

# DAMIANI

## PRESS RELEASE

Damiani S.p.A:

The Board of Directors approved the draft Financial Statements as of 31 March 2009<sup>1</sup>

- **Consolidated Revenues:** Euro 149.8 million (Euro 165.6 million as of 31 March 2008<sup>2</sup>)
- **Retail Channel Revenues:** Euro 25.4 million (Euro 9.9 million as of March 31<sup>st</sup> 2008)
- **EBITDA:** Euro 1,1 million (Euro 20.7 million as of March 31<sup>st</sup> 2008<sup>2</sup>)
- **Adjusted EBITDA<sup>3</sup>:** Euro 7.0 million
- **Operating profit:** Euro 3.1 million (Euro 18.2 as of March 31<sup>st</sup> 2008<sup>2</sup>)
- **Adjusted Operating Result<sup>3</sup>:** Euro 2.8 million
- **Net Result of the Group:** Euro -4.7 million (Euro 7.6 as of March 31<sup>st</sup> 2008<sup>2</sup>)
- **Adjusted Net Profit of the Group<sup>3</sup>:** Euro 0.7 million
- **Net Indebtedness:** amounted to Euro 38.4 million (Euro 39.2 million as of 31 December 2008<sup>3</sup>)

Milan, June 12 2009 – The Board of Directors of **Damiani S.p.A.** (Milano, Star: DMN) the flagship company of the Damiani Group active in the creation, implementation and distribution of high-end jewels and design in Italy and abroad, today approved their draft Financial Statements at March 31, 2009.

Guido Damiani, President and Managing Director of the Damiani Group, commented: "There is no doubt that the current macroeconomic context is volatile and uncertain both in Italy and other countries where the Group is active. The year 2008 was a difficult one in the jewellery sector but I am satisfied with how the Group has faced this reality, by proposing a clear and coherent development plan and working promptly to rationalize operating costs. Indeed, all of us in the company are working for the future. During the 2008/09 financial years, we have undertaken important initiatives, which will have a positive effect on Group results in the coming years. Specifically, we have completed the purchase of the Rocca Group, which represents the most important network of high-end jewellery in Italy as well as a formula to export abroad. Additionally, we have opened important mono-brand stores - including those in Los Angeles for Damiani and in Tokyo for Bliss – and we have signed an important commercial agreement in Japan. We have also undertaken new initiatives in the fashion jewellery sector by finalizing production and licensing relationships with main fashion brands that have singled out Damiani as the ideal partner to produce their jewellery collections. Finally, we have inserted first-rate managerial figures from important companies in our sector into our organizational chart. Last, but certainly not least, the Group has started a series of actions to rationalize its commercial and productive structure, aiming at containing at least 5 million Euro in operating costs in the year underway. All this allows us to face the future with a stronger and more efficient group, one that has the aim this year to better its results, compared to the financial year that has just ended."

### CONSOLIDATED REVENUES

**The Consolidated Revenues of the Group** as of March 31<sup>st</sup> 2009 relative to the financial year 2008/09, amounted to **Euro 149.8 million** compared to Euro 165.6 million as of 31 March 2008<sup>2</sup>.

<sup>1</sup> It is highlighted that the perimeter of the consolidation area of Damiani S.p.A. at March, 31<sup>st</sup> 2009 was different from that as of March, 31<sup>st</sup> 2008, as a consequence of the acquisition of 100% di Rocca S.p.A. that was finalized on September, 15<sup>th</sup> 2008. Consolidating of the Rocca Group started from September 1<sup>st</sup>, 2008.

<sup>2</sup> The data as of March 31, 2008 are shown net of Euro 8.5 million of non-recurring revenues relative to Real Estate operations. The net impact amounted to Euro 7.9 million on EBITDA and on EBIT and Euro 7.5 million on net Result of the Group.

<sup>3</sup>The EBITDA, the EBIT and the net profit as of March, 31<sup>st</sup> 2009 have been adjusted for allocations from assets' depreciations for a total amount of Euro 5.9 million at EBITDA and EBIT level and for Euro 5.4 million on the Group net profit.

## Revenue split by channel

The revenues from the retail distribution channel as of March, 31<sup>st</sup> 2009 relative to the financial year 2008/09 reached **Euro 25.4 million** compared to Euro 9.9 million as of March, 31<sup>st</sup> 2008.

The progress and trend of the Retail Channel can be linked mainly to the revenue intake from the increase in the number of directly managed points of sale, to which have to be added revenues from the Rocca brand boutiques included within the consolidation perimeter starting from September 1<sup>st</sup>, 2008.

## Network stores

As of March 31<sup>st</sup>, 2009 the Group managed **40 direct points of sale and 40 point of sale in franchising** located on the main world international fashion streets. During the 2008/2009 financial year, the Group opened 10 mono-brand stores to manage directly (DOS), including: 1 in Los Angeles, 1 in St. Moritz.

The wholesale revenues as of March, 31<sup>st</sup> 2009, relative to the financial year 2008/09, reached Euro **107.2 million** compared to Euro 147.8 million in the same period of the previous year.

The **other channels/other revenues** as of March 31<sup>st</sup>, 2009 reached Euro **17.2 million** compared to Euro 7.9 million as of March 31<sup>st</sup>, 2008<sup>2</sup>.

Revenues breakdown by channel (in thousand of Euro)	FY 2008/2009	% on total Sales	FY 2007/2008	% on total Sales	% change current exchange rates	% change constant exchange rates
Retail	<b>25,380</b>	16.9%	<b>9,856</b>	5.7%	157.5%	155.9%
Wholesale	<b>107,249</b>	71.6%	<b>147,852</b>	84.9%	(27.5%)	(28.1%)
Other channel/other revenues	<b>17,162</b>	11.5%	<b>7,894</b>	4.5%	117.4%	116.7%
<b>Consolidated revenues net of non recurring revenues</b>	<b>149,791</b>	100.0%	<b>165,602</b>	95.1%	(9.5%)	(10.2%)
Non recurring revenues			8,506	4.9%		
<b>Consolidated revenues</b>	<b>149,791</b>		<b>174,108</b>		(14.0%)	(14.6%)

## Revenue split by geographical areas

During the financial year 2008/09 **sales in Italy** reached **Euro 109.2 million** compared to Euro 122.1 million as of 31 March 2008<sup>2</sup> and amounted to 72.9% of total sales. This result can be related to the decrease in the wholesale channel sales, due to the general slowdown of the Italian economy.

In the **Americas** the Group generated revenues of **Euro 7.7 million**, 5.1% of total sales, in line with revenues as of 31 March 2008<sup>2</sup>.

In **Japan** Group's sales reached Euro **9.7 million** during the financial year 2008/2009 compared to Euro 10.9 million the same period of the previous financial year, mainly due to the contraction of the wholesale channel, while the retail channel performed well.

The revenues in the **Rest of the World** amounted to Euro **23.2 million** compared to Euro 24.8 million as of 31 March 2008<sup>2</sup> the financial 2007/08) due to the effect, of the slowdown in the second half of the year, in sales that

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<sup>2</sup> The data as of March, 31<sup>st</sup> 2008 are shown net of Euro 8.5 million of non-recurring revenues relative to Real Estate operations. The correlated net impact amounted to Euro 7.9 million on EBITDA and to Euro 7.5 million on net Group's Result.

contribute in a significant manner to the invoicing of the area.

Revenues breakdown by region (in thousand of Euro)	FY 2008/2009	% on total Sales	FY 2007/2008	% on total Sales	% change current exchange rates	% change constant exchange rates
Italy	109,227	72.9%	122,100	70.1%	(10.5%)	(10.5%)
Americas	7,692	5.1%	7,756	4.5%	(0.8%)	(2.0%)
Japan	9,667	6.5%	10,900	6.3%	(11.3%)	(20.8%)
Rest of the World	23,205	15.5%	24,846	14.3%	(6.6%)	(6.8%)
<b>Consolidated revenues net of non recurring revenues</b>	<b>149,791</b>		<b>165,602</b>		<b>(9.5%)</b>	<b>(10.2%)</b>
Non recurring revenues			8,506			
<b>Consolidated revenues</b>	<b>149,791</b>	<b>100.0%</b>	<b>174,108</b>	<b>100.0%</b>	<b>(14.0%)</b>	<b>(14.6%)</b>

### Operating Results and Net Profit

Damiani Group closed the financial year 2008/09 with a **Reported Consolidated EBITDA of Euro 1.1 million**, compared to Euro 20.7 million as of March 31<sup>st</sup>, 2008<sup>2</sup> and equal to 1.3% on total sales.

During the financial year 2008/2009 higher provisions for Euro 5.9 million were posted taking into account the changed market conditions (Euro 3.8 million Euro for inventory write-downs and Euro 2.0 million in increase for write-downs of receivables) net of which the **Adjusted EBITDA** would have been Euro **7.0 million** in the financial year 2008/2009.

**Reported Consolidated Operating Result** for the financial year 2008/09 was negative and amounted to **Euro -3.1 million**, compared to Euro 18.2 million as of March, 31<sup>st</sup> 2008.

**Adjusted Consolidated Operating Result** for the financial year 2008/2009, net of the non-recurring items, amounted to Euro **2.8 million**.

**Reported Net Result of the Group**, for the financial year 2008/09 was negative and amounted to **Euro -4.7 million** compared to a positive net result of Euro 7.8 million as of March, 31<sup>st</sup> 2008.

**Net of non-recurring items** consolidated net result would have been positive for Euro 0.7 million,

### **Net Financial Position**

As of March 31<sup>st</sup>, 2009 the Group registered a net financial position of Euro **38.4 million**, almost unchanged compared to Euro 39.2 millions of December 31<sup>st</sup>, 2008. The change compared to the net cash of 28.4 as of March 31<sup>st</sup>, 2008 of Euro 66.8 million is mainly related to: the acquisition and consolidation of the Rocca Group, which took place in September 2008, the capex for new DOS openings, the buyback operation which is still ongoing and the cash flow absorption generated from operating management.

### **GROUP PARENT COMPANY RESULTS**

The Group Parent Company Damiani Spa has posted revenues of Euro 71.2 million and has gained a net profit of Euro 0.7 million.

### **PROPOSAL TO AUTHORIZE THE PURCHASE OF OWN SHARES AND THE APPROVAL OF STOCK PLANS PURSUANT TO ARTICLE 114, SECOND PART, OF THE TUF (CONSOLIDATED FINANCE ACT)**

The Board of Directors has also passed a resolution to submit to the Shareholders' Meeting a renewal of the authorization of February 22, 2008 for the purchase and treatment of the company's own shares.

As already communicated the Shareholders' Meeting authorization foresees the discretionary faculty of being able to purchase up to a maximum number of 8,250,000 ordinary shares with a nominal value of Euro 0.44 each, in any case not more than 10% of the company's Share Capital, for a period of 18 months from the date of the relative resolution passed by the Shareholders' Meeting and, therefore, up till 22 January 2011.

At the date of this press release the company holds 4,777,271 of its own shares amounting to 5.78% of its Share Capital.

Furthermore, the Board of Directors following the proposal presented by the Compensation Committee that met on 11 June 2009 has resolved to submit to the Shareholders' Meeting the adoption of two plans based on financial instruments, pursuant to article 114, second part, of the Legislative Decree number 58/98, i.e. the "T.U.F." (Consolidated Finance Act) – "Stock Grant Plan 2009", which also foresees, among other things, the assignment free of charge of Damiani shares to employees and the "Stock Option Plan 2009" aimed at Group management, approving the relative informational documents regarding them that will be made public, within the timeframes laid down by the relative legislation that is currently in force regarding such matters.

The shares for both the plans will be taken from the securities portfolio of own shares, purchased and held by Damiani S.p.A., in conformity with the resolutions passed by the Shareholders' Meeting, authorizing the purchase and successive treatment of the company's own shares, pursuant to article 2357 and article 2357, third part, of the Italian Civil Code and, therefore neither of the Plans will have any dilution impact on the company's issued Share Capital because they do not entail the issuing of any new shares.

The Board of Directors has decided to propose to the Shareholders' Meeting, called for July 22, 2009, at first call, at the time of 18.30, in Damiani headquarter, Viale Santuario 46, Valenza and, eventually at second call for 23 July, same place and time, to post to reserves the profit of Damiani S.p.A..

The Corporate Governance Report is in the draft Financial Statements as of 31 March 2009, according by law and in the Investor Relations website [www.damiani.com](http://www.damiani.com)

*The company executive entrusted with the process of drafting the company's accounting documents, Dr. Gilberto Frola, hereby declares, pursuant to article 154, second part, paragraph 2, of the Consolidated Finance Act that the accounting informational document, contained in this press release, truly reflect the contents of the accounting documents, books and postings and, where appropriate, on the best possible estimates based on the available information.*

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

Damiani S.p.A. is the flagship company of the Damiani Group, a leader in the Italian market in the production and sales of high-end jewellery and design and active in the jewellery sector with prestigious brands, such as Damiani, Calderoni, Salvini, Alfieri & St. John e Bliss. It also owns Rocca 1794, one of the most prestigious Italian chain with over 200 years of expertise in the retail sale of the world's most famous international brands of watches and jewellery. The Damiani Group is active in Italy and in the main markets worldwide with its own operative affiliates and manages 40 direct points of sale and 40 more in franchising located on the main world international fashion streets.

Strong with a tradition that has lasted for centuries in the world of high end jewellery thanks to historically famous brands that make up the Group's portfolio, the Group today is careful in interpreting its legendary patrimony and presents it with full respect for tradition and the innovative spirit of its origins.

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The reclassified consolidated layouts of the Income Statement and Balance Sheet are attached below.

## Income Statements FY 2008/2009 and 2007/2008

Income statement (in thousand of Euro)	FY 2008/2009 reported	FY 2007/2008 adjusted <sup>2</sup>	% change	FY 2008/2009 adjusted <sup>3</sup>	FY 2007/2008 normalized	% change
<b>Revenues from sales and services</b>	<b>149,289</b>	<b>164,919</b>	<b>(9.5%)</b>	<b>149,289</b>	<b>164,919</b>	<b>(9.5%)</b>
Other recurring revenues	502	683	(26.5%)	502	683	(26.5%)
<b>Total Revenues</b>	<b>149,791</b>	<b>165,602</b>	<b>(9.5%)</b>	<b>149,791</b>	<b>165,602</b>	<b>(9.5%)</b>
Operating expenses	(148,670)	(144,909)	2.6%	(142,760)	(144,349)	(1.1%)
<b>EBITDA</b>	<b>1,121</b>	<b>20,693</b>	<b>(94.6%)</b>	<b>7,031</b>	<b>21,253</b>	<b>(66.9%)</b>
EBITDA %	0.7%	12.5%		4.7%	12.8%	
Amortisation&Depreciation	(4,191)	(2,503)	67.4%	(4,191)	(2,503)	67.4%
<b>Operating Income</b>	<b>(3,070)</b>	<b>18,190</b>	<b>n.m.</b>	<b>2,840</b>	<b>18,750</b>	<b>(84.9%)</b>
Operating income %	(2.0%)	11.0%		1.9%	11.3%	
Net financial income/(expense)	(374)	(1,159)	(67.7%)	-374	(1,159)	(67.7%)
<b>Income before taxes</b>	<b>(3,444)</b>	<b>17,031</b>	<b>n.m.</b>	<b>2,466</b>	<b>17,591</b>	<b>(86.0%)</b>
Income before taxes %	(2.3%)	10.3%		1.6%	10.6%	
Taxes	(1,421)	(9,208)		(1,893)	(8,741)	(78.3%)
<b>Net Income</b>	<b>(4,865)</b>	<b>7,823</b>	<b>n.m.</b>	<b>573</b>	<b>8,850</b>	<b>(93.5%)</b>
Net income %	(3.2%)	4.7%		0.4%	5.3%	
Minorities	(156)	175		(0,156)		
<b>Net Group Results</b>	<b>(4,709)</b>	<b>7,648</b>		<b>729</b>		
Net Group Results %	(3.1%)	4.6%		0.5%		

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<sup>3</sup>The EBITDA, the EBIT and the net profit as of March, 31<sup>st</sup> 2009 have been adjusted for provisions from the assets' depreciation for a total amount of Euro 5.9 million at EBITDA and EBIT level and for Euro 5.4 million on the Group net profit.

## Balance Sheets as of 31 March 2009, 31 March 2008 and 31 December 2008

<b>Balance sheet data</b> (in thousand of Euro)	March 31, 2009	March 31, 2008	December 31, 2008
Fixed assets	64,584	41,817	62,007
Net working capital	115,168	94,987	129,203
Current and non current liabilities	(11,141)	(9,272)	(8,350)
<b>Net Invested Capital</b>	<b>168,611</b>	<b>127,532</b>	<b>182,860</b>
Net Equity	129,838	155,959	143,621
Net financial Position	38,397	(28,427)	39,239
<b>Sources of financing</b>	<b>168,611</b>	<b>127,532</b>	<b>182,860</b>

  

<b>Net financial position</b> (in thousand of Euro)	March 31, 2009	March 31, 2008	December 31, 2008
Medium-long loans - Current share	8,902	4,474	7,183
Medium-long term loans with banks	16,229	2,593	16,110
Medium-long term loans with related parties	779	688	619
<b>Current financial debt</b>	<b>25,910</b>	<b>7,755</b>	<b>23,912</b>
Medium-long loans - Non current share	5,757	8,562	8,407
Medium-long loans with related parties - Non current share	16,272	8,069	16,487
<b>Non-current financial debt</b>	<b>22,029</b>	<b>16,631</b>	<b>24,894</b>
<b>Total gross financial debt</b>	<b>47,939</b>	<b>24,386</b>	<b>48,806</b>
Bank and similar	(9,542)	(52,813)	(9,567)
<b>Net financial position (*)</b>	<b>38,397</b>	<b>(28,427)</b>	<b>39,239</b>