

# DAMIANI

## PRESS RELEASE

### Damiani S.p.A:

### Board of Directors approves the group's interim report for the first quarter ending June 30, 2008 of financial year 2008/2009

- **Consolidated revenues:** 39.2 million euro (42.8 million euro\* at June 30, 2007)
- **Retail revenues:** 2.5 million euro (2.1 million euro\* at June 30, 2007)
- **Consolidated EBITDA:** 4.5 million euro (8.0 million euro\* at June 30, 2007)
- **Consolidated EBIT:** 3.8 million euro (7.3 million euro\* at June 30, 2007)
- **Net Profit:** 2.1 million euro (3.5 million euro\* at June 30, 2007)
- **Net financial position:** Net cash of 28.1 million euro, with an improvement of 77.3 million euro compared to the net debt of 49.2 million euro as of June 30, 2007

*Milan, August 7, 2008* – The Board of Directors of **Damiani S.p.A.** (Milan, Star: DMN), the parent company of the Damiani Group, a creator, producer and distributor of luxury and designer jewels in Italy and abroad, today approved the interim consolidated results for the first quarter ending **June 30, 2008**.

#### CONSOLIDATED REVENUES

During the first quarter of financial year 2008/2009 **Group consolidated turnover** reached **39.2 million euro** compared to 42.8 million euro as of June 30, 2007, net of non recurring items equal to **-8.1%** at constant exchange rates and **-8.5%** at current exchange rates.

#### Revenues breakdown by channel

In the **first quarter of financial year 2008/2009 retail revenues** grew by **18.3%** at constant exchange rates and by **16.6%** at current exchange rates and amounted to **2.5 million euro** compared to 2.1 million euro as of June 30, 2007. The improvement has been driven by both the good performance of existing DOS and by the contribution of new opened stores.

The positive performance of the Group's retail network confirms that retail customers highly appreciate the Group's collection which further support the Group's strategic decision to develop this channel.

In the **first quarter of financial year 2008/2009 wholesale revenues** decreased by **12.4%** at constant exchange rates and by **12.9%** at current exchange rates reaching **34.2 million euro** compared to 39.3 million euro as of the same period of the previous year, largely due to the decline in sales in the Italian market.

*\*Data at June 30, 2007 are net of 7.6 million euro of non recurring revenues related to real estate operations*

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**Other channels/other revenues** at June 30, 2008 had an improvement of **78.8%**, at constant exchange rates and of **78.7%** at current exchange rates with sales of **2.5 million euro** versus 1.4 million euro\* as of June 30, 2007.

## Revenues breakdown by distribution channel

(in thousand of euro)	1 Quarter FY 2008/2009	1 Quarter FY 2007/2008	% change at constant exchange rates	% change at current exchange rates
<b>Retail</b>	<b>2.497</b>	<b>2.142</b>	18,3%	16,6%
<i>% of total revenues</i>	6,4%	4,2%		
<b>Wholesale</b>	<b>34.201</b>	<b>39.275</b>	-12,4%	-12,9%
<i>% of total revenues</i>	87,3%	77,9%		
<b>Total of wholesale and retail revenues</b>	<b>36.698</b>	<b>41.417</b>	-10,8%	-11,4%
<i>% of total revenues</i>	93,7%	82,2%		
<b>Other channels/other revenues</b>	<b>2.464</b>	<b>1.379</b>	78,8%	78,7%
<i>% of total revenues</i>	6,3%	2,7%		
<b>Consolidated revenues net of non recurring revenues</b>	<b>39.162</b>	<b>42.796</b>	-8,1%	-8,5%
<b>Non recurring revenues</b>		<b>7.612</b>		
<b>Consolidated revenues</b>	<b>39.162</b>	<b>50.408</b>	-21,8%	-22,3%

## REVENUES BREAKDOWN BY GEOGRAPHICAL REGIONS

During the **first quarter of financial year 2008/2009 Italian revenues amounted to 26.4 million euro** (-16.4% vs. June 30, 2007), accounting for 67.5% of consolidated turnover. The trend in the Italian market was influenced by a general slowdown in the wholesale channel sales only partially offset by the sound growth in the retail channel.

In the **Americas, revenues** (accounting for 5.8% of consolidated revenues) reached **2.3 million euro** with an increase of **8.0%** at constant exchange rates revenues ( **-2.2%** at current exchange rates) compared to June 30, 2007.

At June 30, 2008 revenues in **Japan** reached **2.2 million euro** with an improvement of **18.8%** at constant exchange rates and of **18.5%** at current exchange rates compared to the same period of the previous year. This result has been largely driven by the strong Damiani brand performance.

*\*Data at June 30, 2007 are net of 7.6 million euro of non recurring revenues related to real estate operations*

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During the first quarter of financial year 2008/2009 revenues in the **Rest of the World** amounted to 8.3 million euro improving by **17.8%** compared to 7.0 million euro al June 30, 2007 mainly driven by the positive trend in Russia and in the Former Soviet Republics markets.

## Revenues breakdown by Regions

(in thousand of euro)	1 Quarter FY 2008/2009	% on total	1 Quarter FY 2007/2008	% on total	% change at constant exchange rates	% change at current exchange rates
<b>Italia</b>	<b>26.417</b>	67,4%	<b>31.594</b>	62,7%	-16,4%	-16,4%
<b>Americas</b>	<b>2.258</b>	5,8%	<b>2.308</b>	4,6%	8%	-2,2%
<b>Japan</b>	<b>2.220</b>	5,7%	<b>1.874</b>	3,7%	18,8%	18,5%
<b>Rest of world</b>	<b>8.267</b>	21,1%	<b>7.020</b>	13,9%	17,8%	17,8%
<b>Consolidated revenues net of non rec. revenues</b>	<b>39.162</b>		<b>42.796</b>		-8,1%	-8,5%
<b>Non recurring revenues</b>			<b>7.612</b>	15,1%		
<b>Consolidated revenues</b>	<b>39.162</b>	100,0%	<b>50.408</b>	100,0%	-21,8%	-22,3%

## MONOBRAND STORES NETWORK

At June 30, 2008, the Group monobrand store network included **56 boutiques** of which 14 DOS (8 in Italy and 6 abroad).

During the first quarter Damiani opened 1 boutique in Los Angeles, 1 boutique BLISS in Brescia and 1 boutique BLISS in Alessandria.

## OPERATING RESULTS AND NET PROFIT

Damiani Group closed the first quarter of financial year 2008/2009 with **consolidated EBITDA of 4.5 million euro**, with a slowdown of **43.5%** compared to 7.9 million euro\* as of June 30, 2007.

**Consolidated EBITDA margin** was **11.5%**, in decrease versus 18,6%\* the same period of fiscal year 2007/2008.

The EBITDA slowdown during the first quarter of financial year 2008/2009, in addition to the decrease in sales, is due to an increase of general SG&A costs, partially offset by the good control of raw material costs. Despite the strong increase, especially in gold, in the quarter raw material and service costs remained substantially steady as of % of sales and were equal to 38.8% on June 30, 2008 versus 38.6% as of the same period of last year.

The increase in SG&A costs refers to higher costs related to strategic investments in production and distribution, which will bear benefits within the next quarters, especially in the third one (October-December 2008) when the most part of sales are historically concentrated.

During 2007 the Group has expanded its internal production capacity developing its subsidiary *Laboratorio Damiani*, which is now in fully operated and required the introduction of about 50 new hiring.

\*Data at June 30, 2007 are net of 7.6 million euro of non recurring revenues related to real estate operations

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Moreover, compared to the first quarter of financial year 2007/2008, the Group has opened 6 DOS which have engendered an increase in lease and management costs in addition to the new staff to operate in the stores.

Finally, also the introduction of new professional employees following to the Damiani IPO has affected on the personnel costs.

**Consolidated EBIT** was **3.8 million euro**, with a decrease of **47.7%** from 7.3 million euro\* at June 30, 2007 with a margin of 9.8%.

**Net Profit** amounted to **2.1 million euro** compared with 3.5 million euro\* achieved on June 30, 2007 (**-40.4%**).

## **NET FINANCIAL POSITION**

At June 30, 2008 the Group had net cash for **28.1 million euro**, a decrease of 0.3 million euro compared to 28.4 million euro at March 31, 2008, with an improvement of 77.3 million euro versus Financial Net Debt of 49.2 million euro as of June 30, 2007. The Group's net financial position has improved thanks to a good cashflow generation and to the 67 million euro (net of related costs) of IPO proceeds. On November 8, 2007 Damiani listed its ordinary shares on the STAR segment managed by Borsa Italiana.

## **SHARE BUYBACK PLAN UPDATE**

At June 30, 2008 n. 2.479.622 ordinary shares were purchased, equal to 3,002% of the Damiani S.p.A. share capital with a total outlay of 5.2 million euro and with an average price of 2,107 Euro per share.

## **GROUP'S ACTIVITIES**

Last June, during the opening of the Rodeo drive boutique in Los Angeles, Damiani has introduced its new testimonial Sharon Stone. The star will go with a new advertising campaign already published in Italy and that will be soon extended abroad. Sharon Stone strong personality and her natural elegance are perfect performers of a wholly women dedicated campaign that refers both to women and men thanks to the strength of the communication, the stunning beauty of the subject and the image of the products.

During the meeting the Board of Directors took note that Giulia De Luca has resigned from her position, as already announced on May 21, 2008. She will continue to be part of the Board of Directors as non executive member.

Finally the Board has appointed the executive Director Stefano Graidì as manager responsible for the internal control system of the Group.

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*The manager in charge of preparing the company's financial reports (Gilberto Frola) declares, pursuant to paragraph 2 article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documented results, books and accounting entries.*

*Trading commencement date: 08.11.2007*

*Operation Listing Partners: Unicredit and Merrill Lynch*

## **Damiani S.p.A.**

Damiani S.p.A. is the parent company of the Damiani Group, a leading Italian producer and distributor of top-quality designer jewellery, operating in the jewellery sector through prestigious brands, such as Damiani, Salvini, Alfieri & St. John and Bliss, as well as the recently acquired Calderoni brand.

Master craftsmen ever since 1924, the Damiani Group boasts a long-standing tradition in the art of goldsmithery which has always interpreted with an innovative spirit. It holds the unbeaten record of 22 Diamond International Awards (18 for Damiani and 4 for Calderoni). Every jewel created by Damiani is handmade according to the finest craft tradition and the elegance of Italian style. With more than 500 employees, the Damiani group operates both in Italy and abroad through distribution companies that fully cover the European, American and Asian markets. These include in particular: Damiani International BV (based in Amsterdam), Damiani USA Corp. (based in New York) and Damiani Japan K.K. (based in Tokyo). The Group also has 56 own-brand stores located in the main fashion streets in Italy and throughout the world.

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Attachments:

Reclassified consolidated Income Statement and Balance Sheet schedules

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## Income statement 1 Quarter 2008/2009 and 1 Quarter 2007/2008

	1 Quarter			
<i>(In migliaia di Euro)</i>	FY 2008/2009	FY 2007/2008	Change	Change %
<b>Consolidated Revenues Adjusted*</b>	<b>39.162</b>	<b>42.796</b>		<b>-8,7%</b>
Other non recurring revenues	0	7.612	(7.612)	
<b>Consolidated Revenues</b>	<b>39.162</b>	<b>50.408</b>	<b>(11.246)</b>	<b>-22,3%</b>
Cost of production	(34.655)	(35.382)	727	-2,1%
<b>EBITDA</b>	<b>4.507</b>	<b>15.026</b>	<b>(10.519)</b>	<b>-70,0%</b>
<i>EBITDA margin</i>	11,5%	29,8%		
<b>EBITDA Adjusted*</b>	<b>4.507</b>	<b>7.974</b>	<b>(3.467)</b>	<b>-43,5%</b>
<i>EBITDA margin Adjusted*</i>	11,5%	18,6%		
Depreciation and amortisation	(679)	(654)	(25)	3,8%
<b>Ebit</b>	<b>3.828</b>	<b>14.372</b>	<b>(10.544)</b>	<b>-73,4%</b>
<i>Ebit margin</i>	9,8%	28,5%		
<b>Ebit Adjusted*</b>	<b>3.828</b>	<b>7.320</b>	<b>(3.492)</b>	<b>-47,7%</b>
<i>Ebit margin Adjusted*</i>	9,8%	17,1%		
Net finance income (expense)	282	(424)	706	-166,5%
<b>Net profit before taxes</b>	<b>4.110</b>	<b>13.948</b>	<b>(9.838)</b>	<b>-70,5%</b>
<i>Net profit before taxes %</i>	10,5%	27,7%		
<b>Net profit before taxes Adjusted</b>	<b>4.110</b>	<b>6.896</b>	<b>(2.786)</b>	<b>-40,4%</b>
<i>Net profit before taxes margin Adjusted*</i>	10,5%	16,1%		
Taxes	(1.910)	(3.603)	1.693	-47,0%
<b>Net profit</b>	<b>2.200</b>	<b>10.345</b>	<b>(8.145)</b>	<b>-78,7%</b>
<i>Net profit margin</i>	5,6%	20,5%		
<b>Net profit Adjusted</b>	<b>2.200</b>	<b>3.760</b>	<b>(1.560)</b>	<b>-41,5%</b>
<i>Net profit margin Adjusted*</i>	5,6%	8,8%		
Minority interest	99	236		
<b>Group Net profit</b>	<b>2.101</b>	<b>10.109</b>	<b>(8.008)</b>	<b>-79,2%</b>
<i>Group Net profit margin</i>	5,4%	20,1%		
<b>Group Net profit Adjusted*</b>	<b>2.101</b>	<b>3.524</b>	<b>(1.423)</b>	<b>-40,4%</b>
<i>Group Net profit margin Adjusted*</i>	5,4%	8,2%		

\* Data at June 30, 2007 are net of 7.6 million euro of non recurring revenues related to real estate operations

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## Balance Sheet at June 30<sup>th</sup> 2008, March 31<sup>st</sup> 2007, June 30<sup>th</sup> 2007

<b>Balance sheet data (in thousand of euro)</b>	June 30, 2008	March 31, 2008	June 30, 2007
Fixed asstes	43.470	41.817	38.199
Net working capital	92.327	94.987	103.423
Non current liabilities	(8.589)	(9.272)	(7.437)
<b>Net invested capital</b>	<b>127.208</b>	<b>127.532</b>	<b>134.185</b>
Net Shareholders' equity	155.314	155.959	85.021
Net financial position	(28.106)	(28.427)	49.164
<b>Sources of financing</b>	<b>127.208</b>	<b>127.532</b>	<b>134.185</b>

<b>Net financial position (in thousand of euro)</b>	30 giugno 2008	31 marzo 2008	30 giugno 2007
Medium/long term loans - current share	3.815	5.162	8.535
Current financial debt towards banks and others	1.095	2.593	18.018
<b>Current financial debt</b>	<b>4.910</b>	<b>7.755</b>	<b>26.553</b>
Medium long term financing - non current share	16.214	16.631	35.955
<b>Non current debt</b>	<b>16.214</b>	<b>16.631</b>	<b>35.955</b>
<b>Total gross debt</b>	<b>21.124</b>	<b>24.386</b>	<b>62.508</b>
Cash and cash equivalents	(49.230)	(52.813)	(13.344)
<b>Net financial position</b>	<b>(28.106)</b>	<b>(28.427)</b>	<b>49.164</b>