

# DAMIANI

## PRESS RELEASE

### Damiani S.p.A.: Revenues up +5.6%. Approved the Financial Statements and the Consolidated Financial Statements to 31 March 2012

#### FY 2011/12

- **Consolidated revenues from sales and services: Euro** 151.3 million +5.6% vs 2011 (Euro 143.3 million at 31 March 2011)
- **Revenues retail channel:** +12.0% vs 2011
- **Revenues wholesale channel:** +3.0% vs 2011
- **Revenues Italy:** +4.6% vs 2011
- **Foreign revenues:** +8.1% vs 2011
- **Damiani brand revenues worldwide:** +6.7% vs 2011
- **EBITDA: Euro** -4.3 million vs Euro -6.1 million in 2011
  
- **Net debt:** Euro 28.6 million (Euro 34.7 million as of 31 December 2011 and Euro 28.9 million as of 31 March 2011)

#### FOURTH QUARTER FINANCIAL YEAR 2011/12

- **Consolidated revenues: Euro** 33.2 million + 3.7% vs 2011

Milan 14 June 2012 – The Board of Directors of **Damiani S.p.A.** (Milan, Star: DMN) head of the Damiani group, operating in the creation, production and distribution of high end watches and jewellery, has today approved the **Financial Statements and the Consolidated Financial Statements** to 31 March 2012, the Management Report, and the Annual Report on Corporate Governance and the Ownership Structure for the financial year to 31 March 2012, the Remuneration Policies and procedures for the implementation, and the Remuneration Report.

Guido Grassi Damiani, President and CEO of the Damiani group, said, *“Over the twelve months to 31 March 2012, we continued to grow with our directly managed mono-brand and multi-brand boutiques, which confirmed the positive trends continuing for two financial years. The wholesale channel also grew despite the great uncertainty in the sector, particularly in Italy.*

*We continued the expansion strategy of the Damiani brand in new overseas markets, especially in Asian countries with high development potential, with strategic agreements with local partners in Japan and China. In May, we also inaugurated our first Damiani boutique in New Delhi, India.*

*At the same time, we put into practice, and will continue to effect, strict cost controls internally in order to accomplish all the possible operations aimed at increasing the efficiency of the production and distribution processes.*

*In this way, I believe that we will soon be able to recover an adequate level of operating profitability, maintaining balance at capital level without changing the overseas expansion strategy, which is moving in the hoped-for direction.”*

#### **CONSOLIDATED REVENUES**

Group consolidated revenues to 31 March 2012 for the financial year 2011/2012 were Euro 151.7 million compared to Euro 143.5 million to 31 March 2011, an increase of 5.7% at current exchange rates and 5.6% at fixed exchange rates. In the last quarter of the financial year 2011/2012 alone, consolidated revenues were Euro 33.2 million with a growth of 3.7% at current rates compared to the corresponding period in the previous financial year.

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## Breakdown of revenues by sales channel

At 31 March 2012, the group managed **75 points of sale of which 47 are direct and 28 franchised** situated in the main cities in Italy and abroad. During the financial year 2011/2012 new boutiques were inaugurated.

In May 2011 a new Bliss store in franchising opened in Shanghai in the International Finance Centre (IFC), the most prestigious mall in Shanghai. A Rocca multibrand direct store opened in Lugano in May. In July 2011 a new Damiani boutique in franchising opened in Chengdu, one of the most populated and important economic areas in China.

At the end of 2011, 6 new shops in shops Damiani have opened within the department store chain Palacio de Hierro in Mexico. In February 2012 the new Damiani flagship store in Via Montenapoleone in Milan was inaugurated. In March a new Damiani direct store opened in Osaka.

The revenues of the **retail** channel relating to the financial year 2011/2012 was Euro **46.3** million compared to Euro 41.4 million to 31 March 2011, with a growth of **12.0%** at current exchange rates and 11.6% at fixed exchange rates. The trend in the retail channel can be referred to the good trend in both our mono and multi-brand boutiques.

The revenues of the **wholesale** channel for the financial year 2011/2012 rose by **3.0%** at the current exchange rates and at fixed exchange rates and were Euro **105.0** million with respect to Euro 101.9 million in the corresponding period of last year.

Revenues by Sales Channel (In thousands of Euro)	Financial Year 2011/2012	Financial Year 2010/2011	Change % current exchange rates	Change % constant exchange rates
<b>Retail</b>	<b>46,330</b>	<b>41,377</b>	<b>12,0%</b>	<b>11,6%</b>
<i>Percentage on total revenues</i>	<i>30.5%</i>	<i>28.8%</i>		
<b>Wholesale</b>	<b>104,978</b>	<b>101,946</b>	<b>3,0%</b>	<b>3,0%</b>
<i>Percentage on total revenues</i>	<i>69.2%</i>	<i>71.0%</i>		
<b>Total revenues from sales and services</b>	<b>151,308</b>	<b>143,323</b>	<b>5,6%</b>	<b>5,5%</b>
<i>Percentage on total revenues</i>	<i>99.8%</i>	<i>99.8%</i>		
<b>Other revenues</b>	<b>355</b>	<b>226</b>		
<i>Percentage on total revenues</i>	<i>0.2%</i>	<i>0.2%</i>		
<b>Total Revenues</b>	<b>151,663</b>	<b>143,549</b>	<b>5,7%</b>	<b>5,6%</b>

## **Breakdown of revenue by geographic area**

During the **financial year 2011/2012**, revenues from sales and services in **Italy** were Euro **108.2** million with an increase of **4.6%** respect to the revenues to 31 March 2011, despite the climate of uncertainty which affected the country in the second half of the financial year 2011/2012, which also influenced negatively the jewellery consumption.

During the financial year 2011/2012, revenues in the **Americas** had a **-16.2%** decrease at current exchange rates and a **-12.7%** decrease at fixed exchange rates compared to 31 March 2011.

During the financial year 2011/2012, sales in **Japan**, had a **-1.9% decrease** at current exchange rates and a **-5.6%** decrease at fixed exchange rates, compared to the same period in the previous financial year.

In the financial year 2011/2012, sales in the Rest of World showed an increase of **21.8%** at current exchange rates of 21.6% at fixed exchange rates compared to 31 March 2011.

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Revenues by Geographical Area	Financial Year 2011/2012		Financial Year 2010/2011		Change % current exchange rates	Change % constant exchange rates
		% of total		% of total		
Italy	108,171	71.3%	103,434	72.1%	4.6%	4.6%
Americas	6,895	4.5%	8,223	5.7%	-16.2%	-12.7%
Japan	9,663	6.4%	9,845	6.9%	-1.9%	-5.6%
Rest of the World	26,579	17.5%	21,821	15.2%	21.8%	21.6%
Other revenues	355		226			
<b>Total revenues</b>	<b>151,663</b>	<b>100%</b>	<b>143,549</b>	<b>100.0%</b>	<b>5.7%</b>	<b>5.6%</b>

## OPERATING EARNINGS AND NET PROFIT

In terms of profitability, during the financial year 2011/2012, the Damiani group recorded a negative **consolidated EBITDA** of Euro 4.3 million, with an improvement on the Euro -6.1 million recorded to 31 March 2011.

The **Consolidated Operating Profit** in the financial year 2011/2012 was negative at Euro 7.4 million, an improvement over the Euro -10.9 million recorded to 31 March 2011.

The **Group Net Profit** in the financial year 2011/2012 was negative at Euro 11.9 million, an improvement on the Euro -14.5 million of the financial year 2010/2011.

## NET DEBT

At 31 March 2012 the group had a net financial debt of **Euro 28.6 million, with an improvement** respect to the Euro 34.7 million at 31 December 2011 and the Euro 28.9 million at 31 March 2011. The stability of the borrowing is mainly attributable to the positive effects of the monitoring on the net working capital created in the financial year.

## RESULTS OF PARENT COMPANY

The parent company Damiani S.p.A. recorded total revenues of Euro 64,8 million (+6,5% compared to the previous financial year) and returned a negative net profit of Euro 6,0 million, with an improvement vs the financial 2010/2011 when the loss was Euro -5.3 million.

The Board of Directors has decided to propose to the Shareholders Meeting that the losses of Damiani S.p.A. for the financial year are minimised using the existing reserves.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 21 April 2011, the Board of Directors of Damiani S.p.A. implemented the Stock Option Plan approved by the Shareholders' Meeting on 21 July 2010. On the same date in April, the Board of Directors of Damiani S.p.A. likewise ratified the renunciation of all recompense for the financial year 2011/2012 by directors Guido Grassi Damiani (chairman and managing director), Giorgio Grassi Damiani (deputy chairman) and Silvia Grassi Damiani (deputy chairman) for an overall Euro 1.3 million.

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In May 2011, in correspondence with the Cannes Festival, Damiani organised an event to promote the Sino-American film 'Snow Flower and the Secret Fan' set in 19th century China. It was an affinity of interests with the Chinese world that is part of a series of activities and projects for the Chinese market, one of the most important objectives for the brand.

Damiani took part as partner in the 41st conference of *Giovani Imprenditori* (Young Businesspeople) of *Confindustria*, held in Santa Margherita Ligure on 10-11 June 2011. The participation was repeated at the 42nd Conference held in June 2012.

In September, the new advertising campaign for the Salvini brand started with the launch of the new collections worn by Eva Longoria, the famous and fascinating American actress, the new prestigious international testimonial who is contributing to strengthening the image and fame of the brand.

On 27 October, Guido Damiani, chairman of the Damiani group, took part in the Foreign Trade States General, organised by the Italian government in Rome, with a selected group of businesspeople and as the only representative of the luxury goods sector. The aim of the meeting was to develop strategies for the expansion of Italian companies abroad.

On 25 November, the unique pieces of the Damiani collection were presented in China for the first time, at the Peninsula Hotel, Shanghai. They were presented in the sphere of the exclusive 'Masterpiece Couture', before leading names from business, culture and local entertainment.

In January 2012, the Damiani group signed a strategic agreement with the Japanese group Itochu, which operates internationally in various sectors and has worked with important fashion and luxury brands. On the basis of the agreement signed, Itochu has entered the capital of the Japanese subsidiary Damiani Japan KK with a minority holding of 14% through an increase in reserved capital. The Damiani group will be able to make use of the expertise of the partner in the commercial and distribution network to increase its weight in Japan.

On 16 February 2012, the American star Sharon Stone inaugurated the Damiani boutique in Via Montenapoleone, Milan, completely refurbished in accordance with the new concept created by the group designers, inspired by typically Italian taste and creativity.

## **SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR**

In May, the group signed a distribution agreement for the Damiani brand in China with Hengdeli group, leader in the distribution of high-class watches in the Chinese market. The agreement, which will last for several years, plans the opening of various shop-in-shops and Damiani corners in the partner's network of shops. The Hengdeli group has been listed on the Hong Kong Stock Exchange since 2005.

In May, the first Damiani boutique in India was opened in New Delhi in the luxurious Oberoi Hotel, where there are already prestigious international luxury brands. This opening is also the start for the group of penetration of the Indian market, marked by high significance and potential at worldwide level.

## **SHAREHOLDERS' MEETING**

In today's meeting, the Board of Directors similarly decided to convene the Shareholders' Meeting at the Registered Office on 26 July 2012 first call and, if necessary, on 30 July second call, to discuss and decide on the approval of the Financial Statements to 31 March 2012 in ordinary session, the renewal of the authorisation to purchase and the subsequent disposal of treasury shares, the appointment of the Board of Directors, subject to determination of the number of members, the duration of the position and the recompense; the Shareholders' Meeting will similarly be called to deliberate, in a non-binding manner, on the first section of the Remuneration Report drafted by the Board of Directors pursuant to Art. 123-ter of Legislative Decree 58/98 (*TUF* -

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Unified Finance Law), with particular reference to the Damiani S.p.A. remuneration policy.

The notice of call will be published on 15 June 2012, with the Directors' Report pursuant to Art. 125-*ter* of the TUF. The Annual Financial Report, the Reports of the Board of Auditors and the external auditors, the Report of Corporate Governance and the Ownership Structure and the Remuneration Report will be made available to the public in accordance with the law and the regulations by 29 June 2012.

## **PROPOSAL FOR AUTHORISATION BY THE MEETING OF THE PURCHASE AND DISPOSAL OF TREASURY SHARES**

With special reference to the proposal to renew the authorisation of the Meeting of the purchase and disposal of treasury shares, subject to revocation of the resolution adopted by the Shareholders' Meeting on 27 July 2011 as not used, it should be explained that the reasons behind the authorisation are specified in detail in the Directors' Report drafted pursuant to Art. 125-*ter* of the TUF.

The proposal sets out that: the maximum number of shares that can be acquired is 16,250,000 ordinary shares of a nominal value of Euro 0.44 each, corresponding to one-fifth of the share capital; the authorisation is valid for a period of 18 months; except for the cases of payment in kind, the purchase price of each of the treasury shares must be, as a minimum, not less than 20% lower and, as a maximum, not more than 20% higher than the official price of the trades registered in the On-line Stock Market on the day preceding the purchase, including any incidental charges; purchase operations must be made pursuant to Article 132 of the TUF and Art. 144-*bis* of CONSOB Reg. No. 11971/99 in the ways therein indicated, in any case in such a way that parity of treatment between shareholders and respect for all applicable laws is ensured, including Community laws (the purchase of treasury shares may take place in a different manner from that indicated above where permitted in accordance with the applicable principles).

For further details, see the relative Directors' Report drafted pursuant to Art. 125-*ter* of the TUF, which will be made available to the public in accordance with the law and the regulations from 15 June 2012.

Please note that, at today's date, Damiani S.p.A. holds 5,566,509 treasury shares, 6.7% of the share capital. The company does not hold treasury shares through subsidiaries, trust companies or through a third party.

## **REPORT ON PROPRIETARY GOVERNANCE AND THE OWNERSHIP STRUCTURE**

Today, the Board of Directors approved the Report on corporate governance and the ownership structure for the financial year 2011/2012, which will be made available to the public with the Annual Financial Report by 29 June 2012, in accordance with the legislation, also regulatory, in force.

## **REMUNERATION POLICIES AND PROCEDURES AND REMUNERATION REPORT**

Please note that, at the suggestion of the Remuneration Committee, the Board of Directors, at today's date, likewise approved the Damiani S.p.A. Remuneration Policies and Procedures illustrated in the Remuneration Report prepared pursuant to Art. 123-*ter* of Legislative Decree No. 58/98 (also approved in today's board meeting). The Remuneration Report will be made available to the public in the manner set out by the legislation, also regulatory, in force by 29 June 2012.

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*The senior manager responsible for drafting the corporate accounting documents (Gilberto Frola) states, pursuant to Article 154 bis, sub-para. 2, of the Consolidated Finance Law, that the accounting information in this press release corresponds to the documentary results, books and records on the basis of the best estimates available.*

*With reference to the data shown in this release, please note that the statutory audit has not been completed for this data.*

## Damiani S.p.A.

Damiani S.p.A. is head of the Damiani group, leader in the Italian market for the production and marketing high end jewellery and watches. It operates in the jewellery sector with prestigious proprietary brands such as Damiani, Calderoni 1840, Salvini, Alfieri & St. John and Bliss, and also manages some ranges of prestigious international brands under licence. In addition, the group has the chain Rocca 1794, which has more than 200 years of history in the retail sale of the best-known brands of watches and top-class jewellery. The Damiani group can be found in Italy and the main world markets through its operating subsidiaries and has directly managed and franchised points of sale in the main international fashion high streets. Strengthened by a centuries-old tradition, the group is a careful interpreter of a heritage that it offers fully respecting tradition with the same innovative spirit as its origins.

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**IN ATTACH: the consolidated tables of the Profit and Loss Account and Balance Sheet as of 31 March 2012**

## Consolidated Profit and Loss Account for the financial years 2011/2012 and 2010/2011

<b>Main economic data</b> (in thousands of Euro)	<b>Financial Year</b> <b>2011/2012</b>	<b>Financial Year</b> <b>2010/2011</b>	<b>Change</b>	<b>Change %</b>
<b>Revenues from sales and services</b>	<b>151,308</b>	<b>143,323</b>	<b>7,985</b>	<b>5.6%</b>
Total revenues	151,663	143,549	8,114	5.7%
Cost of production	(155,972)	(149,623)	(6,349)	4.2%
<b>EBITDA</b>	<b>(4,309)</b>	<b>(6,074)</b>	<b>1,765</b>	<b>29.1%</b>
<b>EBITDA %</b>	<b>-2.8%</b>	<b>-4.2%</b>		
Depreciation and amortization	(3,047)	(4,844)	1,797	-37.1%
<b>Operating income</b>	<b>(7,356)</b>	<b>(10,918)</b>	<b>3,562</b>	<b>32.6%</b>
<b>Operating income %</b>	<b>-4.9%</b>	<b>-7.6%</b>		
Net financial incomes (expenses)	(2,112)	(2,549)	437	-17.1%
Result before taxes	(9,468)	(13,467)	3,999	29.7%
Net result of the Group	(11,939)	(14,525)	2,586	17.8%
Basic Earnings (Losses) per Share	(0.15)	(0.19)		

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## Consolidated balance sheet data at 31 March 2012 and 31 March 2011

<b>Balance sheet Data</b> (In thousands of Euro)	<b>Situation at March 31 2012</b>	<b>Situation at March 31 2011</b>
Fixed Assets	50,015	51,753
Net working capital	71,956	79,584
Non current Liabilities	(7,205)	(7,380)
<b>Net Capital Invested</b>	<b>114,766</b>	<b>123,957</b>
Net Equity	86,178	95,106
Net Financial position	28,588	28,851
<b>Sources of Financing</b>	<b>114,766</b>	<b>123,957</b>

<b>Net Financial Position</b> (in thousands of Euro)	<b>Situation at March 31 2012</b>	<b>Situation at March 31 2011</b>
<b>Medium-long term loans and financing - current portion</b>	6,075	7,147
Usage of credit lines, short term financing and others	8,617	5,965
Medium-long term loans and financing with related parties - current	975	714
<b>Current financial indebttness</b>	<b>15,667</b>	<b>13,826</b>
Medium-long term loans and financing - non current portion	10,000	15,602
Medium-long term loans and financing with related parties - non cur	9,579	10,714
<b>Non current financial indebttness</b>	<b>19,579</b>	<b>26,316</b>
<b>Total gross financial indebttness</b>	<b>35,246</b>	<b>40,142</b>
Financial current assets	0	(1,074)
Cash and cash equivalents	(6,658)	(10,217)
<b>Net Financial Position</b>	<b>28,588</b>	<b>28,851</b>