

RAFFAELE CARUSO S.p.A.

In **2009, a year of transition and major change**, Caruso introduces itself to the market with a profile perfectly suited to the new competitive scenario and a strong development strategy.

Strengths

- maximum production flexibility
- a highly authentic product with an ideal value proposition
- a top-level professional team
- a new and coordinated image with modern and easily recalled brand graphics
- a sound economic and financial position

While sharing some of these features with other men's wear industrial entities, the **uniqueness** of Caruso emerges with respect to the three different universes the Company lives in and represents:

Design, Technology, Tailoring.

These specific features, that are hardly combined in the sector and are often even unrelated, are deployed in synergy at Caruso:

Maximum style creativity is enhanced in high-end pieces created for the top men's wear Fashion houses, and next-generation technology allows to overcome severe cost and flexibility barriers typical of pure hand craftsmanship.

INVESTMENTS

In order to take advantage of the challenges and opportunities of the new competitive environment, Caruso has recently made high investments in the two key areas:

MANAGEMENT

Today Caruso has a new **management team** that provides top-level professional skills in functions that still needed strengthening, such as: **General Management, Communication and Strategic Marketing, Style Coordination, Purchases.**

COMMUNICATION

The second strategic area constituting the object of the investment is Communication and Image:

- A new **identity concept of the Caruso brand, with a new logo and a coordinated image**
- A new **Website**, which includes both the corporate and the product
- An **institutional advertising page** was created and published in the main international Trade magazines.

EXPORT MARKETS

Markets: the fact that foreign markets only accounted for 50% of the direct turnover in 2008, including only 15% outside Europe, prevented the most severe repercussions of the recession on certain markets (US, Russia) while providing a major opportunity for business development.

- **North America:** in the primary world market for Luxury and Fashion, Caruso has already established its own showroom in New York, headed by an experienced and skilled manager, in order to enable:
 - a direct dialogue with the main retailers and department stores;
 - improved service to existing customers;
 - the launch of a trunk-show programme;
 - a more careful evaluation of the business risk.

Results are already visible and the negotiations under way with **Neiman Marcus**, albeit at such a difficult time, have resulted into a first test-order with the Caruso brand for the next Winter 2009 season in the four main points of sale of the network, including Dallas and Chicago.

A series of top-level **multi-brand boutiques** will complete and optimize the representation of Caruso in the American market.

- **Far East:** relations have been significantly strengthened with the main Hong-Kong customer, the **Lane Crawford** group, also a potential gateway to China.

Contacts with Japanese Department Stores have been established for the S/S 2010 season.

For the next S/S 2010 season, Caruso has confirmed all manufacturing contracts with the **Fashion Brands** it produces for, while adding three new ones.

PROFIT AND LOSS ACCOUNT

€/000	2008	2007	%	2006	%
Net proceeds	61.367	54.404	12,8%	44.380	22,6%
EBITDA	7.103	5.955	19,3%	3.792	57,0%
% of Net proceeds	11,6%	10,9%		8,5%	
Write-downs and Depreciations	-2.239	-1.018		-794	
EBIT	4.864	4.937	-1,5%	2.998	64,7%
% of Net Proceeds	7,9%	9,1%		6,8%	
Profit before tax	4.545	4.454		2.655	
% of Net Proceeds	7,4%	8,2%		6,0%	
Taxes and duties	-2.023	-2.372		-1.634	
Net profit	2.522	2.082	21,1%	1.021	103,9%
% of Net proceeds	4,1%	3,8%		2,3%	

€/000	2008	2007	2006
Net Working Capital	18.107	13.957	12.375
Net Fixed Capital	2.990	2.576	4.517
Liabilities	-4.350	-4.286	-4.363
Total Net Invested Capital	16.747	12.247	12.529
Net Financial Position (NFP)	5.708	2.842	6.789
Net Equity	11.039	9.405	5.740
Total Sources of Finance	16.747	12.247	12.529

SUMMARY OF SALES BY GEOGRAPHIC AREA

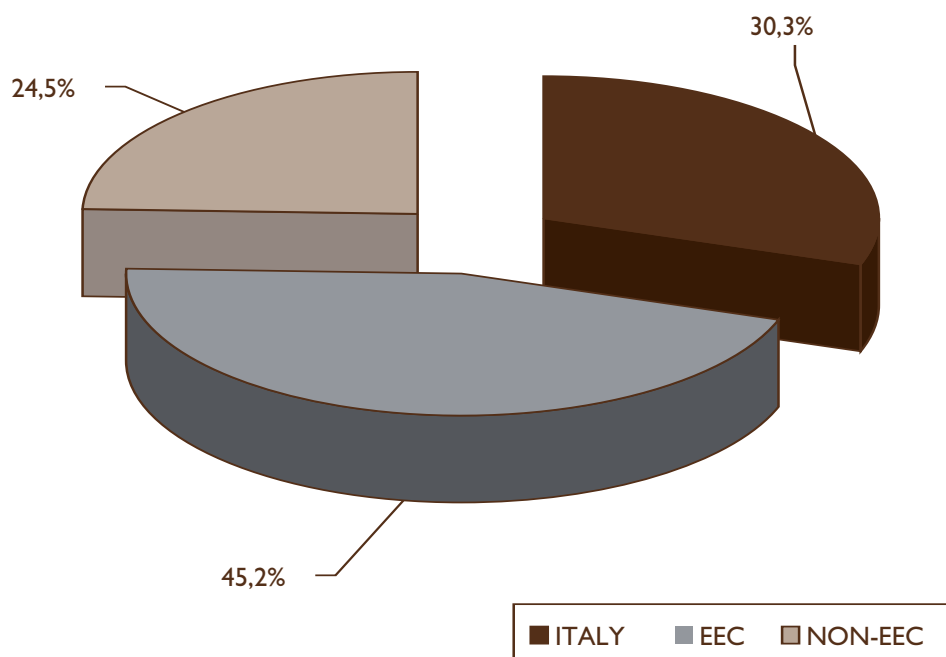
2008	2007	08/'07	%	2006	07/'06	%
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SUMMARY OF SALES BY GEOGRAPHIC AREA (€/000)	61.367	54.031	7.336	13,6%	44.101	9.930	22,5%
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ITALIA	18.616	18.160	456	2,5%	17.300	860	5,0%
EEC	27.737	24.424	3.313	13,6%	18.401	6.023	32,7%
NON-EEC	15.014	11.447	3.567	31,2%	8.400	3.047	36,3%

% breakdown of turnover	2008	2007	2006
	100%	100%	100%

ITALIA	30,3%	33,6%	39,2%
EEC	45,2%	45,2%	41,7%
NON-EEC	24,5%	21,2%	19,0%



PROFIT AND LOSS ACCOUNT

values in €/000	2008		2007		2006		2005	
Total turnover	61.367	100,0%	54.404	100,0%	44.380	100,0%	38.566	100,0%
Raw materials	(18.810)	-30,7%	(17.481)	-32,1%	(15.359)	-34,6%	(12.381)	-32,1%
External processing	(9.370)	-15,3%	(7.832)	-14,4%	(5.915)	-13,3%	(4.551)	-11,8%
Commission, transport	(3.944)	-6,4%	(3.579)	-6,6%	(2.658)	-6,0%	(2.279)	-5,9%
Variable costs of production	(32.124)	-52,3%	(28.892)	-53,1%	(23.932)	-53,9%	(19.211)	-49,8%
Margin of contribution	29.243	47,7%	25.512	46,9%	20.448	46,1%	19.355	50,2%
Personnel costs	(17.899)	-29,2%	(15.921)	-29,3%	(13.897)	-31,3%	(12.573)	-32,6%
Overheads	(4.241)	-6,9%	(3.636)	-6,7%	(2.759)	-6,2%	(3.321)	-8,6%
EBITDA	7.103	11,6%	5.955	10,9%	3.792	8,5%	3.461	9,0%
Appropriation to provision for bad debts and warehouses	(1.265)	-2,1%	(312)	-0,6%	(266)	-0,6%	(303)	-0,8%
EBITA	5.838	9,5%	5.643	10,4%	3.526	7,9%	3.158	8,2%
Total of depreciations	(974)	-1,6%	(706)	-1,3%	(528)	-1,2%	(548)	-1,4%
EBIT	4.864	7,9%	4.937	9,1%	2.998	6,8%	2.610	6,8%
Financial management	(330)	-0,5%	(273)	-0,5%	(227)	-0,5%	(214)	-0,6%
Extraordinary management	11	0,0%	(210)	-0,4%	(116)	-0,3%	(269)	-0,7%
Gross result taxes	4.545	7,4%	4.454	8,2%	2.655	6,0%	2.127	5,5%
Taxes of the year	(2.312)	-3,8%	(2.431)	-4,5%	(1.757)	-4,0%	(1.487)	-3,9%
Deferred taxes	289	0,5%	59	0,1%	123	0,3%	119	0,3%
Net result	2.522	4,1%	2.082	3,8%	1.021	2,3%	759	2,0%

STATEMENT OF ASSETS AND LIABILITIES AND FINANCIAL SITUATION

INVESTMENTS	2008		2007		2006		2005	
Net technical fixed assets	2.309	13,8%	1.758	14,4%	3.570	28,5%	3.499	28,0%
Intangible fixed assets	561	3,3%	677	5,5%	315	2,5%	278	2,2%
Long term investments	120	0,7%	141	1,2%	632	5,0%	523	4,2%
Investments in capital assets	2.990	17,9%	2.576	21,0%	4.517	36,1%	4.300	34,4%
(-) Severance pay fund, customer indemnity fund	(4.350)	-26,0%	(4.286)	-35,0%	(4.363)	-34,8%	(3.741)	-30,0%
Net capital assets	- 1.360	-8,1%	- 1.710	-14,0%	154	1,2%	559	4,5%
Customers	18.830	112,4%	15.989	130,6%	15.388	122,8%	13.871	111,1%
Stock	9.881	59,0%	9.429	77,0%	8.221	65,6%	7.357	58,9%
Miscellaneous receivables	1.670	10,0%	2.476	20,2%	722	5,8%	275	2,2%
Gross working capital	30.381	181,4%	27.894	227,8%	24.331	194,2%	21.503	172,2%
Suppliers	(8.832)	-52,7%	(9.899)	-80,8%	(9.067)	-72,4%	(7.187)	-57,6%
Miscellaneous payables	(3.442)	-20,6%	(4.038)	-33,0%	(2.889)	-23,1%	(2.387)	-19,1%
Current liabilities	(12.274)	-73,3%	(13.937)	-113,8%	(11.956)	-95,4%	(9.574)	-76,7%
Net working capital	18.107	108,1%	13.957	114,0%	12.375	98,8%	11.929	95,5%
Total net invested capital	16.747	100,0%	12.247	100,0%	12.529	100,0%	12.488	100,0%
SOURCES OF FINANCE								
Share capital and reserves	8.517	50,9%	7.323	59,8%	4.719	37,7%	4.159	33,3%
Result of the year	2.522	15,1%	2.082	17,0%	1.021	8,1%	760	6,1%
Net equity	11.039	65,9%	9.405	76,8%	5.740	45,8%	4.919	39,4%
Mortgages and other medium-/long-term loans	-	0,0%	-	0,0%	572	4,6%	957	7,7%
Medium-/long-term payables to other lenders	29	0,2%	31	0,3%	-	0,0%	-	0,0%
Medium-/Long term payables	29	0,2%	31	0,3%	572	4,6%	957	7,7%
Short-term net financial position	5.679	33,9%	2.811	23,0%	6.217	49,6%	6.611	52,9%
Short-term payables	5.679	33,9%	2.811	23,0%	6.217	49,6%	6.611	52,9%
Total loans from third parties	5.708	34,1%	2.842	23,2%	6.789	54,2%	7.568	60,6%
Total sources of income	16.747	100,0%	12.247	100,0%	12.529	100,0%	12.487	100,0%

INDEXES

	2008	2007	2006	2005
R.O.E. - Return of Equity (Net income / Net equity)	22,8%	22,1%	17,8%	15,5%
R.O.S. - Return on sales (Operating income /Sales)	7,9%	9,1%	6,8%	6,8%
V./C.I.N. (Sales /Net Invested Capital)	3,7	4,4	3,5	3,1
R.O.I. (Operating result (EBIT) / Total Assets)	14,6%	16,2%	10,4%	10,1%
R.O.C.E. (Operating result (EBIT) / Net invested Capital)	29,0%	40,3%	23,9%	20,9%
V/ C.C.N. (Sales /Net Working Capital)	3,39	3,90	3,59	3,23
Leverage (Total of Sources of Finance /Net equity)	0,52	0,30	1,18	1,54
Current ratio (Current assets /Current liabilities)	2,48	2,00	2,04	2,25
Acid ratio (Current assets - stock / Current liabilities)	1,67	1,32	1,35	1,48
Treasury margin Quick and deferred assets - short-term payables	8.226	4.528	4.154	4.572
Covering Margin (Net worth - Net fixed assets)	8.730	7.647	2.170	1.421