
- that lists of candidates are registered at the Company's registered office no later than 15 days before the date of the Shareholders' Meeting convened 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 By-Laws as well as confirmation that the candidate meets the independence criteria under Article 3 of the Corporate Governance Code (if it is the case);
- that the lists, together with the candidate details listed above, are published in due course on the Company's website.

8. REMUNERATION COMMITTEE; REMUNERATION OF DIRECTORS (ARTICLE 7 OF THE CODE)

8.1 REMUNERATION COMMITTEE

Pursuant to Article 23 of the Company's By-laws, the determination of the remuneration of the Directors for their participation to the meetings of the Company's Board is reserved to the competence of the Shareholders' Meeting. Pursuant to the same Article:
- the Board has the power to determine the remuneration of the Executive Directors – i.e. directors with specific duties as per Article 2389, third paragraph, of the Italian Civil Code – on the basis of the recommendations issued by the Remuneration Committee;
- the Board is authorized to approve particular payments to any Director at the end of his/her office period.

During its meeting held on 27 June 2007 and after having verified that the individuals concerned met the non-executive and independent requirements in accordance with the principles provided for by the Corporate Governance Code, the Board decided to set up a Remuneration Committee composed of the following Non-Executive Directors (two of them being also Independent): Giancarlo Malerba (Chairman), Lorenzo Pozza and Fabrizio Redaelli. During that same meeting the Board of Directors also resolved upon granting to the Remuneration Committee the following tasks (in compliance with Article 7 of the Code):
a) to make proposals to the Board concerning the remuneration of directors with delegated powers and of other directors with special tasks, in compliance with the relevant suggestions of the Code, and to supervise the application of the Board's resolutions;
b) to annually review the criteria used for determining the remuneration of managers with strategic responsibilities, supervising the application of the same criteria on the basis of the information provided by the Executive Officers; as well as to give general recommendations to the Board on this matter.
During the financial year ended on 31 March 2009, the Committee met once (at the presence of all of its members), in order to examine the remunerations of the Executive-Directors and management of the Group.
On 3 April 2009, the Board of Directors appointed the current Remuneration Committee, composed of Giancarlo Malerba (Chairman), Roberta Benaglia and Fabrizio Redaelli (Independent directors). On the same date, the new Remuneration Committee met in order to examine the proposals of remuneration of the Executive Directors in relation with the assignment of special tasks. Afterwards the Committee met again on 11 June 2009.

8.2 REMUNERATION OF DIRECTORS (ARTICLE 7 OF THE CODE)

It was assessed that the Directors' remuneration is sufficient to attract and motivate directors having professional standing required to manage the Company successfully.
With regard to Principle 7.P.2, please note that all the remunerations in favour of the Directors currently in office are fixed.

Please note that the Executive Director Stefano Graidi is one of the beneficiaries of the stock-option incentive scheme (the "*Damiani Group S.p.A. 2007/2010 Stock Option Scheme for the allocation of options on up to 1,600,000 ordinary shares*") described in the "*Stock-Option Plan Information Document*" drafted as per Article 84bis of CONSOB Regulation No. 11971/99, available at www.damiani.com under "Investor Relations – Financial Press Releases".

Please also note that before the date of presentation of this Report, the Board of Directors convened the Shareholders' Meeting in order to resolve upon inter alia two plans based on financial instruments in favour of the management of the Damiani Group.

The remunerations received by the Directors and by the General Manager during the financial year ended on 31March 2009 are described in the table below.

First name and family name	Office	Duration of office(*)	Remuneration for offices held in the Company	Benefits in kind	Bonuses and other incentives	Other Remunerations(1)	Total Remuneration
GUIDO ROBERTO GRASSI DAMIANI	Chairman and Managing Director	Until 31.03.2012	918,000	12,750	-	154,000	1,084,750
GIORGIO ANDREA GRASSI DAMIANI	Vice-Chairman	Until 31.03.2012	330,000	10,210	-	98,667	438,877
SILVIA MARIA GRASSI DAMIANI	Vice-Chairman	Until 31.03.2012	330,000	4,974	-	-	334,974
GIULIA DE LUCA (**)	Director and General Manager	(**)	68,000	65,030	-	1,916,653	2,049,683
STEFANO GRAIDI	Director	Until 31.03.2012	40,000	-	-	22,000	62,000
GIANCARLO MALERBA	Director	Until 31.03.2012	30,000	-	-	5,500	35,500
FABRIZIO REDAELLI	Director	Until 31.03.2012	30,000	-	-	5,000	35,000
LORENZO POZZA	Director	(***)	30,000	-	-	5,500	35,500
GABRIELLA COLOMBO DAMIANI	Honorary President of Damiani Italia (****)	-	-	-	-	-	0

(1) Other remunerations include (i) fees received due to the office of member of the managing or controlling body in other subsidiaries, (ii) salary for employment (where existent) and (iii) further remunerations for other services.
(*) On 3 April 2009 the Shareholders' Meeting of Damiani S.p.A. appointed the new Board of Directors that will hold the office until the approval of the financial statement as to 31 March 2012.
(**) Ceased since 3 April 2009.
(***) Ceased since 3 April 2009. Roberta Benaglia was appointed Director of Damiani S.p.A..
(****) The honorary office is not for a limited duration and does not grant any remuneration.

The total remuneration paid to managers with strategic responsibilities during the financial period ended on 31 March 2009 amounted to € 554,287.38.

9. INTERNAL CONTROL AND CORPORATE GOVERNANCE COMMITTEE; THE INTERNAL CONTROL SYSTEM (ARTICLE 8 OF THE CODE)

9.1 INTERNAL CONTROL AND CORPORATE GOVERNANCE COMMITTEE

The Internal Control and Corporate Governance Committee holding the office during the financial year ended on 31 March 2009 – and appointed by the Board of Directors on 27 June 2007, with effect as from the date of admission of the Company's shares to the negotiations – was composed of Non-Executive Directors the majority of which were also independent. The following Directors used to sit on the Committee:
- Giancarlo Malerba – Chairman – (Non-Executive Director);
- Fabrizio Redaelli – (Independent Director and Lead Independent Director)
- Professor Lorenzo Pozza – (Independent Director).

The Internal Control and Corporate Governance Committee currently holding the office was appointed by the Board of Directors on 3 April 2009 with immediate effect and is composed of the following directors:
- Giancarlo Malerba – Chairman – (Non-Executive Director);
- Fabrizio Redaelli – (Independent Director and Lead Independent Director)
- Roberta Benaglia – (Independent Director)

The professional experiences of the current and previous Directors ensure the Committee a sufficient expertise in accounting and finance. The following functions of advice and proposal have been assigned by the Board on 27 June 2007 and, lastly, on 3 April 2009 to the Committee (they are identical to those listed in the Code with the exception of Criterion 8.C.3 (d) and (e)):
a) to assist the Board with the tasks indicated in Criterion 8.C.1. of the Code;
b) to assess, together with the Manager in charge of preparing company's financial reports and the auditors, the proper application of the accounting standards and their uniform application in drawing up the Consolidated Financial Statements;
c) on request of the Executive Director in charge, to release opinions on the main risks existing within the Company, as well as on the project, implementation and management of the internal control system;
d) to examine the schedule of work and periodic reports drafted by the Head of the Internal Control;
e) to report to the Board on its activities and on the adequacy of the internal control system, periodically and at least every six months (at the approval of the Financial Statement and of the Half-Year interim Reports).

Pursuant to the Criterion 5.C.1, letter e), of the Code, the Committee is entitled to access to any information and offices as deemed necessary in order to carry out its functions, as well as to seek the advice of external consultants within the limits set forth by the Board.

During the financial period ending 31 March 2009 the Committee met 10 (ten) times, with a percentage of attendance by its members of 93,33%. Besides the Chairman of the Statutory Auditors and the Statutory Auditors, on invitation of the Chairman and for specific items of the Agenda the Head of Internal Control, the Executive-Director in charge of the functionality of the internal control system as well as the Manager in charge of preparing the Company's financial reports and some other managers of the Company participated to the meetings. During the current financial year the Committee met 2 (two) times, on 12 May and 4 June.

The meetings of the Committee were duly entered into the Committee Book of the Minutes.

In accordance with the Criterion 5.C.1)(e) of the Code, the Committee has access to any information and Company's officers necessary for carrying out its functions and can also seek the advice of external consultants, within the limits approved by the Board.

The current "Guidelines of the Internal Control system of Damiani S.p.A. Group" ("Guidelines") have been approved by the Board of Directors on 27 June 2007 also in order to strengthen and optimize the internal controls system of the Company and of the Group.

With reference to the functions entrusted, please note that the Internal Control and Corporate Governance Committee has inter alia:
- examined the periodical reports prepared by the Head of Internal Control, in order to constantly monitor the suitability of the internal control system and to intervene, where necessary, in order to fulfil any lack;
- carried out a deep investigation on relevant transactions with Related Parties and, in particular, on the acquisition of the entire share capital of Rocca S.p.A. from W.J.R. Participations S.A. (company entirely owned by the Damiani Siblings and controlled by Guido Grassi Damiani);
- examined together with the auditing company the proper use of the accounting standards and their homogenous application in view of the drafting of the consolidated financial statement.

Lastly, on 12 June 2009 the Chairman of the Internal Control and Corporate Governance Committee provided the Board of Directors with a summary of the activities carried out by the Committee and, also on the basis of the work carried out by the person responsible for internal control, expressed to the Board of Directors its assessment on the overall adequacy, effectiveness and efficiency of the Internal Control System.

9.2 THE INTERNAL CONTROL SYSTEM

On proposal of the Executive Director in charge of supervising the Internal Control System and with the assistance of the Internal Control and Corporate Governance Committee, on 13 June 2008 the Board of Directors approved the guiding principles of 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 subsidiaries that qualifies as "strategically important" pursuant to Article 1 of the Code.
The Guiding Principles entrust the Executive Director in charge of supervising the Internal Control System with the following 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 by its subsidiaries), and to periodically submit said principles to the Board of Directors as well as to the Internal Control and Corporate Governance Committee;
b) to submit the Damiani Group's Guiding Principles to the Board of Directors, carrying out the activities of structuring, implementation and management of the internal control system; to continuously monitor the overall adequacy, effectiveness and efficiency of the same system; to ensure that the system is kept updated to any changes in the operating conditions and legislative and regulatory context;
c) to make proposals to the Board of Directors (also informing the Internal Control and Corporate Governance Committee) for the appointment, revoke and remuneration of the persons responsible for internal control of the Group.

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 companies, as well as the audit-plans and the results showed in their reports and in the letter of suggestions: the entrustment of the Board of Statutory Auditors seems to be consistent with the duty of the same body of recommending an audit company to the General Meeting.
On the basis of the principles of independence of the activities carried out by the audit company, it was not deemed appropriate entrust the Committee with the task of "monitoring the effectiveness of the external audit process".

EXECUTIVE DIRECTOR IN CHARGE OF SUPERVISING THE INTERNAL CONTROL SYSTEM

In accordance with Implementing Criterion 8.C.1)(b) of the Code, on 27 June 2007 the Board of Directors entrusted the Executive Director in charge of supervising the Internal Control System and granted the same the following powers:
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 such principles to the Board of Directors as well as to the Internal Control and Corporate Governance Committee;
b) to submit to the Board of Directors the Guiding Principles for the Internal Control System of Damiani Group, carrying out the activities of structuring, implementation and management of the internal control 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 Control and Corporate Governance Committee) for the appointment dismissal and remuneration of the persons responsible for internal control of the Group.

Starting from 7 August 2008 Stefano Graidi has been appointed Executive Director in charge of supervising the Internal Control System with the same competences and powers granted by the Board to Giulia De Luca on 27 June 2008.

• PERSON RESPONSIBLE FOR INTERNAL CONTROL

On 12 September 2007, on the proposal of the Executive Director in charge of supervising the Internal Control System and on the basis of the favourable opinion of all the members of the Internal Control and Corporate Governance Committee, the Board of Directors appointed Luana Carlotta Lanzi Puglia as Company's "person responsible for internal control" 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; more in detail, the company's person

responsible for internal control is entrusted with the following functions:
a)to present the proposed annual work schedule to the Internal Control and Corporate Governance Committee in due time in order to allow the punctual performance of its functions and to formulate any recommendations deemed appropriate;
b)to assist the Executive Director in charge of supervising the Internal Control System in planning, managing and supervising the internal control system and the identification of the various risk factors;
c)to plan and to carry out, in line with the annual work schedule, direct and specific controls of the various departments of the Company and of the other companies of the Group, with particular regard to subsidiaries of strategic importance, in order 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 ensure in fact that the applicable statutory and regulatory provisions are complied with;
e) to check that the rules and procedures of control are complied with and that all the people involved act according to the defined goals;
f)to carry out investigations on specific irregularities, either on its own initiative or on request of the Board of Directors, the Internal Control and Corporate Governance Committee, the Executive Director in charge of supervising the Internal Control System or the Board of Statutory Auditors;
g)to check, in any way deemed appropriate, that any anomalies noticed during the inspections have been corrected;
h)to keep records of the activities carried out and to make such records available on request to the subjects in charge of the control procedures;
i)to report on the results of the control activities in special "Audit Reports" to the Executive Director in charge of supervising the Internal Control System, to the Internal Control and Corporate Governance Committee and to the head of the department under inspection; in case of control of subsidiaries, the Control Reports are copied to the relevant bodies of the Company concerned. It is also entrusted with the task of identifying any inadequacies in the internal control system in the light of the results of the inspections and analysis of the corporate risk, and to recommend any measures to improve the same system; such inadequacies and the proposed remedies are to be included in the Control Reports;
l)to draft, at least twice a year and in due course to enable the Internal Control and Corporate Governance Committee and the Board of Directors to carry out their respective tasks in preparation of the meetings held to approve the draft Financial Statements or the half-year interim reports, 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 Statements shall also include an updated account on corporate risks pointed out during the year;
m)to report on its activities - providing copies of the Control Reports referred to under paragraph (i) above - to the following bodies:
-the Executive Director in charge of supervising the Internal Control System and delegated bodies of any subsidiary which have been subject to the control activities;
-the Internal Control and Corporate Governance Committee, also attending its meetings when required by its members. The Internal Control and Corporate Governance Committee checks that reports are forwarded to all the members the Board of Directors in connection with the items on the Agenda; the Board of Statutory Auditors examines said Reports during the meetings of the Internal Control and Corporate Governance Committee;
n)in case of critical situations requiring a prompt action, to promptly inform the Executive Director in charge of supervising the Internal Control System and the delegated bodies, as wells as the Internal Control and Corporate Governance Committee and the Board of Statutory Auditors on the results of their activity.
During the financial year ended on 31 March 2009, the person responsible for internal control monitored the areas under its control according to the provisions of the "Internal Audit Plan 2008/2009" drafted by the same and presented to the Internal Control and Corporate Governance Committee first on 13 February 2008 and afterwards, in a update version, on 26 November 2008. I n particular, the main activities carried out by the person responsible for internal control during the financial year ended on 31 March 2009 concerned:
(i) as to the compliance with the provisions of Law no. 262/05 and Legislative Decree no. 231/01:
- the further improvement of the corporate procedures;
- the implementation of the organizational and control models required by Legislative Decree no. 231/01 for the Italian companies of the Group;
- the adjustment of the governance of Rocca Group and the creation of its organizational and control model, with specific regard to the procedures required by Law no. 262/05 and Legislative Decree no. 231/01;
(ii) as to the activity of "Internal Audit":
- the analysis of the commercial and non-commercial transactions (rental) with Related Parties;
- the monitoring of the commercial and non-commercial transactions (rental) with Related Parties;
- activities of compliance audit and operation audit in the companies of the Group, pursuant to the work plan approved by the Internal Control and Corporate Governance Committee.

The person responsible for internal control had access to any information needed for the proper performance of its duties, and reported to the Internal Control and Corporate Governance Committee and to the Chairman of the Board of Statutory Auditors on its activities, as well as to the Executive Director in charge of supervising the Internal Control System.
The person responsible for internal control is the head of the Internal Audit function and is not subject to the hierarchy of any heads of the operative areas.

10. MODEL OF ORGANISATION PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

In order to ensure that the Group's internal control systems complies with the provisions of Legislative Decree no. 231/2001 and in accordance with Articles 2.2.3 (iii)(k) and 2.2.3bis of the Stock Exchange Regulation, on 27 March 2008 the Board of Directors approved the Model of Organisation, Management and Control as provided for by Article 6 of Legislative Decree no. 231/2001 (the "Organisation Model") and the Ethical Code.
The Organisation Model adopted by the Company provides as follows:

1. one **General Section**, which introduces the model and set forth the rules concerning the governance, with particular reference to (i) the subjects concerned; (ii) the composition, role and powers of the Monitoring Body; (iii) the role of the Board of Directors; (iv) the reporting to the Monitoring Body; (v) the sanctions; (vi) divulgation of the Model among the subjects concerned and training.

2. six **Special Sections**, each one identifying and disciplining risky processes and the rules of conduct to be followed by the concerned subjects while carrying out the working activity. Pursuant to the Organisation Model, the followings are the crimes that could theoretically be relevant for the Issuer: (i) offences against Public Administration; (ii) corporate crimes; (iii) crimes and administrative offences on market abuse; (iv) transnational offences; (v) crimes on employment health and safety; (vi) money-laundering.
With regard to each area of risk the Special Section makes reference to specific Protocols governing the operational and monitoring procedure for managing the process with a view to the prevention of the "231 offences".
A specific Monitoring Body, with full financial autonomy, is entrusted with the control of the functioning of the Model. The Monitoring Body holding the office during the financial year ended on 31 March 2009 – appointed by the Board of Directors on 27 march 2008 – is composed of the person

responsible for internal control, Carlotta Lanzi Puglia, and by two external advisors, Luca Pecoraro and Francesco Satta.
The Monitoring Body has been granted with all the necessary powers in order to promptly and efficiently watch over the compliance with the Organisation Model approved by the Company, as well as in order to verify the adequacy of the same in order to promptly and efficiently prevent the criminal offences listed by the Legislative Decree no. 231/2001, with the possibility to make proposals to the Board of Directors for the updating and adjustment of the Organisation Model.

11. EXTERNAL AUDITING COMPANY

The Auditing Company entrusted with the external auditing of the accounts of Damiani S.p.A. and its subsidiaries is Reconta Ernst & Young S.p.A., with registered office in Rome, Via G.D. Romagnoli 18A, which is a firm of auditors registered under Article 161 of the (Italian) Consolidated Law on Finance (the "External Auditor").
Pursuant to Article 159 of the (Italian) Consolidated Law on Finance, on 27 June 2007 the Shareholders' Meeting of Damiani S.p.A. appointed said auditing company as External Auditor with duration of nine financial years, i.e. until the approval of the Financial Statements of the financial year ending on 31 March 2016.

12. MANAGER RESPONSIBLE FOR THE DRAWING-UP OF THE COMPANY'S FINANCIAL REPORTS

The Manager responsible for the drawing-up of the Company's financial reports is Gilberto Frola, who was appointed by the Issuer's Board of Directors during the meeting held on 12 September 2007 for an indefinite period of time, with effect from the date on which the shares of the Company were admitted to trading on the electronic market (MTA) of Borsa Italiana S.p.A..

Pursuant to Article 27 of the Company's By-laws said Manager has to be chosen by the Board of Directors with the previous opinion of the Board of Statutory Auditors, and his background must include at least a three-year experience as qualified accountant or business administrator in listed companies, or in companies whose capitalisation amounts to not less than 1 million Euro.

The Board of Directors granted to the Manager, Dr Frola, all the necessary powers for the fulfilment of his duties under the law and By-laws, including the followings:
- to have direct access, without need of any further authorisation, to any information required to produce the accounts, under the duty (together with all his staff) to 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 ensuring that the information transferred within the Group is accurate;
- to organize his own department in order for the latter to be adequate as to its human and technical resources (including equipment, software, etc.);
- to draft administrative and accounting procedures, with the assistance of the offices involved in the generation of the relevant information;
- to seek the advice of external consultants whenever required by particular needs;
- to establish reporting and notification procedures together with the other persons in charge of monitoring and auditing, so as to ensure a constantly updated mapping of risks and processes as well as adequate checks that the procedures themselves are working properly (External Auditor, person responsible for internal control, etc.);
- to make the expenses necessary to perform its duties and authorised by the Board of Directors, or by either the Internal Control and Corporate Governance Committee or the Chairman, on Board's behalf, with a duty of yearly report to the Board.

13. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

Principle 9 of the Code requires the Board to take all the necessary steps to ensure that transactions with related parties are carried out with transparency and in compliance with the principles of both formal and substantial correctness. A similar obligation is provided for by Article 2391-bis of the Italian Civil Code, pursuant to which the governing bodies of companies listed in stock-exchange must adopt proper rules and internal procedures in order rule transactions with related parties (including those carried out through subsidiaries) so as to ensure transparency and accuracy of the same transactions, both from a formal and substantial point of view. The Public Authority is currently amending the regulations on this matter and, on 9 April 2008, the same Authority published a consultation document on the implementation of the abovementioned Article 2391 bis of the Italian Civil Code.
In accordance with the Code, as well as with the relevant provisions of the Civil Code, on 27 June 2007 the Board of Directors approved the "Damiani Group's Guidelines on Particularly Important Transactions and Transactions with Related Parties" ("the Guidelines"), which reserve to the competence of the Board of Directors all the "significant transactions" with any party as well as all the transactions with "related parties", including those carried out through subsidiaries, and specifies the rules for their approval and execution (the "Guidelines" are available on the website *www.damiani.com*, under the "Investor Relations" section).
During the financial year the Board has always been promptly and effectively informed about plans for important transactions with related parties, and approved such transactions after assessing their procedural and substantive accuracy.
With specific regard to the acquisition by the Issuer of the entire share capital of Rocca S.p.A. owned by W.J.R. Participations S.A., on 26 June 2008 the Board of Directors of the Company approved - with the prior favourable opinion of the Internal Control and Corporate Governance Committee - the starting of a deep inspectional activity to be carried out by an internal work group, coordinated by a manager of the Company, acting in coordination with the Internal Control and Corporate Governance Committee, composed of Non-Executive directors the majority of which was also Independent, and joined by the Chairman of the Internal Control and Corporate Governance Committee, Giancarlo Marlerba.
The updates on the activities carried out by the work group and by the financial advisor Euromobiliare SIM were made available periodically to the Internal Control and Corporate Governance Committee (which met on 26 June 2008, 8 July 2008, 15 July 2008, 18 July 2008 and 4 September 2008).
On 15 September 2008 the Board of Directors of Damiani S.p.A., with the favourable prior opinion of the Internal Control and Corporate Governance Committee, entrusted Giancarlo Malerba with the powers to undersign the purchase agreement of the share in Rocca S.p.A..
The procedure followed by the Board of Directors for the purchase of the entire share capital of Rocca S.p.A. – transaction with related parties, being W.J.R. Participations S.A. a company entirely and indirectly owned by the Damiani Siblings and controlled by Guido Rossi Damiani – complied with the applicable regulations and was also in line with the regulation proposal drafted by CONSOB in its consultation document on the regulations implementing Article 2391 bis of the Italian Civil Code on transactions with related parties.

With respect to all the other transactions, the Board judged them bearing at least the same economic benefit to the Damiani Group than would have been achieved if the transaction had been negotiated with external counterparties; moreover, the Board has always been duly notified in advance - as required by the law - of any potential conflict of interests in any particular transaction. A summary of transactions with related parties can be found under paragraph 5.2 above.

14. APPOINTMENT OF STATUTORY AUDITORS

Pursuant to Article 24 of the Company's By-Laws, the Board of Statutory Auditors includes three standing and two substitute members. Auditors hold the office for three financial years, ending on the day of the Shareholder's Meeting convened to approve the Financial Statement relating to the last of the three financial years, and can be re-elected.

Pursuant to Principle 10.P.1 of the Code (which requires the Board of Statutory Auditors to be appointed according to a transparent procedure which guarantees, among other things, prompt information about the candidates' personal and professional qualifications), Article 24 of the Company's By-Laws provides for the standing and substitute members of the Board of Statutory Auditors to be appointed as follows:

(a) shareholders or groups of shareholders holding at least the interest specified by CONSOB for the appointment of Directors, in accordance with the law and regulations, are entitled to present 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 Shareholders' Meeting (first call). Each list must include the personal details required by the applicable statutory and regulatory provisions; lists not complying with the abovementioned provisions are disqualified;

(b) no shareholder is entitled to present or vote in favour of more than one list, either indirectly or through a fiduciary; members belonging to the same group or being parties to a shareholders' agreement are entitles to present and vote for no more than one list, either indirectly or through a fiduciary;

(c) no candidate can be included in more than one list, being otherwise ineligible; no person can be included in any lists of candidates in breach of the limitations on multiple-offices holding set by the applicable law and regulations;

(d) should only one list be presented within the deadline specified under (a) above, or every lists be presented by members which are to be considered as "related to each other" pursuant to the applicable laws and regulations, the deadline is postponed of five days and in such cases the holding's thresholds required under (a) above are halved.

According to the same article of Damiani's By-Laws, 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 with the highest number of votes, in the order in which they are ranked in that list;

(ii) the remaining standing and substitute members are drawn from the list with the second highest number of votes (provided that the same is not presented and voted by persons connected - even indirectly - with the members having presented or voted the winning list), again in the order in which they were ranked on the list.

The Chairman of the Board of Statutory Auditors is the standing member drawn from the second list.

Should a member of the Board of Statutory Auditors need to be replaced, the replacing member shall be the substitute member taken from the same list as the member to be replaced.

If the member to be replaced is the Chairman, the new Chairman is the substitute member who has replaced the replaced auditor.

Any General Meeting convened to integrate the Board of Statutory Auditors pursuant to the law shall proceed in such a way as to respect the principle of representation of minorities.

The regulations set out above for the election of the Board of Statutory Auditors and appointment of its Chairman shall not apply in case of presentation or voting of one list solely; in such cases the Shareholders' Meeting shall resolve upon majority of votes.

15. BOARD OF STATUTORY AUDITORS IN OFFICE

The Board of Statutory Auditors currently holding the office was appointed by the Shareholders' Meeting on 15 June 2007 for the duration of three financial years, i.e. until the date of the Shareholders' Meeting called to approve the financial statement as of 31 March 2010.

During the financial year ended on 31 March 2009, the Board of Statutory Auditors holding the office met 21 times, 9 of which in conjunction with the Internal Control and Corporate Governance Committee's meetings.

The members of the Board of Statutory Auditors currently in force are listed in the following table.

Pursuant to criteria 10.C.2 of the Code, the independence of the auditors is deemed to be guarantee by the compliance with the applicable laws and regulations, following to the amendments to the Legislative Decree no. 58/98 made by the so called "Legge sul Risparmio". Please find below also the curricula of each auditor in office.

NAME	POSITION	IN OFFICE SINCE	INDIPIPENDENT CODE	% PARTICIPATION	OTHER POSITIONS Company	Position
GIANLUCA BOLELLI	Chairman	15.06.07	SI	90%	Bart-Med S.r.l.	Director
					CFO SIM S.p.A.	Chairman of the Board of Directors
					Comifin S.p.A.	Director
					Edizioni Piemme S.p.A.	Standing Auditor
					Fiera Milano Congressi S.p.A.	Standing Auditor
					Immobiliare Mugiasca S.p.A.	Standing Auditor
					Impar S.r.l.	Sole Director
					La Provincia Editoriale S.p.A.	Standing Auditor
					Mid Industry Capital S.p.A.	Controlling Director
					Mondadori Retail	Standing Auditor
					Brugola Oeb Industriale S.p.A.	Director
					Oeb S.r.l.	Director
					Pierrel S.p.A.	Director
					Rubelli S.p.A.	Chairman of the Board of Statutory Auditors
					Sesto Siderservizi S.r.l.	Standing Auditor
					Si Lin Tsi S.r.l.	Standing Auditor
					Tre Laghi S.p.A.	Standing Auditor
					Tesmec S.p.A.	Director
SIMONE CAVALLI	Standing Auditor	15.06. 07	SI	100%	Attijariwafa Finanziaria S.p.A.	Standing Auditor
					Comitalia Compagnia Fiduciaria S.p.A.	Standing External Auditor
					Coprosider IBF S.p.A.	Chairman of the Board of the Statutory Auditors
					Dynapac S.p.A.	Standing Auditor
					Finanziaria Immobiliare d'Este S.r.l.	Standing External Auditor
					Gianni Crespi Foderami S.p.A.	Standing Auditor
					Hydroservice S.p.A.	Standing Auditor
					IBF S.p.A.	Standing Auditor
					Ilva S.p.A.	Standing Auditor
					Laboratorio Damiani S.p.A.	Standing Auditor
					Merati A. e C. – Cartiera di Laveno S.p.A.	Standing Auditor
					Misco Italy Computer Supplies S.p.A.	Standing Auditor
					Perini Navi Group S.p.A.	Standing Auditor
					Sugarmusic S.p.A.	Standing External Auditor
					Gamma S.r.l.	Chairman of the Board of the Statutory Auditors

					Soller S.r.l.	Standing Auditor
					T.FIN S.r.l.	Standing Auditor
					TSP S.r.l.	Standing Auditor
FABIO MASSIMO MICALUDI	Standing Auditor	15.06. 07	SI	90%	Fantastic S.r.l.	Chairman of the Board of the Statutory Auditors
					A & D - Gruppo Alimentare e Dietetico S.r.l.	Standing Auditor
					B.S.M. S.r.l.	Standing Auditor
					CFM Nilfisk – Advance S.p.A.	Standing Auditor
					Gritti Gas Rete S.r.l.	Standing Auditor
					Gritti Gas Srl	Standing Auditor
					La Compagnia Finanziaria S.p.A.	Standing Auditor
					Landi S.p.A.	Standing Auditor
					Media Finanziaria di Partecipazione S.p.A.	Standing Auditor
					Metallurgica Alta Brianza S.p.A.	Standing Auditor
					Reddy Pharma Italia S.p.A.	Standing Auditor
					Principio Attivo S.p.A.	Standing Auditor
					Sesvanderhave Italia S.p.A.	Standing Auditor
					Setrimex S.p.A.	Standing Auditor
					Business Consulting S.r.l.	Chairman of the Board of Directors
					Adlink Internet Media S.r.l.	Standing Auditor
					Associazione Amici del FAI-Restauro Monumenti e Paesaggio Onlus	Standing External Auditor

GIANLUCA BOLELLI – PRESIDENT OF THE BOARD OF STATUTORY AUDITORS

Graduated in Economics at the Bocconi University in Milano. Registered with the Registries of Accountants and Auditors. He started his professional career as auditor with Deloitte and Touche and then as a consultant with KPMG. Since March 1986 he has been a self-employed accountant, being also a promoting partner of Bolelli, Sportelli, De Pietri, Tonelli Law Firm. He is a member of the Scientific Committee of AIDAF and external professor at "Scuola di Direzione Aziendale (SDA)" of Bocconi University in Milan and at "Supsi" in Lugano.

SIMONE CAVALLI – STANDING AUDITOR

Graduated in Economics and registered with the Registry of Auditors. He started his professional career in Arthur Andersen in 1992, where he held several managerial roles. In 2004 he became a partner in the "Auditing, Analysis, Control and Companies Evaluation Firm" where he currently works as an accountant on yearly and consolidated financial statements, accounting and financial due diligence in view of acquisitions, no behalf of both corporate clients and Italian and international private equity firms.

FABIO MASSIMO MICALUDI – STANDING AUDITOR

Graduated in Economics at Bocconi University in Milan, specialised in administration and control. He is registered with the Registries of Accountants and Auditors. He started his professional career with Arthur Young & Company, now Ernst & Young. From 1990 to 1993 he worked as Administrative and Financial Director of the Editing Group Sugar – Messaggerie Musicali. From 1993 to 1997 he worked as Financial and Control Director of Dia Distribuzione S.p.A. – Group Promodes, currently Carrefour. Afterwards he started to practice as self-employed professional, starting the activity of Accountant in Milan in 1997, becoming a partner at the "Studio Commercialisti Associati" and later, in 2000, a promoting partner at Galli – Madau – Micaludi – Persano – Adorno – Villa Associated Accountants, specializing in corporate, tax and accounting issues connected to extraordinary transactions. Since 2008 he is member of the Finance and Control Commission of the Role of Accountants of 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, based on a mutual understanding of the reciprocal roles. This dialogue, however, needs to comply with external communication procedures on corporate 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 included within its staff a professionally-qualified Investor Relator in charge of taking care of the Company's relations with the professional investors and other shareholders. Our Investor Relations Office is run by Dr. 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 Corporate Governance Code, all the Directors take part to 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 Company's By-Laws, shareholders can only attend the Meetings upon providing the Company with the documentation proving their possession of shares as per Article 2370, second paragraph, of the Italian Civil Code not later than 2 (two) business days before the Meeting, as well as showing the relevant certification on the day of the Meeting.

Shareholders' Meetings also give the chance to inform the shareholders in compliance with the rules on privileged information. The Board of Directors particularly endeavours to provide shareholders with adequate information in order to allow them to take decisions on the basis of sufficient information.

During the financial year ended on March 31 2009, the Shareholders' Meeting was held once.

18. CHANGES OCCURED SINCE THE CLOSING DATE OF THE FINANCIAL YEAR

As already pointed out, from the last day of the financial year ended on March 31 2009 to the date of approval of this Report the following changes occurred in the Company's structure of governance:
- further to resignation by all the members of the Board of Directors in order to allow the Shareholders' Meeting to appoint a new managing body composed of a reduced number of directors (in order to streamline the structure and reduce the costs in the view of the future market challenges), on April 3 2009 the Shareholders' Meeting appointed the new Board of Directors composed of 7 members, 4 of which are Executive and 2 Independent;
- further to the appointment of the new directors, on the same date the Board of Directors appointed (i) Guido Grassi Damiani as Chairman, (ii) Giorgio Grassi Damiani and Silvia Grassi Damiani as Vice-Chairmen, (iii) Stefano Graidi as Executive Director in charge of supervising the Internal Control System; (iv) Fabrizio Redaelli as Lead Independent Director of the Company. In the same meeting the Board also appointed the new Internal Control and Corporate Governance Committee and the new Remuneration Committee, which are both currently composed by Giancarlo Malerba (Chairman), Fabrizio Redaelli (Independent Director) and Roberta Benaglia (Independent Director).

Milan, 12 June 2009

The Chairman of the Board of Directors
GUIDO GRASSI DAMIANI

ATTACHMENT "A"

List of offices held 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, by the members of the Board of Directors of DAMIANI S.p.A holding the office as to the date of approval of this Report as well as by the ones holding the office during the financial year ended on 31 March 2009.

Director	Company	Title
GUIDO 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 B.V.	Director
	Damiani Japan KK	Chairman of the Board
	Damiani USA Corp.	Director
	Damiani Hong Kong	Director
	Damiani Service	Director
	D. Holding S.A.	Director
	Leading Jewels S.A.	Director
	Sparkling Investment S.A.	Director
	Rocca S.p.A.	Chairman of the Board
	Courmayeur Rocca S.r.l.	Chairman of the Board
	Immobiliare Miralto S.r.l.	Director
GIORGIO 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 CEO
	Immobiliare Miralto S.r.l.	Chairman and President
	Damiani International B.V.	CEO
	D. Holding S.A.	Director
	Leading Jewels S.A.	Director
	Sparkling Investment S.A.	Director
	Damiani Service Unipessoal L.D.A.	Director
	Damiani France S.A.	Chairman of the Board
	Rocca S.p.A.	Vice-Chariman of the Board
SILVIA GRASSI DAMIANI	D. Holding S.A.	Director
	Leading Jewels S.A.	Director
	Sparkling Investment S.A.	Director
GIULIA DE LUCA *(in office untill the approval of the financial statements as to 31 March 2009)*	No offices	
STEFANO GRAIDI	Aprilia World Service BV, Netherlands	Director
	Carraro S.A. Lux	Legal Responsible CH
	Chiorino Group S.A., Luxembourg	Director
	Chiorino Participations S.A, Luxembourg	Director
	D. Holding S.A.	Director
	Damiani International BV	Director
	Gen Del SA Geneva, Switzerland	Director
	Leading Jewels S.A.	Director
	Olivetti Engineering, Switzerland	Director
	Prada S.A. Lux	Legal Responsible CH
	Space S.A.	Director
	Sparkling Inv. S.A.	Director

GIANCARLO MALERBA	Ariete S.p.A.	Standing Auditor
	Atlas Copco Finance S.r.l.	Standing Auditor
	Bolton Manitoba S.p.A.	Standing Auditor
	Collistar S.p.A.	Standing Auditor
	Cordifin S.p.A.	Standing Auditor
	De' Longhi Capital Services S.p.A.	Standing Auditor
	IBF S.p.A.	Standing Auditor
	Perini Navi Group S.p.A.	Chairman of the Board of Statutory Auditors
	Rodacciai S.p.A.	Chairman of the Board of Statutory Auditors
LORENZO POZZA *(in office untill the approval of the balance sheet as to 31 March 2009)*	Bracco Imaging S.p.A.	Standing Auditor
	Euraleo S.r.l.	Standing Auditor
	Terna S.p.A.	Standing Auditor
FABRIZIO REDAELLI	Aedes S.p.A.	Director
	The Walt Disney Company Italia S.p.A.	Standing Auditor
	Tod's S.p.A.	Standing Auditor
ROBERTA BENAGLIA *(in office from 3 April 2009)*	DGPA SGR S.p.A.	Managing Director
	Light Force S.p.A.	Director
	Viterie Italia Centrale S.r.l.	Director
	Kickoff S.p.A.	Attorney/Director
	Naturservice S.r.l.	Director
	Dipros S.r.l.	Director
	Vetrerie Riunite S.p.A.	Director