

DAMIANI

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PRESS RELEASE

Consolidated revenues: Euro 144.2 million (+7.7%)

Retail revenues: +18.9%

Positive EBITDA (+2.5 €m compared to 2012/2013)

Milan 12 June 2014, The Board of Directors of **Damiani S.p.A.** (Milan, Star: DMN), parent company of the Damiani group, has today approved the Draft Financial Statements and the Consolidated Financial Statements to 31 March 2014, the Annual Report on Corporate Governance and the Ownership Structure for the financial year ended to 31 March 2014, the Remuneration Policies and procedures for implementation, and the Remuneration Report.

The financial year closed with an increase in consolidated revenues from sales (+7.7% at constant exchange rates, +4.8% at current exchange rates) with the confirmation of a strongly growing trend in the retail channel (+18.9% at constant exchange rates, +14.2% at current exchange rates) and the stability of the wholesale channel. **Damiani DOS** in Italy and abroad recorded an **overall increase in revenues of about 30%** (at constant exchange rates), testifying to the quality of the offer and brand appreciation. At 31 March 2014, the group managed 54 DOS (39 Damiani points of sale) in the main international streets for luxury. In the 2013/2014 financial year, the network grew with eight new openings.

Revenues in the **wholesale** distribution channel remained substantially stable (+1.3% at constant exchange rates, -0.6% at current exchange rates) but with the Damiani brand moving upwards. The weight of retail on the total sales revenues reached almost 40% (it was 36.4% in the previous financial year).

The consolidated **EBITDA** returned positive (€ 0.3 m) with an improvement of € 2.5 m compared to the previous financial year.

Revenues by Sales Channel (In thousands of Euro)	Financial Year 2013/2014	Financial Year 2012/2013	Change % current exchange rates	Change % constant exchange rates
Retail	57,274	50,142	14.2%	18.9%
<i>Percentage on total revenues</i>	<i>39.7%</i>	<i>36.4%</i>		
Wholesale	86,967	87,462	-0.6%	1.3%
<i>Percentage on total revenues</i>	<i>60.3%</i>	<i>63.5%</i>		
Total revenues from sales and services	144,241	137,605	4.8%	7.7%
<i>Percentage on total revenues</i>	<i>99.9%</i>	<i>99.8%</i>		
Other revenues	74	218	nm	nm
<i>Percentage on total revenues</i>	<i>0.1%</i>	<i>0.2%</i>		
Total Revenues	144,315	137,823	4.7%	7.6%

Breakdown of revenues by geographic area

In terms of geographic distribution, the revenue from sales and services in Italy rose by 3.2% due to retail, which was able to absorb the stagnation in wholesale sales completely. Here, although there are some weak signs of an upturn, a highly cautious approach to purchases persists among retailers. **Abroad, revenues increased overall by 18% at constant rates** and 8.5% at current rates compared to the same period in the previous financial year, penalized mainly by the devaluation of the Yen.

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OPERATING AND NET RESULTS

In terms of profitability, the Damiani group recorded a **positive consolidated EBITDA of Euro 0.3 million**, an improvement of Euro 2.5 million compared to 31 March 2013. The improvement with respect to the previous financial year would have been higher at Euro 3.9 million, net of non-recurring income.

The **Consolidated Operating Profit** was negative at Euro -3.8 million but was an improvement of Euro 2 million compared to 31 March 2013. The trend in the operations confirmed the correctness of the re-organization undertaken in the previous financial year whose benefits are being recorded progressively.

The group closed the financial year 2013/2014 with a negative **Consolidated Net Result** of Euro -8.7 million compared to Euro -8.4 million at 31 March 2013. This arises from a higher tax impact generated by the reduction in deferred tax assets recorded in previous financial years and partially reversed in the accounting period 2013/2014.

NET DEBT

At 31 March 2014, the group had a net debt of Euro 40.8 million (Euro 33.0 million at 31 March 2013). The higher net borrowing was the result of operations implemented during the financial year (industrial investment and working capital) to support the growth of the group, mainly in the retail sector.

With the financial contributions subscribed in the financial year, the structure of the sources is more balanced with the capital invested. This means for the Group a stronger solidity in the medium term and a lower risk profile.

RESULTS OF THE PARENT COMPANY

The parent company Damiani S.p.A. recorded total revenues of Euro 95.7 million (+21.9% with respect to the previous financial year), a positive EBITDA of Euro 3.1 million (it was negative at Euro 1.3 million in the previous period) and a net result (Euro -2.0 million), an improvement of Euro 1.0 million over the previous financial year.

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

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

On 14-20 April 2013, the Damiani Group and the diva Sophia Loren organized four prestigious events in Singapore, Beijing, Shanghai and Hong Kong to promote the Damiani brand and its distinguished collections, excellence of Italian quality products, in Asia, meeting customers, personalities and local press and receiving general acclaim.

In May 2013, Damiani won the international Andrea Palladio Jewellery Award for the best communication campaign 2012/2013, promoted by Vicenza Fair and dedicated to excellence in design and development, production and communication in jewelry.

In the sphere of the overseas development plan, the group continued its expansion in the 2013/2014 financial year, opening new points of sale with the Damiani brand, both directly managed and franchised. In detail:

- May, the first directly managed boutique at Beijing Charter, the new luxury mall in the western part of Beijing;
- July, a new point of sale in Moscow Vnukovo airport;
- September, a new directly managed boutique in Charter Store, the most prestigious luxury shopping center at Shenyang, in north-east China;

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- September, at Kuala Lumpur, Malaysia, in the famous Starhill Gallery where the capital's luxury lovers go;
- September, the new directly managed boutique in Macau, at the shopping mall of the Hotel Venetian, with the participation of the icon of Italian quality Sophia Loren;
- October, the Damiani group abroad grew further with the opening of the first franchised Damiani boutique Kyrgyzstan, the former central Asian Soviet republic;
- October, the second directly managed Damiani boutique was inaugurated at Xin Tian Di, the trendy and elegant pedestrian precinct for shopping and leisure time in Shanghai, China;
- January 2014, Damiani S.p.A. opened a new single brand Damiani point of sale in Terminal T3 at the Leonardo da Vinci-Fiumicino international airport, Rome;
- February, the group started the direct management of the Damiani boutique in London, in prestigious Old Bond Street, previously run by a local partner;
- once again in February, the first franchised Damiani boutique was opened in Ulan Bator, capital of Mongolia, in the Central Tower Mall where some of the leading international luxury brands can be found.

On 20 November 2013, the event for the re-opening of the Damiani boutique in Via Condotti, Rome was organized. It was completely renovated and has 400 square metres on three floors with the new concept presented in Via Montenapoleone, Milan the previous year. Sophia Loren was the hostess of the event, which met with great acclaim in the Press and the selected guests in attendance. The Rome event also marked the start of the celebrations for the company's 90th anniversary, occurring in 2014, which will continue in other key cities for the group (Paris, London and Shanghai).

At the end of November 2013, Damiani was awarded another prestigious international prize when the company won the *Watch & Jewellery Awards 2013* in Kuala Lumpur, Malaysia. The seventh edition of the event, gave the award to 'Sophia Loren', a unique *masterpiece* in diamonds totaling 81 carats. The group can be found at a franchised single brand Damiani boutique in Kuala Lumpur, opened in September 2013.

In January 2014, Damiani received another international award. The Vulcania necklace, a masterpiece of more than 110 carats, was given the Best Annual Fine Jewelry Award 2013 by the Bazaar Jewelry China magazine. This is the second time that Damiani has won this prestigious recognition.

In March 2014, Damiani entered the *Comitato Leonardo*, an association started by Confindustria and the ICE to promote the image of Italy as a national economic system. Some of the best-known Italian brands are in the association, which is highly prestigious and has an indisputable international reputation.

IMPORTANT EVENTS OCCURRING AFTER THE CLOSURE OF THE FINANCIAL YEAR

On 28 May 2014, the business of the second flagship store in Singapore, at Marina Bay Sands, the city shopping center with the main international luxury brands, was started. The American actress Eva Longoria was the guest of honor of the inauguration event of the boutique, in which local personalities and many journalists took part.

On 18 June 2014, the Modern Art Gallery of Palazzo Pitti will celebrate the exhibition 'Damiani 90 Years of Excellence and Passion', to be held in Florence until 7 September. In celebration of its 90th anniversary, Damiani will display the 18 exceptional works that received the Diamonds International Award, considered the jewelry Oscar, in the Sala del Fiorino of Palazzo Pitti. Damiani is the only jeweler in the world to have received 18 Diamonds International Awards. The Masterpieces on the creations characterizing Damiani's 90 years and some other pieces that have received several awards will also be on show. The Rizzoli book 'Damiani - Alchimia del Desiderio' (Damiani - Alchemy of Desire) will be presented on the same occasion, once again to celebrate the company's 90 years of business.

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BOND

On 23 September 2013, in compliance with the provisions of Art. 2.6.3, sub-para. 4, of the Settlement Instructions of Borsa Italiana S.p.A., the Board of Directors, subject to the favourable opinion of the Committee on Risk Management and Operations with related parties, resolved on the issue of a non-convertible bond for an overall nominal total of Euro 5,000,000.00 (consisting of 5,000,000 bonds with a nominal value of Euro 1.00 each), reserved for subscription by the executive directors and significant shareholders Guido, Giorgio and Silvia Grassi Damiani. The duration of the bond is defined as six years, from 1 October 2013 to 30 September 2019, and the reimbursement of the bond is not assisted by guarantees given by the Company or its subsidiaries. Pursuant to Art. 5 of CONSOB Regulation No. 17221/2010 and Art. 6 of the Procedure on Operations with Related Parties of Damiani S.p.A., a specific information document was prepared in relation to the aforesaid debenture bond, available at the headquarters and on the company website www.damiani.com.

SHAREHOLDERS' MEETING

In the meeting held today, the Board of Directors resolved to convene the Shareholders' Meeting at the registered office on 24 July 2014 in first call and, if necessary, on 25 July in second call to discuss and deliberate on the approval of the Financial Statements of the Company for the financial year ended to 31 March 2014, the renewal of the authorisation to purchase and the subsequent disposal of treasury shares, and also the proposal to adopt two new remuneration plans based on financial instruments; the Shareholders' Meeting will similarly be called on 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 (Consolidated Finance Law), with special reference to the remuneration policy of Damiani S.p.A.

Please note that the convocation advice of the Shareholders' Meeting and the relative documentation on the subjects on the agenda will be made available to the public with the methods and in the terms set out by the regulations, including the regulatory provisions, in force.

PROPOSAL FOR AUTHORISATION OF THE SHAREHOLDERS' MEETING FOR THE PURCHASE AND DISPOSAL OF OWN SHARES

With special reference to the proposal to renew the authorisation of the Shareholders' Meeting for the purchase and disposal of own shares, subject to revocation of the resolution adopted by the Shareholders' Meeting on 26 July 2013 as not used, please note that the reasons behind the authorisation are specifically detailed in the Report of the Board of Directors prepared pursuant to Article 125-*ter* of the Consolidated Finance Law, to be made available to the public in the registered office, on the company website www.damiani.com and the authorised storage mechanism 1INFO at www.1info.it at least 30 days before the Shareholders' Meeting.

The proposal sets out that: the maximum number of shares that can be purchased is 16,520,000 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 cases of non-cash consideration, the purchase price, including the accessory purchase fees, of each of the own shares must be not less than 20% below and not more than 20% above the official trading price recorded for transaction on the *Mercato Telematico Azionario* (screen-based stock exchange) on the day before purchase; the purchase operations must be performed pursuant to Article 132 of the Consolidated Finance Law and Art. 144-*bis* of CONSOB Reg. No. 11971/99 in the manner indicated therein. In any case, in order to ensure equality of treatment between shareholders and the respect for all applicable regulations, including Community regulations (the purchase of own shares may take place in a different manner than those indicated above where permitted in compliance with the principles in force).

Please note that, at today's date, Damiani S.p.A. holds 5,556,409 treasury shares, 6.73% of the share

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capital. The company does not hold own shares through subsidiaries, fiduciaries or a third party.

REMUNERATION PLANS BASED ON FINANCIAL INSTRUMENTS

With reference to the first implementation cycle of the *Stock Option Plan 2010*, the Board of Directors has, at the suggestion of the Remuneration Committee, today confirmed that the consolidated objectives are considered to have been partially achieved at 31 March 2014 and, with a view to valorising the commitment and sacrifice spent in the fulfilment of the respective roles and functions in the company, has resolved to recognise the exercise of the options assigned to them with a vesting period at 21 April 2014 to the current [36] beneficiaries in the measure of 20% and, therefore, for a maximum [124,200] options.

At the suggestion of the Remuneration Committee, the Board of Directors has similarly deliberated two further implementation cycles of the *Stock Option Plan 2010*: (i) a second tranche for the 15 beneficiaries to whom an overall 365,000 options; (ii) a third tranche for the 24 beneficiaries to whom an overall 655.000 options.

All information concerning the implementation of the *Stock Option Plan 2010* is in the Remuneration Report.

Once again, at today's date, at the suggestion of the Remuneration Committee, the Board of Directors has deliberated to propose the approval of two new remuneration plans based on financial instruments to the Shareholders' Meeting. In detail, (i) the '*Stock Grant Plan 2014-2019*', which sets out the free assignment of a maximum of 1,000,000 Damiani shares to beneficiaries to be identified by the Board of Directors, with the assistance of the Remuneration Committee, among the managers, employees and co-workers of Damiani group companies, to be implemented in one or more tranches within 5 years of the date of approval of the Shareholders' Meeting; (ii) the '*Stock Option Plan 2014-2019*', which sets out the sale of options for the purchase of a maximum of 3,500,000 Damiani shares to beneficiaries to be identified by the Board of Directors, with the assistance of the Remuneration Committee, within the management of Damiani group companies, to be implemented in one or more tranches within 5 years of the date of approval of the Shareholders' Meeting.

Please see the Report of the Board of Directors prepared pursuant to Article 125-ter of the Consolidated Finance Law, including the information respecting the provisions of Articles 114-bis of the Consolidated Finance Law and 84-bis of the Issuer Regulations, for further information relating to these new plans. The information will be made available in the terms set out by the legislation in force at the registered office, the company website www.damiani.com and the authorised storage mechanism 1INFO at www.1info.it.

REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE

Today, the Board of Directors has approved the Report on Corporate Governance and the Ownership Structure for the 2013/2014 financial year, to be made available to the public, with the Annual Financial Report and the Reports of the auditors and the independent auditors, at the registered office, the company website www.damiani.com and the authorised storage mechanism 1INFO www.1info.it by 27 June 2014.

REMUNERATION REPORT

Lastly, please note that, today, the Board of Directors has likewise approved the Remuneration Report prepared pursuant to Art. 123-ter of the Consolidated Finance Law. The Remuneration Report will be made available to the public at least 21 days before the Shareholders' Meeting in the registered office, on the company website www.damiani.com and in the authorised storage mechanism 1INFO at www.1info.it.

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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 given in this release, please note that the statutory audit of the data has not yet been completed.

Further information:

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Damiani S.p.A.

Damiani S.p.A., founded in Valenza in 1924 and now managed by the third generation, is the parent company of the Damiani group, leader in the Italian market of the production and sale of fine jewelry and watches. Active in the jewelry sector with the prestigious brands it owns such as Damiani, Calderoni 1840, Salvini, Alfieri & St. John and Bliss, it also manages some ranges of prestigious international brands under licence. The group also owns the chain Rocca 1794 with a history of more than 200 years in the retail of the best-known brands of watches and fine jewelry. The Damiani group can be found in Italy and major world markets through its operating subsidiaries and manages direct and franchised points of sale in principle international fashion high streets. Strengthened by a tradition of hundreds of years, the group is an attentive interpreter of a heritage that has full respect for tradition with the same innovative spirit as its origins.

PLEASE FIND ATTACHED: the consolidated tables of the Profit and Loss Account and Balance Sheet to 31 March 2014

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Consolidated Profit and Loss Account for the financial years 2013/2014 and 2012/2013

Main economic data (in thousands of Euro)	Financial Year		Change	Change %
	2013/2014	2012/2013 (restated)*		
Revenues from sales and services	144,241	137,605	6,636	4.8%
Total revenues	144,315	137,823	6,492	4.7%
Cost of production	(144,064)	(140,117)	(3,947)	2.8%
EBITDA	251	(2,294)	2,545	n.s.
EBITDA %	0.2%	-1.7%		
Depreciation and amortization	(4,099)	(3,575)	(524)	14.7%
Operating income	(3,848)	(5,869)	2,021	34.4%
Operating income %	-2.7%	-4.3%		
Net financial incomes (expenses)	(2,571)	(2,419)	(152)	6.3%
Result before taxes	(6,419)	(8,288)	1,869	22.6%
Net result of the Group	(8,556)	(8,390)	(166)	-2.0%
Basic Earnings (Losses) per Share	(0.11)	(0.11)		

(*) Restated economic data relative to the FY 2012/2013 acknowledges the effects arising from IAS 19 (2011).

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Consolidated balance sheet data at 31 March 2014 and 31 March 2013

Balance sheet Data (In thousands of Euro)	Situation at March 31 2014	Situation at March 31 2013	change
Fixed Assets	47,208	49,191	(1,983)
Net working capital	66,418	67,553	(1,135)
Non current Liabilities	(6,461)	(6,622)	161
Net Capital Invested	107,165	110,122	(2,957)
Shareholders' Equity	66,409	77,159	(10,750)
Net Financial position (*)	40,756	32,963	7,793
Sources of Financing	107,165	110,122	(2,957)

Net Debt (*) (in thousands of Euro)	Situation at March 31 2014	Situation at March 31 2013	change
Current portion of loans and financing	3,664	5,500	(1,836)
Drawdown of credit lines, short term financing and others	21,554	21,493	61
Current portion of loans and financing with related parties	1,038	1,042	(4)
Current financial indebtedness	26,256	28,035	(1,779)
Non current portion of loans and financing	12,837	4,500	8,337
Non current portion of loans and financing with related parties	12,127	8,263	3,864
Non current financial indebtedness	24,964	12,763	12,201
Total gross financial indebtedness	51,220	40,798	10,422
Financial current assets	-	(147)	147
Cash and cash equivalents	(10,464)	(7,688)	(2,776)
Net Debt (*)	40,756	32,963	7,793

(*) The net financial borrowing was determined on the basis of the indications of CONSOB Notification No. DEM/6064293 of 28 July 2006.