

*Damiani Group*

*Consolidated interim financial report as of June 30, 2012*

## **DAMIANI S.p.A.**

# **Consolidated Interim Financial Report as of June 30, 2012**

Drawn up pursuant to the IAS/IFRS  
Not audited by the Independent Auditors

**Damiani S.p.A.**  
**1, Piazza Damiano Grassi Damiani, Valenza (AL)**  
**Share Capital Euro 36,344,000**  
**Tax and Vat registration 01457570065**

August 10, 2012

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**CORPORATE BODIES Board of Directors <sup>(1)</sup>**

**Guido Grassi Damiani** (President and CEO)

**Giorgio Grassi Damiani** (Vice President)

**Silvia Grassi Damiani** (Vice President)

**Roberta Benaglia** (Director)

**Stefano Graidì** (Director)

**Giancarlo Malerba** (Director)

**Francesco Minoli** (Director)

**Fabrizio Redaelli** (Director)

**Board of Statutory Auditors**

**Gianluca Bolelli** (President)

**Simone Cavalli** (Statutory Auditor)

**Fabio Massimo Micaludi** (Statutory Auditor)

**Pietro Sportelli** (Alternate Auditor)

**Alessandro Madau** (Alternate Auditor)

**Independent Auditors**

**Reconta Ernst & Young S.p.A.**

**Audit and Risk Committee**

**Fabrizio Redaelli** (President)

**Roberta Benaglia**

**Giancarlo Malerba**

**Remuneration Committee**

**Fabrizio Redaelli** (President)

**Roberta Benaglia**

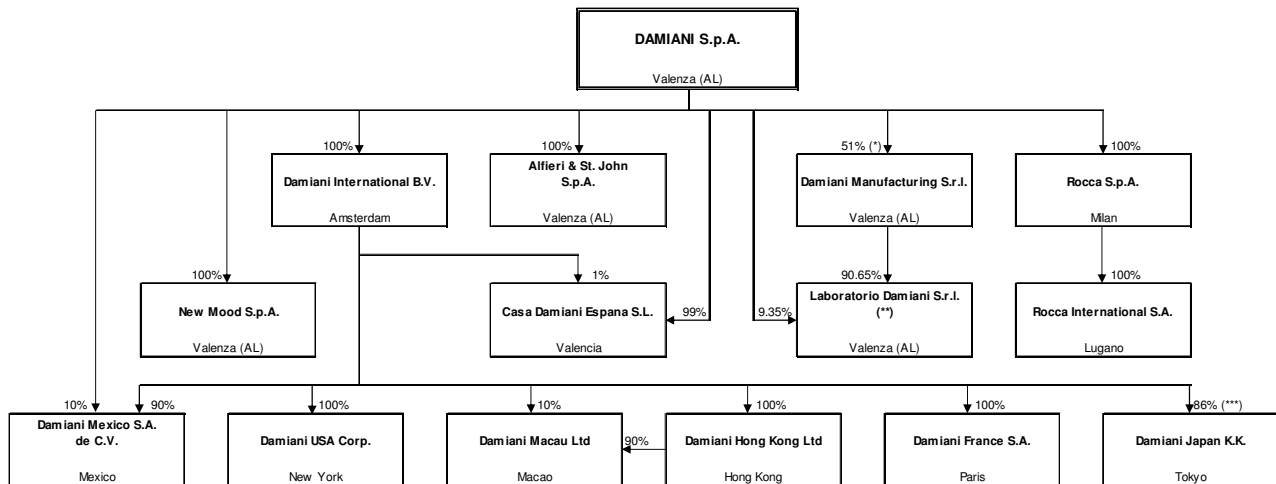
**Giancarlo Malerba**

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<sup>1</sup> Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 26, 2012 and in office for three years from 2012 to 2015, until the approval of the financial statements as of March 31, 2015.

## REPORT ON OPERATIONS <sup>(2)</sup>

### Structure and business activities of Damiani Group



(\*) 49% is held by Christian and Simone Rizzetto, both currently Damiani Manufacturing S.r.l. directors.

(\*\*) 90.65% is held by Damiani Manufacturing S.r.l. while 9.35% is held by Damiani S.p.A.. Overall Damiani S.p.A. holds 55.58% of the capital stock of Laboratorio Damiani S.r.l.

(\*\*\*) Starting from January 2012, 14% is held by Itochu Corporation.

Damiani S.p.A. is a *holding* company that, apart from directly performing production and commercial activities, is responsible for carrying out strategic and coordination activities for the Group and technical and financial assistance both for production and commercial operations carried out by subsidiaries, directly and indirectly controlled. All those activities made by the parent company Damiani S.p.A. are based on normal market conditions.

Starting from November 2007 Damiani S.p.A. has listed on the electronic stock market of the Italian Stock Exchange, STAR segment.

The consolidated financial statements as of June 30, 2012 include the financial statements of the parent company Damiani S.p.A. and of those companies directly or indirectly controlled, as per article 2359 of the Italian Civil Code.

In the first quarter of the financial year 2012/2013 the consolidation area has not changed compared to the final structure of the previous financial year 2011/2012.

In the consolidated financial statements intercompany transactions have been eliminated.

The Group, which is concentrated on producing and distributing top quality jewelry both in Italy and abroad, offers wide coverage of the main market segments and thanks to its different brands provides customers with a large range of variously priced jewelry. The Group's portfolio is made up of five brands: Damiani, Salvini, Alfieri & St. John, Bliss and Calderoni.

Furthermore, through the fully owned network Rocca, the Group distributes prestigious third party brands, particularly in the timepiece sectors, in directly managed multi-brand boutiques. Finally, the Group manufactures and distributes products according to license agreements and supply contracts with fashion and automotive brands (inter alia Ferrari, Ducati and John Galliano).

The distribution of the Group products takes place through two different channels in Italy and abroad:

- the wholesale channel, consisting of independent multi-brand jewelers, department stores, franchisees and distributors;
- the retail channel consisting of the individual stores managed directly by the Group. As of June 30, 2012

<sup>2</sup> The Damiani Group closes its financial year at March 31, and therefore the period from April 1 to June 30 represents the first quarter of the financial year that will end on March 31, 2013 (hereafter Financial year 2012/2013). For comparative purposes are shown data for the prior year period, first quarter of the Financial year 2011/2012.

the POS were 42, of which 27 with the Damiani brand, 3 with the Bliss brand and 12 multi-brand Rocca boutiques.

### **Criteria used and accounting standards**

Damiani Group prepared the consolidated interim financial report as of June 30, 2012, not audited by the independent auditors, in compliance with article 154 ter of Italian Law (T.U.F.) introduced by the Legislative Decree n. 195/2007 that carried out European Community Directive n. 109/2004 (so called Transparency Directive). The Interim financial report has been prepared in compliance with the international accounting standards IAS/IFRS, in force the moment of its editing. For more details on accounting principles and criteria adopted by the Group in preparing the Interim financial statements refer to the Annual consolidated financial statements as of March 31, 2012.

### **Appointment of the new Board of Directors of Damiani S.p.A.**

The Shareholders' Meeting of July 26, 2012 has appointed the new Board of Directors of Damiani S.p.A. confirming for a further three years, until the approval of the Financial statements as of March 31, 2015, the eight Directors to expire.

The new Board of Directors of Damiani S.p.A. met on July 26, 2012 has then appointed Guido Grassi Damiani as President and CEO, Giorgio and Silvia Grassi Damiani as Vice President, Stefano Graidì as Director in charge of the system of internal control and risk management and Fabrizio Redaelli as Lead independent Director.

After verifying the requirements of non-enforceability and independence, under article 148 of the Legislative Decree n. 58/1998 and article 3 of the Code of Conduct for listed companies, the Directors Fabrizio Redaelli, Roberta Benaglia and Giancarlo Malerba were called to form the Remuneration Committee and the Audit and Risk Committee.

The Board of Directors of Damiani S.p.A. of July 26, 2012 also ratified the waiver of fees for the financial year 2012/2013 for the Directors Guido Grassi Damiani (President and CEO), Giorgio Grassi Damiani (Vice President) and Silvia Grassi Damiani (Vice President). Such waiver, already occurred in the earlier financial year 2011/2012, is related to annual fees of about Euro 1.3 million.

The current and complete composition of the Corporate bodies is on page 3 of this Interim financial report.

### **Share buy-back program**

The Shareholders' Meeting of July 26, 2012 resolved to authorize – subject to revocation, for the part not executed, of the resolution adopted by the Shareholders' Meeting of July 27, 2011 – the purchase and disposal of own shares under co-joined Articles 2357 and 2357 ter of the Italian Civil Code and Article 132 of the Legislative Decree n. 58/1998.

The authorization to purchase treasury shares is structured as follows:

- the Company may purchase a maximum number of ordinary shares whose nominal value does not exceed the limit of the law, for a maximum of n. 16,250,000 ordinary shares, at a nominal value of 0.44 euros each, corresponding to the fifth part of the share capital;
- the authorization was granted for a period of 18 months starting from Shareholders' Meeting date and lasting until the date of January 26, 2014;
- the purchase price of each of the own shares must be, at an amount including additional expenses of purchase, as a minimum not less than 20% and a maximum not more than 20% of the official price registered by the title in the trading session of the MTA on the day before each purchase;
- purchase transactions may be made under Article 132 of T.U.F. and Article 144 bis of Consob Regulation n. 11971/1999, and in all cases to ensure equal treatment of shareholders and compliance with all applicable laws, including the community rules.

Please note that at June 30, 2012 Damiani S.p.A. owned n 5,566,409 own shares, equal to 6.74% of the share capital, and no additional share has been purchased in the quarter April-June 2012.

## **Stock option plans**

The Board of Directors of Damiani S.p.A. on July 26, 2012 voted to continue the implementation of the Stock Option Plan 2009, initially approved by the Shareholders' Meeting of July 22, 2009 and implemented by the Board of Directors of September 24, 2009 and concerning the sale of options to the management of the Damiani Group for the purchase of maximum n. 3,500,000 Damiani shares. The options can now be performed from September 13, 2014 to September 30, 2014 (or, alternatively, in the period between September 13, 2015 and September 30, 2015) at a strike price of Euro 1.45 per share. The value of the option has been set at Euro 0.0202 (or Euro 0.0405 for the alternative period of exercise), determined by the Board of Directors and by the Remuneration Committee with the support of Equita SIM S.p.A.

At the date of approval of this Interim financial report are ongoing three different plans based on financial instruments under article 114-bis of the Legislative Decree n. 58/1998. In addition to the Stock Option Plan 2009 also:

- Stock Grant Plan 2009, approved by the Shareholders' Meeting of July 22, 2009 and concerning the free allocation of a maximum of n. 1,000,000 Damiani shares to employees and certain directors of the Damiani Group, in one or more tranches, within five years from the date of approval; such a plan has been the focus of two cycles of implementation approved by the Board of Directors on September 10, 2009 and June 10, 2011.
- Stock Option Plan 2010, approved by the Shareholders' Meeting of July 21, 2010 and concerning the free allocation of a maximum of n. 3,500,000 Damiani shares to directors, executives, managers, other employees, consultants and contributors, including agents, of the Damiani Group in one or more tranches within five years from the date of approval. Such a plan has been the focus of a single cycle of implementation approved by the Board of Directors on April 21, 2011.

For more information see the Remuneration report, prepared by the Board of Directors of Damiani S.p.A. under the article 123-ter of the Legislative Decree n. 58/1998 and the article 84-quater of the Consob Regulation n. 11971/1999 and available on the website [www.damiani.com](http://www.damiani.com).

## **Projects for the merger in Damiani S.p.A.**

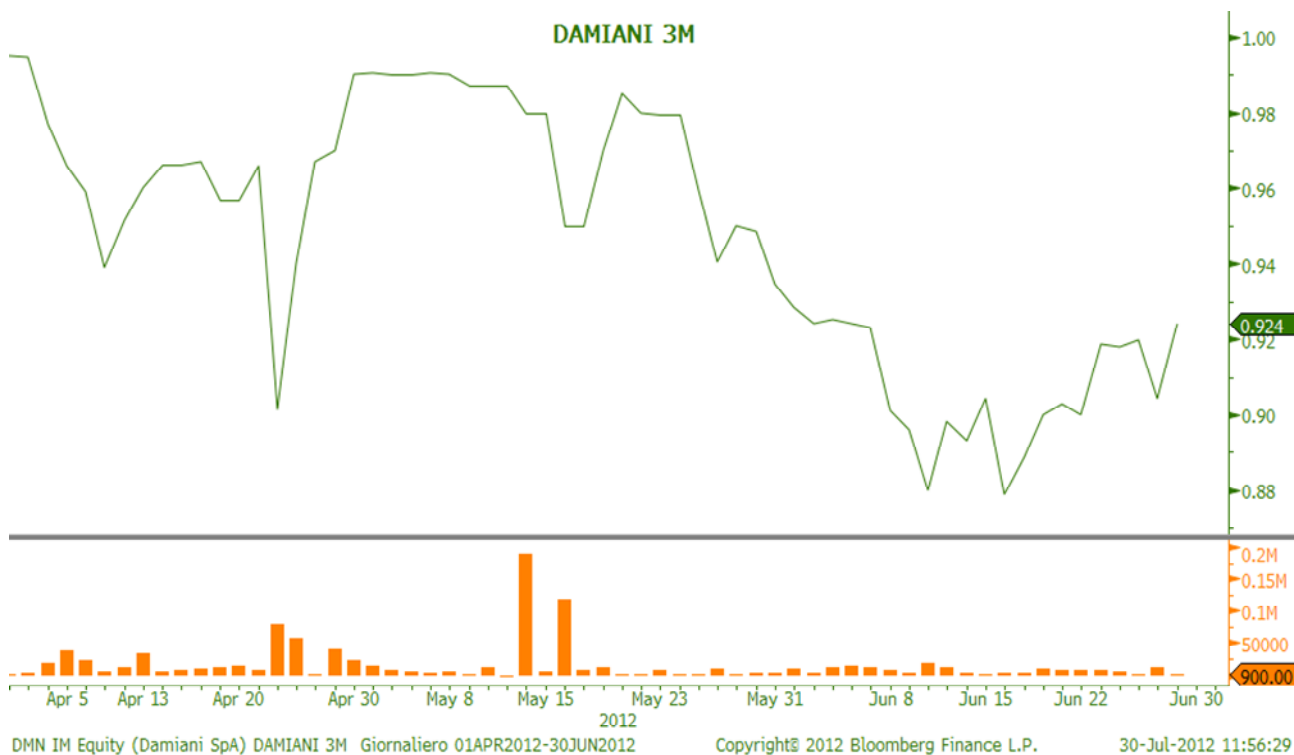
The Board of Directors of July 26, 2012 has approved the projects for the merger in Damiani S.p.A. of the fully owned subsidiaries Alfieri & St. John S.p.A. and New Mood S.p.A. with the objective to ensure that the Group increases its efficiency and functionality of its structure in terms of managerial and economic and financial results.

The merger will not lead neither to any increase in the capital of the absorbing company nor subject to the procedure on transactions with related parties pursuant to Consob Regulation n. 17221/2010. The mergers will be approved by the respective corporate bodies of the companies involved, without prejudice to the right of shareholders of Damiani S.p.A. representing at least 5% of the share capital to request, within eight days of the filing under the article 2501-ter, paragraph 3, of the Italian Civil Code, the approval of the merger by resolution of the Shareholders' Meeting.

The documentation relating to the mergers were made available to the public in the manner provided by applicable law (in the register of companies in Alessandria, in the registered office of the absorbing company and on the website [www.damiani.com](http://www.damiani.com)) on July 30, 2012.

### Title's performance on Market Stock Exchange

The following graph represents the price trend of the Damiani share and the volumes traded during the first quarter of the financial year 2012/2013.



The main share and market data for the first quarter of the financial year 2012/2013 are reported below.

#### Damiani in the Stock Market\*

Price on April, 1st 2012 (euro)	0.995
Price on June 30, 2012 (euro)	0.924
Maximum price (euro)	0.995 (02-Apr-12)
Minimum price (euro)	0.879 (18-Jun-12)
Average volumes	15,467
Maximum volumes	191,273 (14-May-12)
Minimum volumes	2 (11-May-12)
N° shares Company capital	82,600,000
Market capitalisation at June 30, 2012 (euro mln)	76.32

\* The table above summarizes the main shareholding data stock as of June 30, 2012

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**Key data**

<b>Share Capital</b>	June 30, 2012	March 31, 2012
Number of share issued	82,600,000	82,600,000
Par value per share	0.44	0.44
Share Capital	36,344,000	36,344,000

<b>Ownership</b>	% on shares issued	% on shares issued
Leading Jewels S.A. (1)	56.76%	56.76%
Sparkling Investment S.A. (1)	1.45%	1.45%
Guido Grassi Damiani	5.99%	5.89%
Giorgio Grassi Damiani	6.11%	6.11%
Silvia Grassi Damiani	5.30%	5.31%
Damiani S.p.A. (own shares) (2)	6.74%	6.74%
Market	17.65%	17.74%

**Shares held by the subjects indicated by article 79 of Legislative Decree n. 58/1998**

<b>Name</b>	<b>Office held</b>	<b>Number of shares</b>
Guido Grassi Damiani (overall n. 58,591,409) (3)	Director	4,943,850
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,379,371
Executives with strategic responsibilities		12,000

(1) Companies traceable to Damiani Family.

(2) The Shareholders' Meeting of July 26, 2012 approved the authorization, for the part not executed of the resolution of the Shareholders' Meeting of July 27, 2011, for the purchase of own shares up to a maximum of n. 16,250,000 ordinary shares of Damiani S.p.A. within a period of 18 months from the date of the Shareholders' resolution. As of June 30, 2012 the own shares in portfolio were n. 5,566,409, equal to 6.74% of the share capital.

(3) As controlling shareholder of Leading Jewels S.A. and Sparkling Investment S.A. the own shares of Damiani S.p.A. are traceable to Mr. Guido Grassi Damiani.



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**Main economic data**

**I Quarter**

<i>(in thousands of Euro)</i>	Financial Year 2012/2013	Financial Year 2011/2012	Change	Change %
Revenues from sales and services	<b>31,357</b>	<b>32,837</b>	(1,480)	-4.5%
Total Revenues	31,401	32,898	(1,497)	-4.6%
Cost of production	(32,500)	(33,651)	1,151	-3.4%
<b>EBITDA (*)</b>	<b>(1,100)</b>	<b>(753)</b>	(347)	-46.0%
EBITDA %	-3.5%	-2.3%		
<b>Operating income</b>	<b>(1,828)</b>	<b>(1,504)</b>	(324)	-21.5%
Result before taxes	(2,310)	(1,775)	(535)	-30.2%
<b>Net result of the Group</b>	<b>(2,827)</b>	<b>(2,252)</b>	(575)	-25.5%
Basic Earnings (Losses) per Share	(0.04)	(0.03)		
Personnel Cost	(6,854)	(6,497)	(357)	5.5%
Average numbers of employees (**)	576	572	4	0.7%

(\*) EBITDA represents the operating result gross of depreciation and amortization. EBITDA thus defined is used by the Group's management to monitor and evaluate the Group's operational performance and is not an IFRS accounting measure, therefore it must not be considered as an alternative measure for evaluating Group's results. Since EBITDA is not regulated by the accounting standards, the criteria used by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

(\*\*) Average number of employees for the two periods compared

**Balance sheet data**

<i>(In thousands of Euro)</i>	June 30 2012	March 31 2012	change
Fixed Assets	50,276	50,015	261
Net working capital	67,303	71,956	(4,653)
Non current Liabilities	(6,794)	(7,205)	411
<b>Net Capital Invested</b>	<b>110,785</b>	<b>114,766</b>	<b>(3,981)</b>
Net Equity	84,287	86,178	(1,891)
Net Financial Position (*)	26,498	28,588	(2,090)
<b>Sources of Financing</b>	<b>110,785</b>	<b>114,766</b>	<b>(3,981)</b>

(\*) The Net financial position was determined on the basis of the indications of Consob communication n. DEM/6064923 as of July 28, 2006.

**Comments on the main economic and financial results of the Group**

The total revenues of the Damiani Group in the first quarter of the financial year 2012/2013 were in decrease by 4.6% compared to the same period of the previous financial year; the operating result, negative for Euro 1,828 thousands, showed a worsening of Euro 324 thousands compared to the first quarter of the previous financial year.

Such performance was the direct consequence of the decrease in revenues offset by an overall reduction of the operating costs, through the compensation of different items with opposed trend (discussed in more detail in the following paragraphs), that allowed a partial recover to the operating result.

The net loss of the Group equal to Euro 2,827 thousands, worsening of Euro 575 thousands compared to the first quarter of the financial year 2011/2012, was influenced by net financial expenses and taxes more negative.

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The following table shows the income statement of the first quarter of the financial year 2012/2013, compared to the statement of the same period of the previous financial year, and then are discussed the trends of the main economic items.

<i>(in thousands of Euro)</i>	<b>I Quarter</b>			
	Financial Year 2012/2013	Financial Year 2011/2012	Change	Change %
Revenues from sales and services	31,357	32,837	(1,480)	-4.5%
Other revenues	44	61	-17	-28.3%
<b>Total Revenues</b>	<b>31,401</b>	<b>32,898</b>	<b>(1,497)</b>	<b>-4.6%</b>
Cost of production	(32,500)	(33,651)	1,151	-3.4%
<b>EBITDA (*)</b>	<b>(1,100)</b>	<b>(753)</b>	<b>(347)</b>	<b>-46.0%</b>
EBITDA %	-3.5%	-2.3%		
Depreciation and amortization	(728)	(751)	23	-3.1%
<b>Operating income</b>	<b>(1,828)</b>	<b>(1,504)</b>	<b>(324)</b>	<b>-21.5%</b>
Operating income %	-5.8%	-4.6%		
Net Financial incomes (expenses)	(483)	(271)	(212)	78.1%
<b>Result before taxes</b>	<b>(2,310)</b>	<b>(1,775)</b>	<b>(535)</b>	<b>-30.2%</b>
Result before taxes %	-7.4%	-5.4%		
Taxes	(651)	(515)	(136)	26.3%
<b>Net result</b>	<b>(2,961)</b>	<b>(2,290)</b>	<b>(671)</b>	<b>-29.3%</b>
Net result %	-9.4%	-7.0%		
Minorities Interests	(134)	(38)	(96)	n.m.
<b>Net result of the Group</b>	<b>(2,827)</b>	<b>(2,252)</b>	<b>(575)</b>	<b>-25.5%</b>
Net result of the Group %	-9.0%	-6.8%		

(\*) EBITDA represents the operating result gross of depreciation and amortization. EBITDA thus defined is used by the Group's management to monitor and evaluate the Group's operational performance and is not an IFRS accounting measure, therefore it must not be considered as an alternative measure for evaluating Group's results. Since EBITDA is not regulated by the accounting standards, the criteria used by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

## Revenues

Revenues from sales and services, that are not influenced by non-recurring transactions and are expressed at current exchange rates, in the first quarter of the financial year 2012/2013 were Euro 31,357 thousands, in decrease by 4.5% compared to those recorded in the first quarter of the previous financial year. At constant exchange rates the decrease would have been instead by 6.0% compared to the previous financial year.

The following table shows the breakdown of revenues by channels.

<i>(in thousands of Euro)</i>	<b>I Quarter</b>			
	Financial Year 2012/2013	Financial Year 2011/2012	Change	Change %
<b>Retail</b>	10,863	9,675	1,188	12.3%
<i>Percentage on total revenues</i>	<i>34.6%</i>	<i>29.4%</i>		
<b>Wholesale</b>	20,494	23,162	(2,668)	-11.5%
<i>Percentage on total revenues</i>	<i>65.3%</i>	<i>70.4%</i>		
<b>Total revenues from sales and services</b>	<b>31,357</b>	<b>32,837</b>	<b>(1,480)</b>	<b>-4.5%</b>
<i>Percentage on total revenues</i>	<i>99.9%</i>	<i>99.8%</i>		
Other revenues	44	61	(17)	-27.9%
<i>Percentage on total revenues</i>	<i>0.1%</i>	<i>0.2%</i>		
<b>Total Revenues</b>	<b>31,401</b>	<b>32,898</b>	<b>(1,497)</b>	<b>-4.6%</b>

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- In the retail channel revenues were Euro 10,863 thousands, an increase by 12.3% at current exchange rates compared to the same period of the previous financial year (+9.0% at constant exchange rates), confirming a positive trend in the medium/long term which testifies to quality of the main brand Damiani, with the Italian and foreign mono-brand boutiques recording a +19% in the quarter; the growth of the multi-brand Rocca has been instead +7%.
- In the wholesale channel revenues were Euro 20,494 thousands, -11.5% at current exchange rates (-12.3% at constant exchange rates), due to the contraction recorded on the domestic market (-16.9%), heavily affected by the stagnation of consumption and the consequent caution in purchases by the category of jewelers, while the foreign market recorded overall an increase by 3.2% compared to the first quarter of the previous financial year.

We note that the first quarter of the financial year 2011/2012 had recorded a peak of sales on the domestic market particularly high (the trend was not confirmed in the following quarters of the financial year) that had determined a growth of revenues by 24.4% compared to the first quarter of the financial year 2010/2011. Comparing the first quarter 2012/2013 to first quarter 2010/2011 revenues from sales and services mark an increase by 18.8%.

#### Cost of production

Overall, the net costs of production in the first quarter of the financial year 2012/2013 were Euro 32,500 thousands, a decrease by Euro 1,151 thousands (-3.4%) compared to the same period of the previous financial year (Euro 33,651 thousands).

In detail the trend of the main items in the quarter ended June 30, 2012 was:

- **Costs of raw materials and other materials (including purchase of finished goods)** amounted to Euro 16,105 thousands, in reduction by 7.2% compared to the same period of the financial year 2011/2012 (Euro 17,348 thousands). Such reduction was directly related to the lower revenues from sales recorded in the period vs. prior financial year, in the presence of a gross margin that is slightly increased due to the different mix of sales.
- **Costs for services** were Euro 9,311 thousands, in reduction by 5.0% compared to the same period of the previous financial year (Euro 9,796 thousands); such reduction was mainly due to the lower rents, as a result of rationalization in the use of same spaces leased for office, and lower commissions, due to lower domestic sales in the wholesale channel.
- **Personnel cost** was Euro 6,854 thousands with an increase by 5.5% compared to the same period of the previous financial year (Euro 6,497 thousands). Such change is partially related to the increase of the Group staff in the two quarters compared (in the period ended June 30, 2012 the average number of employees in the Damiani Group was n. 576 units, four units more than n. 572 employed in the first quarter of the prior financial year) and in part as a consequence of the adding of new people to support the expansion of core business, with a pro-capita cost higher than people out for the natural turnover.
- The **Other net operating (charges)/incomes** showed in the first quarter of the financial year 2012/2013 a negative balance of Euro 231 thousands compared to a negative balance of Euro 10 thousands in the same period of the previous financial year 2011/2012.

#### EBITDA

The trend of revenues and net costs of production described above determined a negative EBITDA in the quarter ended June 30, 2012 for Euro 1,100 thousands, in worsening of Euro 347 thousands compared to the gross operating result of the same period of the prior financial year (negative for Euro 753 thousands).

#### Amortization and depreciation

In the quarter ended June 30, 2012 amortization and depreciation were Euro 728 thousands, in decrease by Euro 23 thousands compared to the same period of the prior financial year (Euro 751 thousands).

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Operating result

Overall, the Group's operations in the quarter ended June 30, 2012, that remained negative, were in worsening of Euro 324 thousands compared to the loss recorded in the same period of the prior financial year. The reduction of total revenues of Euro 1,497 thousands was partially offset by the lower net operating costs for Euro 1,174 thousands.

Net financial incomes/(losses)

The balance of financial in the first quarter of the financial year 2012/2013 was negative for Euro 483 thousands, in worsening of Euro 212 thousands compared to the negative balance of Euro 271 thousands of the same period of the financial year 2011/2012. Such change was mainly due to the different impact of net exchange differences, which had an impact of Euro 155 thousands.

Current and deferred taxes

In the quarter ended June 30, 2012 the income taxes had a negative impact for Euro 651 thousands compared to the negative balance of Euro 515 thousands in the same period of the financial year 2011/2012.

Net Result

The consolidated net loss of the Group in the first quarter of the financial year 2012/2013 was Euro 2,827 thousands compared to the negative net result of Euro 2,252 thousands in the same period of the financial year 2011/2012, with a consequent worsening of Euro 575 thousands.

Capital and financial situation

The following table shows the reclassified consolidated balance sheet of Damiani Group at June 30, 2012, compared to that at March 31, 2012, and then are commented the main items.

<b>Balance sheet data</b> <i>(In thousands of Euro)</i>	<b>June 30 2012</b>	<b>March 31 2012</b>	<b>change</b>
Fixed Assets	50,276	50,015	261
Net working capital	67,303	71,956	(4,653)
Non current Liabilities	(6,794)	(7,205)	411
<b>Net Capital Invested</b>	<b>110,785</b>	<b>114,766</b>	<b>(3,981)</b>
Net Equity	84,287	86,178	(1,891)
Net Financial Position (*)	26,498	28,588	(2,090)
<b>Sources of Financing</b>	<b>110,785</b>	<b>114,766</b>	<b>(3,981)</b>

(\*) The Net financial position was determined on the basis of the indications of Consob communication n. DEM/6064923 as of July 28, 2006.

Fixed assets

At June 30, 2012 fixed assets of the Group were Euro 50,276 thousands, an increase by Euro 261 thousands compared to March 31, 2012 (Euro 50,015 thousands). The growth in the quarter was mainly due to more financial receivables and other non-current assets for exchange rate effects and to the increase of deferred tax assets.

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#### Net working capital

At June 30, 2012 the net working capital was Euro 67,303 thousands, a decrease by Euro 4,653 thousands compared to March 31, 2012: the dynamic of its components is related to the normal trend of production and distribution process with the gradual collection of trade receivables generated during the high season of sales on the wholesale channel (October-December of the previous financial year).

#### Non-current liabilities

At June 30, 2012 the non-current liabilities amounted to Euro 6,794 thousands, a decrease compared to the end of the prior financial year when they were equal to Euro 7,205 thousands, mainly for the partial use of the risk reserve established in the previous financial year.

#### Shareholders' Equity

At June 30, 2012 Shareholders' equity was Euro 84,287 thousands, a decrease by Euro 1,891 thousands compared to March 31, 2012, due to both the net loss of the period (Euro 2,961 thousands including also minorities) and the exchange differences on translation booked in the other reserves of the net equity. In the quarter have not been purchased any own shares.

#### Net financial position

The following table shows the composition of the Net financial position at June 30, 2012 and its evolution from March 31, 2012.

<b>Net Financial Position (*)</b> <i>(in thousands of Euro)</i>	<b>June 30 2012</b>	<b>March 31 2012</b>	<b>change</b>
Medium-Long term loans and financing- Current portion	5,800	6,075	(275)
Usage of credit lines, short term financing and others	10,057	8,617	1,440
Medium-Long term loans and financing with related parties- Current portion	984	975	9
<b>Current financial indebtness</b>	<b>16,841</b>	<b>15,667</b>	<b>1,174</b>
Medium-Long term loans and financing- Non current portion	7,875	10,000	(2,125)
Medium-Long term loans and financing with related parties- Non current portion	9,334	9,579	(245)
<b>Non-current financial indebtness</b>	<b>17,209</b>	<b>19,579</b>	<b>(2,370)</b>
<b>Total financial indebtness</b>	<b>34,050</b>	<b>35,246</b>	<b>(1,196)</b>
Cash and cash equivalents	(7,552)	(6,658)	(894)
<b>Net Financial Position (*)</b>	<b>26,498</b>	<b>28,588</b>	<b>(2,090)</b>

(\*) The Net financial position was determined on the basis of the indications of Consob communication n. DEM/6064923 as of July 28, 2006.

At June 30, 2012 the Group had a net financial debt of Euro 26,498 thousands an improvement of Euro 2,090 thousands compared to March 31, 2012. Even in the presence of a negative economic performance in the quarter, the positive change of the net financial position was due to the careful monitoring of the operating working capital that is a particularly critical variable at a time of financial crisis like the present one, and on which the Group is working with great attention.

Compared to March 31, 2012 the increase of the weight of the current financial exposure to banks on total gross indebtedness did not result in a deterioration in terms of burden, as the rate on short term stays currently lower than the rate paid on the medium/long term loans (gradually repaid). The short-term credit

lines of the Group continue to be underutilized.

We note that at June 30, 2012 the net financial debt includes Euro 10,318 thousands related to debts towards related parties for four real estate transactions accounted as sale and lease-back operations (at March 31, 2012 such debt was Euro 10,554 thousands).

### Key data by geographical areas

The Damiani Group operates in a single operating segment and within which there do not exist any significant differences that could be considered as a basis for constituting separate business units. Therefore, geographical dimension, broken down by the segments that are described afterwards, is the subject of periodic observation and revision by the Directors, as well as falling within the operational responsibilities of Group management.

In accordance with this operating model, in the Yearly and Interim Financial Statements has been supplied the segment information, which is in line with what is laid down by the IFRS 8. The sectors are thus formed:

- i) The Italy segment includes revenues and operating costs of the Group parent company Damiani S.p.A. and its direct subsidiaries that operate in Italy;
- ii) The Americas segment includes revenues and operating costs of the subsidiary Damiani USA Corp. based in New York and that commercializes the Group products in the whole continent and the Mexican subsidiary Damiani Mexico S.A. de C.V., currently in the start-up;
- iii) The Japan segment includes revenues and operating costs of the subsidiary Damiani Japan K.K. that operates in Japan;
- iv) The Rest of the World segment includes revenues and operating costs of the other subsidiaries that operate and sell in all those other countries which are not included in the geographical areas that are listed above.

In the following table there are shown the revenues for each geographical segment for the three months period ended June 30, 2012 and for the corresponding period of the previous financial year.

Revenues by Geographical Area (in thousands of Euro)	Financial Year		I Quarter		Change %
	2012/2013	% of total	2011/2012	% of total	
<b>Italy</b>	<b>21,912</b>	69.8%	<b>24,876</b>	75.6%	-11.9%
- Revenues from sales and services	21,872		24,821		
- Other revenues	40		55		
<b>Rest of the World</b>	<b>6,330</b>	20.2%	<b>4,446</b>	13.6%	42.4%
- Revenues from sales and services	6,327		4,440		
- Other revenues	3		6		
<b>Japan</b>	<b>2,263</b>	7.2%	<b>2,250</b>	6.8%	0.6%
- Revenues from sales and services	2,262		2,250		
- Other revenues	1		-		
<b>Americas</b>	<b>896</b>	2.8%	<b>1,326</b>	4.0%	-32.4%
- Revenues from sales and services	896		1,326		
- Other revenues	-		-		
<b>Total Revenues</b>	<b>31,401</b>	100.0%	<b>32,898</b>	100.0%	-4.6%

The revenues by geographical areas showed the following trends:

- The decrease of revenues in **Italy** (-11.9% compared to the same period of the financial year 2011/2012) was due to the reduction of sales on the wholesale channel.
- the **Rest of the World** showed an increase by 42.4% compared to the same period of the prior financial year (+40.0% at constant exchange rate) due to the growth of sales both on the wholesale channel (mainly in the former Soviet Union countries and in the Far East) and in retail (with a turnover more than doubled in the stores directly managed).
- In **Japan** sales were stable at current exchange rate (+0.6%), while were in contraction by -12.2% at constant exchange rate, with the growth on the retail channel that offsets the reduction on wholesale.

- In the **Americas** sales were in decrease by 32.4% at current exchange rate (-39.8% at constant exchange rate), due to the lower wholesale sales.

Overall, the weight of the foreign revenues in the first three months of the financial year 2012/2013 reached about 30% on total (was 24.4% in the first quarter of the prior financial year).

The following table shows the EBITDA breakdown by geographical areas in the first quarter of the financial year 2012/2013 and in the same period of the prior financial year.

EBITDA by Geographical Area (*)	I Quarter		
	Financial Year 2012/2013	Financial Year 2011/2012	change %
<i>(in thousands of Euro)</i>			
Italy	(2,526)	469	n.m.
Rest of the World	2,909	163	n.m.
Japan	(933)	(351)	n.m.
Americas	(550)	(1,034)	46.8%
<b>Consolidated EBITDA</b>	<b>(1,100)</b>	<b>(753)</b>	-46.0%
<i>% of revenues</i>	<i>-3.5%</i>	<i>-2.3%</i>	

(\*) EBITDA represents the operating result gross of depreciation and amortization. EBITDA thus defined is used by the Group's management to monitor and evaluate the Group's operational performance and is not an IFRS accounting measure, therefore it must not be considered as an alternative measure for evaluating Group's results. Since EBITDA is not regulated by the accounting standards, the criteria used by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.

- In terms of EBITDA, **Italy** recorded a worsening of its gross operating result compared to the same period of the prior financial year due to the reduction of the revenues from sales and also for the different mix of those sales which penalizes the gross margin.
- In the **Rest of the World** the improvement in EBITDA was mainly due to the higher revenues with a cost structure which remained stable and under control.
- The worsening of EBITDA in **Japan** was due to the increase in operating costs to support the development in the retail channel against that we have not yet experienced a significant increase in revenues.
- The improvement in EBITDA in the **Americas** was mainly due to the savings on the operating costs.

### Transactions with related parties

The operations carried out by the Damiani Group with related parties are mainly of real estate nature (property leasing for shops and office).

Data concerning dealings of the Group with related parties in the period ended June 30, 2012 and in the same period of the previous financial year are displayed hereunder.

<i>(in thousands of Euro)</i>	I Quarter 2012/2013		Balance at June 30, 2012		
	Operating costs	Financial expenses	Other Current assets	Financial debt (including leasing)	Trade payables
<b>Total with related parties</b>	(295)	(241)	1,031	(10,318)	(876)
<b>Total from Financial Statements</b>	(33,228)	(554)	12,720	(23,993)	(51,375)
<b>% age weight</b>	1%	44%	8%	43%	2%

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<i>(in thousands of Euro)</i>	<b>I Quarter 2011/2012</b>		<b>Balance at June 30, 2011</b>		
	Operating costs	Financial expenses	Other Current assets	Financial debt (including leasing)	Trade payables
<b>Total with related parties</b>	(827)	(260)	912	(11,235)	(992)
<b>Total from Financial Statements</b>	(34,402)	(629)	10,344	(31,500)	(52,542)
<b>% age weight</b>	2%	41%	9%	36%	2%

### **Non-recurring, atypical and/or unusual operations**

There were no positions or transactions deriving from atypical and/or unusual and non-recurring as defined by Consob regulation n. 15519 of July 27, 2006.

### **Significant events of the quarter**

In May, the Damiani Group has signed a distribution agreement for the Damiani brand in China with the Hengdeli Group, a leader in the distribution of haute horlogerie on the Chinese market. The multi-year agreement plans to open several shops in shops and corners Damiani inside of the store network of the partner. Hengdeli Group is listed on the Stock Exchange of Hong Kong since 2005, has a market capitalization of around Euro 1.4 billion and between its shareholders include also Swatch Group and LVMH and operates over 400 stores located in China, Hong Kong, Macau and Taiwan.

In May it has been opened the first mono-brand Damiani boutique in New Delhi inside the luxury Oberoi Hotel, where there are already international prestigious brands of luxury. This opening is also the start for the Group's penetration of the Indian market, characterized by high relief and potential worldwide.

On June 28, 2012 the Regional Tax Commission of Milan has filed on appeal, confirming the favorable first instance, concerning the dispute between the subsidiary New Mood S.p.A (together with the parent company Damiani S.p.A. who has joined the institute of fiscal consolidation) and the Tax Agency in Milan. The Regional Tax Commission held that the taxpayer's New Mood S.p.A. has provided sufficient evidence to support the actual existence of a commercial structure on the part of foreign suppliers, pursuant to article 110, paragraph 11, of the TUIR (Consolidated Income Tax Act) and therefore the costs reported for the tax year 2004 from New Mood S.p.A., amounting to approximately Euro 8,000 thousands, have been properly deducted.

### **Significant events after the end of the quarter**

From July 1 until August 31, 2012 Damiani started a charitable activity to help the people victims of the earthquake in Emilia, with the aim of raising funds to support the no profit organization "Vola nel Cuore", an association that helps children. In the period the 50% of revenues by the mono-brand Damiani boutiques in Italy by a range of selected collections will be paid to the no-profit organization for interventions in the pediatric in the areas affected by the earthquake.

In July Damiani won the international prix Robb Robert Best of the best 2012 with the braccialet Burlesque, a masterpiece in white gold, white and black diamonds and rubies.

### **Business outlook**

In the first quarter of the financial year 2012/2013 the macroeconomic and financial context in Italy, the main market of the Group, has gradually become more uncertain and there has been a deterioration in consumer expectations which has affected almost all sectors, from consumer goods to the durables.

This situation has negatively affected the revenues of the Group, particularly in the wholesale channel, whose clients are very cautious in purchasing. Despite what the sales on the retail channel recorded a good trend to confirm the quality of the offer and even abroad, mainly in direct managed boutiques, growth continued to be strong, confirming the goodness of the initiatives undertaken in strategic markets, where



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the presence of the Group is still limited but in a positive evolution.

In the same quarter continued, in line with the program set out in the past financial year, actions aimed at streamlining internal processes that have as main objectives the reduction of the level of operating costs and the working capital control. The benefits of these actions will be more visible in the second half of the current financial year.

Given the expectation of permanence of these critical issues and uncertainties also in the next months, especially on the domestic market, which makes any prediction difficult even in the short term, the Group will continue to develop the international presence and the internal actions trusting thereby to generate a virtuous trend in terms of economic and financial results.

Under article 3 of Consob Resolution n. 18079 of January 20, 2012, we inform you that Damiani S.p.A. uses the derogation provided for articles 70, paragraph 8, and 71, paragraph 1-bis, of Consob Regulation n. 11971/99 and subsequent changes and additions.

Valenza, August 10 2012

For the Board of Directors  
The President & CEO  
Mr. Guido Grassi Damiani

**CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2012****INTERIM CONSOLIDATED BALANCE SHEET**

At June 30, 2012 and at March 31, 2012

<i>(in thousands of Euro)</i>	June 30 2012	March 31 2012
<b>NON-CURRENT ASSETS</b>		
Goodwill	4,984	4,984
Other Intangible Fixed Assets	5,162	5,227
Tangible Fixed Assets	17,119	17,460
Investments	167	167
Financial receivables and other non current assets	4,227	3,924
Deferred tax assets	18,618	18,253
<b>TOTAL NON-CURRENT ASSETS</b>	<b>50,276</b>	<b>50,015</b>
<b>CURRENT ASSETS</b>		
Inventories	92,196	87,791
Trade receivables	21,526	29,320
Tax receivables	1,844	1,769
Other current assets	12,720	11,788
<i>of which towards related parties</i>	<i>1,031</i>	<i>1,166</i>
Cash and cash equivalents	7,552	6,658
<b>TOTAL CURRENT ASSETS</b>	<b>135,839</b>	<b>137,326</b>
<b>TOTAL ASSETS</b>	<b>186,115</b>	<b>187,341</b>
<b>GROUP SHAREHOLDERS' EQUITY</b>		
Share Capital	36,344	36,344
Reserves	47,906	58,906
Group net income (loss) for the period	(2,827)	(11,939)
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>	<b>81,423</b>	<b>83,311</b>
<b>MINORITY SHAREHOLDERS' EQUITY</b>		
Minority share capital and reserves	2,998	3,004
Minority net income (loss) for the period	(134)	(137)
<b>TOTAL MINORITY SHAREHOLDERS' EQUITY</b>	<b>2,864</b>	<b>2,867</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>84,287</b>	<b>86,178</b>
<b>NON CURRENT LIABILITIES</b>		
Long term financial debt	17,209	19,579
<i>of which towards related parties</i>	<i>9,334</i>	<i>9,579</i>
Termination Indemnities	4,081	4,011
Deferred Tax liabilities	930	843
Risk reserves	1,188	1,819
Other non current liabilities	595	532
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>24,003</b>	<b>26,784</b>
<b>CURRENT LIABILITIES</b>		
Current portion of long term financial debt	6,784	7,050
<i>of which towards related parties</i>	<i>984</i>	<i>975</i>
Trade payables	51,375	51,180
<i>of which towards related parties</i>	<i>876</i>	<i>761</i>
Short term borrowings	10,057	8,617
Income tax payables	3,935	2,151
Other current liabilities	5,673	5,381
<b>TOTAL CURRENT LIABILITIES</b>	<b>77,824</b>	<b>74,379</b>
<b>TOTAL LIABILITIES</b>	<b>101,827</b>	<b>101,163</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>186,115</b>	<b>187,341</b>

**INTERIM CONSOLIDATED INCOME STATEMENT**

For the period of three months ended June 30, 2012 and June 30, 2011

<i>(in thousands of Euro)</i>	<b>I Quarter</b>	
	<b>Financial Year 2012/2013</b>	<b>Financial Year 2011/2012</b>
Revenues from sales and services	31,357	32,837
Other recurring revenues	44	61
<b>TOTAL REVENUES</b>	<b>31,401</b>	<b>32,898</b>
Costs of raw materials and consumables	(16,105)	(17,348)
Costs of services	(9,311)	(9,796)
<i>of which towards related parties</i>	<i>(295)</i>	<i>(627)</i>
Personnel cost	(6,854)	(6,497)
Other net operating (charges) incomes	(231)	(10)
<i>of which towards related parties</i>	<i>0</i>	<i>(200)</i>
Amortization and depreciation	(728)	(751)
<b>TOTAL OPERATING EXPENSES</b>	<b>(33,228)</b>	<b>(34,402)</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,828)</b>	<b>(1,504)</b>
Financial Expenses	(554)	(629)
<i>of which towards related parties</i>	<i>(241)</i>	<i>(260)</i>
Financial Incomes	71	358
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(2,310)</b>	<b>(1,775)</b>
Income Taxes	(651)	(515)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>(2,961)</b>	<b>(2,290)</b>
Attributable to:		
Group	(2,827)	(2,252)
Minorities	(134)	(38)
Basic Earnings (Losses) per Share (*)	(0.04)	(0.03)
Diluted Earnings (Losses) per Share (*)	(0.04)	(0.03)

(\*) The basic net result per share has been calculated by dividing the net result for the period that was attributable to the ordinary shareholders of the Issuer Damiani S.p.A. for the weighted average number of the shares that were in circulation within the relative accounting period.

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Details of the shares taken into account for the purposes of calculating basic and diluted result per share are set out below:

**Basic Earnings (Losses) per Share**

	I Quarter	
	Financial Year 2012/2013	Financial Year 2011/2012
Number of ordinary shares at the beginning of the period	82,600,000	82,600,000
Number of ordinary shares at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of basic earnings per share	77,755,484	77,995,753
<b>Basic Earnings (Losses) per Share (amount in Euro)</b>	<b>(0.04)</b>	<b>(0.03)</b>

**Diluted Earnings (Losses) per Share**

	I Quarter	
	Financial Year 2012/2013	Financial Year 2011/2012
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Weighted average number of ordinary shares for computation of diluted earnings per share	77,755,484	77,995,753
Weighted average number of ordinary shares for computation of basic earnings per share	77,755,484	77,995,753
<b>Diluted Earnings (Losses) per Share (amount in Euro)</b>	<b>(0.04)</b>	<b>(0.03)</b>

**INTERIM COMPREHENSIVE INCOME STATEMENT**

For the period of three months ended June 30, 2012 and June 30, 2011

<i>(in thousands of Euro)</i>	I Quarter	
	Financial Year 2012/2013	Financial Year 2011/2012
<b>Net Income (Loss) for the period</b>	<b>(2,961)</b>	<b>(2,290)</b>
Gain (Losses) on cash flow hedging	3	7
Fiscal effect	(1)	(2)
Gain (Losses) on exchange differences on translating foreign operations	651	58
Fiscal effect	371	(18)
<b>Total comprehensive Income (Loss) for the period</b>	<b>(1,937)</b>	<b>(2,245)</b>

## STATEMENT OF CHANGES IN EQUITY

For the three months period ended June 30, 2012 and June 30, 2011

<i>(in thousands of Euro)</i>	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging reserve	Shareholders payment reserve	Stock option reserve	Own Shares	Other reserves	Net income (Loss) for the period	Group shareholder's equity	Minorities shareholder's equity	Total shareholder's equity
<b>Balances at March 31, 2011</b>	<b>36,344</b>	<b>69,858</b>	<b>2,434</b>	<b>(16)</b>	<b>8,618</b>	<b>92</b>	<b>(8,225)</b>	<b>(871)</b>	<b>(14,525)</b>	<b>93,709</b>	<b>1,397</b>	<b>95,106</b>
Allocation of the result for the period								(14,525)	14,525	-		-
Other comprehensive income(loss)				5				40	(2,252)	(2,207)	(38)	(2,245)
Stock option						3				3		3
<b>Balances at June 30, 2011</b>	<b>36,344</b>	<b>69,858</b>	<b>2,434</b>	<b>(11)</b>	<b>8,618</b>	<b>95</b>	<b>(8,225)</b>	<b>(15,356)</b>	<b>(2,252)</b>	<b>91,505</b>	<b>1,359</b>	<b>92,864</b>
<b>Balances at March 31, 2012</b>	<b>36,344</b>	<b>69,858</b>	<b>2,434</b>	<b>(2)</b>	<b>8,618</b>	<b>264</b>	<b>(8,149)</b>	<b>(14,117)</b>	<b>(11,939)</b>	<b>83,311</b>	<b>2,867</b>	<b>86,178</b>
Allocation of the result for the period								(11,939)	11,939	-		-
Other comprehensive income(loss)				2				891	(2,827)	(1,934)	(3)	(1,937)
Stock option						46				46		46
<b>Balances at June 30, 2012</b>	<b>36,344</b>	<b>69,858</b>	<b>2,434</b>	<b>0</b>	<b>8,618</b>	<b>310</b>	<b>(8,149)</b>	<b>(25,165)</b>	<b>(2,827)</b>	<b>81,423</b>	<b>2,864</b>	<b>84,287</b>

**CASH FLOW STATEMENT**

For the three months period ended June 30, 2012 and June 30, 2011

	<b>I Quarter</b>	
<i>(In thousands of Euro)</i>	<b>Financial Year 2012/2013</b>	<b>Financial Year 2011/2012</b>
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
Net income (loss) for the period	(2,961)	(2,290)
<i>Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:</i>		
Amortization, depreciation and write-downs	728	751
Costs / (Revenues) for stock option	46	(3)
Provisions to Bad Debts Reserve	140	63
Provisions to risks reserves	-	-
Changes in the Fair value of Financial Instruments	2	15
Changes in Termination Indemnity	70	(26)
Changes in the deferred tax assets and liabilities	(277)	243
	<u>(2,252)</u>	<u>(1,247)</u>
<i>Changes on operational assets and liabilities</i>		
Trade receivables	7,654	7,025
Inventories	(4,406)	(3,571)
Trade payables	195	(2,131)
Tax receivables	(74)	10
Income Tax payables	1,667	1,279
Other current and non current assets and liabilities	(1,091)	1,405
	<u>(1,091)</u>	<u>1,405</u>
<b>NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)</b>	<b>1,693</b>	<b>2,770</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash in form disposals of intangible and tangible assets	-	23
Tangible Fixed Assets purchased	(128)	(498)
Intangible Fixed Assets purchased	(2)	(67)
Net change in the other non current assets	(268)	(18)
	<u>(398)</u>	<u>(560)</u>
<b>NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)</b>	<b>(398)</b>	<b>(560)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of long-term debt	(2,636)	(2,677)
Net change in short-term financial liabilities	1,440	220
Other changes in Net Equity	795	76
	<u>(401)</u>	<u>(2,381)</u>
<b>NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)</b>	<b>(401)</b>	<b>(2,381)</b>
<b>TOTAL CASH FLOW (D=A+B+C)</b>	<b>894</b>	<b>(171)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)</b>	<b>6,658</b>	<b>10,217</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E)</b>	<b>7,552</b>	<b>10,046</b>

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**Declaration under article 154bis, paragraph 2, of T.U.F.**

The Executive in charge of preparing the Company's financial reports declares, in compliance with paragraph 2 of Article 154 bis of the Italian Law "Testo Unico della Finanza" that on the basis of his knowledge the accounting information contained in the Interim Consolidated Report as of June 30, 2012 corresponds to the documental results, books and accounting records.

The Executive in charge of preparing the Company's financial reports  
Mr. Gilberto Frola