

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

# **Consolidated Interim Financial Report as of June 30, 2013**

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 Euros 36,344,000**  
**Tax and Vat registration n. 01457570065**

August 9, 2013

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

**Guido Grassi Damiani** (Chairman & CEO)

**Giorgio Grassi Damiani** (Vice President)

**Silvia Grassi Damiani** (Vice President)

**Roberta Benaglia** (Director)

**Stefano Graidì** (Director)

**Giancarlo Malerba** (Director)

**Francesco Minoli** (Director) <sup>(1)</sup>

**Fabrizio Redaelli** (Director)

**Board of Statutory Auditors** <sup>(2)</sup>

**Gianluca Bolelli** (President)

**Simone Cavalli** (Statutory Auditor)

**Fabio Massimo Micaludi** (Statutory Auditor)

**Pietro Sportelli** (Alternate Auditor)

**Alessandro Madau** (Alternate Auditor)

**Independent Auditors**

**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**

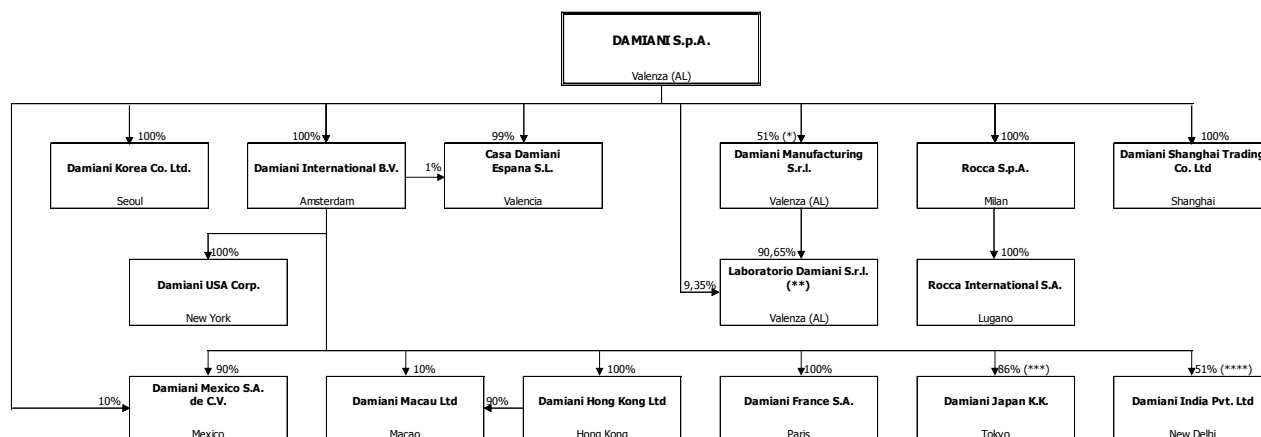
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<sup>1</sup> Appointed by the Shareholders' Meeting of Damiani S.p.A. of July 26, 2012 and in office for the period 2012-2015, until the approval of the Financial Statements for the year ended March 31, 2015. On June 14, 2013 the Director Francesco Minoli resigned with effect from the date of the Shareholders' Meeting that July 26, 2013 approved the Annual Report of Damiani S.p.A. at March 31, 2013.

<sup>2</sup> The Shareholders' Meeting of July 26, 2013 appointed the new Board of Statutory Auditors, confirming Gianluca Bolelli (President) and Simone Cavalli (Statutory Auditor) and appointing Milena Motta as Statutory auditor in place of Fabio Massimo Micaludi, who remains in the Board as Alternate auditor, joined by Paola Mignani.

## REPORT ON OPERATIONS <sup>(3)</sup>

### Structure and business activities of Damiani Group



(\*) 49% is held by Christian and Simone Rizzetto, both currently Damiani Manufacturing S.r.l. directors  
 (\*\*) Overall Damiani S.p.A. holds 55.58% of the share capital of Laboratorio Damiani S.r.l.  
 (\*\*\*) Since January 2012 14% of Damiani Japan is held by Itochu Corporation  
 (\*\*\*\*) The share of 51% is held since April 15, 2013; the remaining 49% is held by the Mehta family, Indian partner of the JV

Damiani S.p.A., besides carrying out productive and commercial activities directly, also acts for strategic direction and coordination of the Group and technical, financial and administrative assistance both in the production and in the commercial operations carried out by subsidiaries, directly and indirectly controlled. 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 at June 30, 2013 include the financial statements of the parent company, Damiani S.p.A. and of those companies which it controls, either directly or indirectly, as per article 2359 of the Civil Code.

In the consolidated financial statements intercompany transactions have been eliminated.

In the first three months of the financial year 2013/2014 the consolidation area of the Group underwent the following change:

- on April 15, 2013 resulted in the transfer of 51% of the share capital of Damiani India Pvt. Ltd from the Indian partner, owner of all the shares, to Damiani International B.V., a subsidiary 100% owned by Damiani S.p.A. The transfer of n. 357,000 shares (at a price of 10 Indian Rupees each) resulted in the Group an outlay of Indian Rupees (INR) of 3,570,000, amounting to approximately Euro 51 thousands. Subsequently Damiani International B.V. subscribed to a capital increase, the share of its competence, which resulted in an additional outlay of INR 14,779,800 (equivalent to approximately Euro 210 thousands). The Indian company currently operates a flagship store Damiani in New Delhi at the prestigious Oberoi Hotel.

The Damiani Group, which is focused 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, mainly in the timepiece sectors.

<sup>3</sup> Damiani Group closes its financial year at March 31, and therefore the period from April 1 to June 30, 2013 represents the first three months of the financial year that will end on March 31, 2014 (hereafter the financial year 2013/2014). For comparative purposes are shown data for the prior year period, first three months of the financial year 2012/2013.

## *Damiani Group*

### *Consolidated Interim Financial Report at June 30 2013*

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

- the wholesale channel, consisting of independent multi-brands jewelers, department stores, franchisees and distributors;
- the retail channel consisting of the store directly managed by the Group (boutiques and shop-in-shop).  
As of June 30, 2013 the POS were 52, with the details shown in table:

Boutiques and corner	Italy	Rest of the World	Japan	Americas	<b>Total</b>
Mono-brand Damiani	9	10	12	4	<b>35</b>
Mono-brand Bliss	1	-	-	-	<b>1</b>
Multi-brand Rocca	15	1	-	-	<b>16</b>
<b>Total</b>	<b>25</b>	<b>11</b>	<b>12</b>	<b>4</b>	<b>52</b>

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

Damiani Group prepared the consolidated interim financial report at June 30, 2013, not audited by the independent auditors, in compliance with article 154 ter of the 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 further details on accounting standards and criteria adopted by the Group in preparing the interim financial statements refer to the Annual consolidated financial statements as of March 31, 2013.

### **Board of Directors of Damiani S.p.A.**

The Board of Directors of Damiani S.p.A. currently in office was appointed by the Shareholders' Meeting on July 26, 2012, for the period 2012-2015 until the approval of the Financial statements as of March 31, 2015. The new Board of Directors of Damiani S.p.A. on July 26, 2012 appointed Guido Grassi Damiani as Chairman and CEO, Giorgio and Silvia Grassi Damiani as Vice-President, Stefano Graidì as Director responsible for the internal control system and risk management and Fabrizio Redaelli as Lead Independent Director.

After verification of the requirements of non-executive and independent directors, pursuant to article 148 of the Legislative Decree n. 58/1998 and article 3 of the Self-Regulation Code 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.

On June 14, 2013 the Director Francesco Minoli (non-executive and independent Director) resigned for personal reasons, with effect from the date of the Shareholders' Meeting that on July 26, 2013 approved the Financial statements at March 31, 2013. The Board of Directors of Damiani S.p.A. therefore currently consists of seven members, as reported on page 3 of this Interim report.

The Board of Directors of Damiani S.p.A. of June 14, 2013 also ratified the waiver of their fees for the financial year 2013/2014 of the Directors Guido Grassi Damiani (Chairman & CEO), Giorgio Grassi Damiani (Vice President) and Silvia Grassi Damiani (Vice President). This waiver, which has already occurred in previous two financial years, refers to a total annual compensation of approximately Euro 1.3 million.

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

The Shareholders' Meeting of July 26, 2013 resolved to authorize – subject to revocation, for the part non executed of the resolution adopted by the Shareholders' Meeting of July 26, 2012 – the purchase and disposal of own shares under co-joined articles 2357 and 2357 ter of the Civil Code and article 132 of the Legislative Decree n. 58/1998.

The authorization to purchase treasury shares is structured as follows:

- Damiani S.p.A. may purchase a maximum of ordinary shares whose nominal value does not exceed the limit of the law, up to a maximum of n. 16,520,000 ordinary shares, at a nominal value of 0.44 euro each, corresponding to the fifth part of the share capital;
- The authorization was granted for a period of 18 months starting from the Shareholders' Meeting date and lasting until the date of January 26, 2015;
- The purchase price of each share, including additional expenses of purchase, must be as a minimum not less than 20% and a maximum not more than 20% of the official price registered by the share in the trading session before each exchange transaction;
- The purchase transactions will be conducted on regulated markets in accordance with local regulations (article 132 of the Legislative Decree n. 58/1998; article 144-bis of Consob Regulation n. 11971/1999) and respecting the principle of equal treatment of Shareholders and any other regulations, including Community rules.

As of June 30, 2013 the own shares in portfolio were n. 5,556,409 (equal to 6.73% of the share capital) and in the period between April 1, 2013 and June 30, 2013 no additional own shares have been purchased.

### **Stock option**

At the date of approval of this Interim report there are a total of three ongoing compensation plans based on financial instruments pursuant to article 114 bis of the Legislative Decree n. 58/1998. In detail:

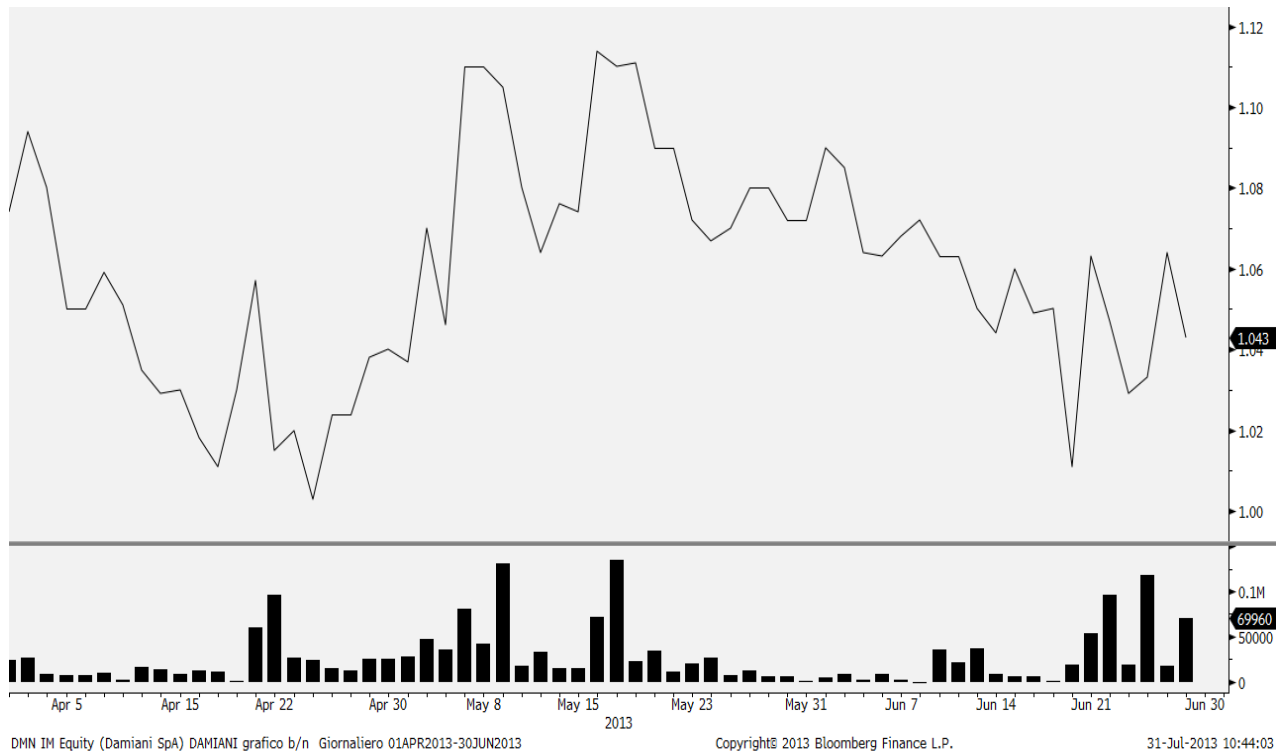
- Stock Option Plan 2009 initially approved by the Shareholders' Meeting of July 22, 2009 and implemented by the Board of Directors of September 24, 2009 and concerning the sale of options to the management of the Damiani Group for the purchase of maximum n. 3,500,000 Damiani shares. The implementation cycle was subsequently amended by the Board of Directors of Damiani S.p.A. of July 26, 2012 and it is still valid.
- 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, both concluded.
- 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 and it is still valid.

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).

### **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 three months of the financial year 2013/2014.

*Damiani Group*  
*Consolidated Interim Financial Report at June 30 2013*



The main share and market data for the three months of the financial year 2013/2014 are reported below.

**Damiani in the Stock Market\***

Official Price on April, 2nd 2013 (euro)	1.0740
Official Price on June 28th, 2013 (euro)	1.0430
Maximum price (euro)	1.114 (on 16th May 2013)
Minimum price (euro)	1.003 (on 24th April 2013)
Average volumes	27,961
Maximum volumes	135,699 (on 17th May 2013)
Minimum volumes	10 (on 10th June 2013)
N° shares Company capital	82,600,000
Market capitalisation at June 28th, 2013 (euro mln)	86.1

\* The table above summarizes the main share data as of June 28, 2013

Source: Bloomberg

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**Key Data**

<b>Share Capital</b>	June 30 2013	March 31 2013
Number of shares 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)	58.81%	58.49%
Sparkling Investment S.A. (1)	-	0.32%
Guido Grassi Damiani	5.99%	5.99%
Giorgio Grassi Damiani	6.11%	6.11%
Silvia Grassi Damiani	5.30%	5.30%
Damiani S.p.A. (own shares) (2)	6.73%	6.73%
Market	17.06%	17.06%

**Shares held by the subjects indicated by art. 79 Legislative Decree n. 58/98**

<b>Individual</b>	Office held	Number of shares
Guido Grassi Damiani (total n. 59,078,736) (3)	Director	4,943,850
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,379,371
Strategic executives		12,000

(1) Companies traceable to Damiani Family

(2) The Shareholders' Meeting of July 26, 2013 approved the authorization, for the part not executed of the resolution of the Shareholders' Meeting of July 26, 2012, for the purchase of own shares up to a maximum of n. 16,520,000 ordinary shares of Damiani S.p.A., within a period of 18 months from the date of the Shareholders' resolution. As of June 30, 2013 the own shares in portfolio were n. 5,556,409, equal to 6.73% of the share capital.

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



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**Main economic data**

**I Quarter**

<i>(in thousands of Euro)</i>	Financial Year 2013/2014	Financial Year 2012/2013	Change	Change %
Revenues from sales and services	<b>33,054</b>	<b>31,357</b>	1,697	5.4%
Total Revenues	33,071	31,401	1,670	5.3%
Cost of production	(33,643)	(32,500)	(1,143)	3.5%
<b>EBITDA (*)</b>	<b>(572)</b>	<b>(1,100)</b>	528	48.0%
EBITDA %	-1.7%	-3.5%		
<b>Operating income</b>	<b>(1,368)</b>	<b>(1,828)</b>	460	25.2%
Result before taxes	(1,736)	(2,310)	574	24.8%
<b>Net result of the Group</b>	<b>(2,033)</b>	<b>(2,827)</b>	794	28.1%
Basic Earnings (Losses) per Share	(0.03)	(0.04)		
Personnel Cost	(6,588)	(6,854)	266	-3.9%
Average numbers of employees (**)	567	576	(9)	-1.6%

(\*) 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 of reference, the criteria employed 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 in the two periods compared.

**Balance sheet data**

*(In thousands of Euro)*

	June 30 2013	March 31 2013	change
Fixed Assets	49,438	49,191	247
Net working capital	63,155	67,553	(4,398)
Non current Liabilities	(5,699)	(6,622)	923
<b>Net Capital Invested</b>	<b>106,894</b>	<b>110,122</b>	<b>(3,228)</b>
Net Equity	72,587	77,159	(4,572)
Net Financial Position (*)	34,307	32,963	1,344
<b>Sources of Financing</b>	<b>106,894</b>	<b>110,122</b>	<b>(3,228)</b>

(\*) The net financial position is determined according to the indications of Consob (Italian SEC) communication DEM/6064923 of July 28, 2006.

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

The Damiani Group's total revenues in the first three months of the financial year 2013/2014 resulted in increase of 5.3% compared to those recorded in the same period of the previous financial year. The operating result, negative for Euro 1,368 thousands, improved by Euro 460 thousands compared to the result achieved in the first quarter of the prior financial year.

The Group's net loss was equal to Euro 2,033 thousands, an improvement of Euro 794 thousands compared to the first three months of the financial year 2012/2013.

The following table shows the income statement of the first three months of the financial year 2013/2014, compared to the statement of the corresponding period of the previous financial year, and then are commented the trends of the main economic items.

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<i>(in thousands of Euro)</i>	<b>I Quarter</b>			
	Financial Year 2013/2014	Financial Year 2012/2013	Change	Change %
Revenues from sales and services	33,054	31,357	1,697	5.4%
Other revenues	17	44	(27)	-61.4%
<b>Total Revenues</b>	<b>33,071</b>	<b>31,401</b>	1,670	5.3%
Cost of production	(33,643)	(32,500)	(1,143)	3.5%
<b>EBITDA (*)</b>	<b>(572)</b>	<b>(1,100)</b>	528	48.0%
EBITDA %	-1.7%	-3.5%		
Depreciation and amortization	(796)	(728)	(68)	9.3%
<b>Operating income</b>	<b>(1,368)</b>	<b>(1,828)</b>	460	25.2%
Operating income %	-4.1%	-5.8%		
Net Financial incomes (expenses)	(368)	(483)	115	-23.8%
<b>Result before taxes</b>	<b>(1,736)</b>	<b>(2,310)</b>	574	24.8%
Result before taxes %	-5.2%	-7.4%		
Taxes	(365)	(651)	286	-43.9%
<b>Net result</b>	<b>(2,101)</b>	<b>(2,961)</b>	860	29.0%
Net result %	-6.4%	-9.4%		
Minorities Interests	(68)	(134)	66	n.m.
<b>Net result of the Group</b>	<b>(2,033)</b>	<b>(2,827)</b>	794	28.1%
Net result of the Group %	-6.1%	-9.0%		

(\*) 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 of reference, the criteria employed 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 were not influenced by non-recurring transactions and are expressed at current exchange rates, in the first three months of the financial year 2013/2014 were equal to Euro 33,054 thousands, an increase of 5.4% compared to the same period of the prior financial year. At constant exchange rates the increase would have been instead of 7.7% compared to the same period of the prior financial year.

The following table shows the revenues breakdown by channels.

<i>(in thousands of Euro)</i>	<b>I Quarter</b>			
	Financial Year 2013/2014	Financial Year 2012/2013	Change	Change %
<b>Retail</b>	13,068	10,863	2,205	20.3%
<i>Percentage on total revenues</i>	<i>39.5%</i>	<i>34.6%</i>		
<b>Wholesale</b>	19,986	20,494	(508)	-2.5%
<i>Percentage on total revenues</i>	<i>60.4%</i>	<i>65.3%</i>		
<b>Total revenues from sales and service</b>	<b>33,054</b>	<b>31,357</b>	1,697	5.4%
<i>Percentage on total revenues</i>	<i>99.9%</i>	<i>99.9%</i>		
Other revenues	17	44	(27)	-61.4%
<i>Percentage on total revenues</i>	<i>0.1%</i>	<i>0.1%</i>		
<b>Total Revenues</b>	<b>33,071</b>	<b>31,401</b>	1,670	5.3%

- In the retail channel revenues were equal to Euro 13,068 thousands, an increase of 20.3% at current exchange rates (+24.1% at constant exchange rates) compared to the same period of the previous financial year, confirming a positive long-term trend that testifies to the quality of the offer both in the mono-brand Damiani boutiques in Italy and abroad and in the multi-brand Rocca, present almost

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### *Consolidated Interim Financial Report at June 30 2013*

exclusively in Italy, that recorded a growth of 28%, in spite of the generalized contraction in the domestic consumption in luxury goods.

- In the wholesale channel revenues were equal to Euro 19,986 thousands, down by 2.5% at current exchange rates (-1% at constant exchange rates) compared to the first quarter of the prior financial year, still penalized by the contraction in the domestic market (-10.9%), heavily affected by the stagnation of consumption and by the resulting caution in purchases by the category of jewelers, while abroad overall recorded a growth of 15.9%, thanks to the growing fame and international visibility of Damiani brand.

#### Cost of production

Total net production costs in the first three months of the financial year 2013/2014 were equal to Euro 33,643 thousands, an increase of Euro 1,143 thousands (+3.5%) compared to the same period of the previous financial year (Euro 32,500 thousands). The increase is less than proportional to the revenue growth, also benefits from the savings related to the reorganization carried out during the previous financial year.

#### EBITDA

The combined effect of revenues and net costs of production above described determined a negative EBITDA in the three months period ended June 30, 2013 equal to Euro 572 thousands, an improvement of Euro 528 thousands compared to the negative gross operating result of Euro 1,100 thousands in the same period of the previous financial year.

#### Amortization and depreciation

In the three months period ended June 30, 2013 the value of amortization and depreciation amounted to Euro 796 thousands, an increase of Euro 68 thousands compared to the same period of the prior financial year (Euro 728 thousands), as a direct result of the investments made in the previous months to the development of the retail channel.

#### Operating result

Overall the Group's operating result in the first quarter of the financial year 2013/2014 was negative but an improvement of Euro 460 thousands compared to the loss recorded in the same period of the previous financial year.

#### Net financial incomes/(expenses)

The balance of net financial incomes/(expenses) in the first three months of the financial year 2013/2014 was negative for Euro 368 thousands, an improvement of Euro 115 thousands compared to the negative balance of Euro 483 thousands in the prior year period.

#### Current, prepaid and deferred taxes

In the three months period ended June 30, 2013 taxes had a negative impact equal to Euro 365 thousands compared to a negative balance of Euro 651 thousands in the same period of the financial year 2012/2013.

#### Net Result

The Net consolidated result of the Group in the first three months of the financial year 2013/2014 was negative for Euro 2,033 thousands compared to a loss for Euro 2,827 thousands in the same period of the financial year 2012/2013, with a consequent improvement of Euro 794 thousands.

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Capital and financial situation

The following table shows the reclassified consolidated balance sheet of Damiani Group at June 30, 2013, compared to that at March 31, 2013, and then discussed the main changes.

<b>Balance sheet data</b> <i>(In thousands of Euro)</i>	<b>June 30 2013</b>	<b>March 31 2013</b>	<b>change</b>
Fixed Assets	49,438	49,191	247
Net working capital	63,155	67,553	(4,398)
Non current Liabilities	(5,699)	(6,622)	923
<b>Net Capital Invested</b>	<b>106,894</b>	<b>110,122</b>	<b>(3,228)</b>
Net Equity	72,587	77,159	(4,572)
Net Financial Position (*)	34,307	32,963	1,344
<b>Sources of Financing</b>	<b>106,894</b>	<b>110,122</b>	<b>(3,228)</b>

(\*) The net financial position is determined according to the indications of Consob (Italian SEC) communication DEM/6064923 of July 28, 2006.

Net Capital Invested

As of June 30, 2013 the Group's net capital invested was Euro 106,894 thousands, a decrease of Euro 3,228 thousands compared to March 31, 2013 (Euro 110,122 thousands). The reduction is mainly due to the decrease of net working capital (for Euro 4,398 thousands) for which the dynamics of its components (trade receivables and payables, inventories) is related to the normal trend of production/distribution process. The careful management of the working capital is also evidenced by the reduction compared to last June 2012, when the amount was Euro 67,303 thousands.

Net Equity

At June 30, 2013 Net equity amounted to Euro 72,587 thousands, a decrease of Euro 4,572 thousands compared to March 31, 2013, due to the effect of the negative result for the period (net loss of Euro 2,101 thousands, including minority interests), and the effects from currency translation booked under other reserves in shareholders' equity. In the first quarter of the financial year 2013/2014 were not made purchases of own shares.

Net Financial Position

The composition of the net financial position as of June 30, 2013 and its evolution with respect to March 31, 2013 is given in the following table.

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<b>Net Financial Position (*)</b> <i>(in thousands of Euro)</i>	<b>June 30 2013</b>	<b>March 31 2013</b>	<b>change</b>
Medium-Long term loans and financing- Current portion	5,524	5,500	24
Usage of credit lines, short term financing and others	21,498	21,493	5
Medium-Long term loans and financing with related parties- Current portion	937	1,042	(105)
<b>Current financial indebtness</b>	<b>27,959</b>	<b>28,035</b>	<b>(76)</b>
Medium-Long term loans and financing- Non current portion	5,149	4,500	649
Medium-Long term loans and financing with related parties- Non current portion	7,988	8,263	(275)
<b>Non-current financial indebtness</b>	<b>13,137</b>	<b>12,763</b>	<b>374</b>
<b>Total financial indebtness</b>	<b>41,096</b>	<b>40,798</b>	<b>298</b>
Current financial receivables	0	(147)	147
Cash and cash equivalents	(6,789)	(7,688)	899
<b>Net Financial Position (*)</b>	<b>34,307</b>	<b>32,963</b>	<b>1,344</b>

(\*) The net financial position is determined according to the indications of Consob (Italian SEC) communication DEM/6064923 of July 28, 2006.

At June 30, 2013 the Group had a net financial debt of Euro 34,307 thousands, a decrease of Euro 1,344 thousands compared to March 31, 2013, due to both the negative economic performance of the period and to the change in net working capital.

It should be noted that at June 30, 2013 the net financial position includes Euro 8,925 thousands of payables to related party for real estate transactions accounted for as sale and lease back. Excluding this component, the net debt to the banking system at June 30, 2013 amounted to Euro 25,382 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, the 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 within the operational responsibilities of Group management.

In accordance with this operating model, the segment information is supplied, 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 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 distributes the Group products in the whole continent and the Mexican subsidiary Damiani Mexico S.A. de CV;
- 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.

As a result of the reorganization within the Damiani Group implemented during the previous financial year 2012/2013 which resulted in the reallocation of operational activities within the Italian and foreign subsidiaries, in order to maintain comparability between periods in the economic information by geographical segments we proceed also using data taken from internal management systems of the Group, to properly allocate revenues and operating costs on the geographical areas that receive/use these components.

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In the following table are shown revenues by geographical sectors in the three months period ended June 30, 2013 and in the corresponding period of the previous financial year.

<b>Revenues by Geographical Area</b> <i>(in thousands of Euro)</i>	<b>I Quarter</b>					
	Financial Year 2013/2014	% of total	Financial Year 2012/2013	% of total	Change % at current exchange rate	Change % at constant exchange rate
<b>Italy</b>	<b>22,204</b>	67.1%	<b>21,912</b>	69.8%	1.3%	1.3%
- Revenues from sales and services	22,191		21,872			
- Other revenues	13		40			
<b>Rest of the World</b>	<b>7,358</b>	22.2%	<b>6,330</b>	20.2%	16.2%	17.0%
- Revenues from sales and services	7,356		6,327			
- Other revenues	2		3			
<b>Japan</b>	<b>2,564</b>	7.8%	<b>2,263</b>	7.2%	13.3%	42.5%
- Revenues from sales and services	2,562		2,262			
- Other revenues	2		1			
<b>Americas</b>	<b>945</b>	2.9%	<b>896</b>	2.9%	5.4%	7.3%
- Revenues from sales and services	945		896			
- Other revenues	-		-			
<b>Total Revenues</b>	<b>33,071</b>	100.0%	<b>31,401</b>	100.0%	5.3%	7.7%

The revenues by geographical areas showed the following trends:

- Revenues in **Italy** showed a slight increase compared to the same period of the financial year 2012/2013 thanks to strong sales in the retail channel which offset the decline in wholesale, still penalized by the stagnation of consumption of domestic consumers;
- In the **Rest of the World** the increase of 16.2% at current exchange rate (+17.0% at constant exchange rate) compared to the same period of the prior financial year confirmed the growing fame of the Damiani brand in countries where the Group is focusing its development efforts (mainly in Far East);
- The increase of revenues in **Japan** (+13.3% at current exchange rate; +42.5% at constant exchange rate) confirmed the right strategy in the country with a repositioning of the brand that is appreciated both at retail and wholesale;
- Even in the **Americas** the revenues are on the increase (+5.4% at current exchange rate, +7.3% at constant exchange rate) due to higher wholesale sales.

Overall, the weight of foreign revenues in the first quarter of the financial year 2013/2014 is about 33% of the total (about 30% in the first quarter of the previous financial year).

The following table shows the EBITDA breakdown by geographical areas in the first three months of the financial year 2013/2014 and in the corresponding period of the previous year.

<b>EBITDA by Geographical Area (*)</b> <i>(in thousands of Euro)</i>	<b>I Quarter</b>		
	Financial Year 2013/2014	Financial Year 2012/2013	change
Italy	(382)	(2,526)	2,144
Rest of the World	635	2,909	(2,274)
Japan	(488)	(933)	445
Americas	(337)	(550)	213
<b>Consolidated EBITDA</b>	<b>(572)</b>	<b>(1,100)</b>	528
<i>% of revenues</i>	<i>-1.7%</i>	<i>-3.5%</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 of reference, the criteria employed 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** showed an improvement of the gross operating profit compared to the same period of the last financial year due to both the increase in revenues, in the retail channel, and by lower operating costs.
- In the **Rest of the World** the worsening of EBITDA even in the presence of increasing revenues was attributable to higher operating expenses to support growth especially in the Greater China.
- The improvement in EBITDA in **Japan** was attributable to the growing turnover made by the subsidiary.
- The improvement in EBITDA in the **Americas** was mainly due to the savings on the operating costs, in the presence of increasing revenues.

### Transactions with related parties

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

Data concerning dealings of the Group with related parties in the period ended June 30, 2013 and in the same period of the previous financial year are displayed hereunder.

<i>(in thousands of Euro)</i>	I Quarter 2013/2014		Balance at June 30, 2013		
	Operating costs	Financial expenses	Other Current assets	Financial debt (including leasing)	Trade payables
<b>Total with related parties</b>	(266)	(209)	948	(8,925)	(4,128)
<b>Total from Financial Statements</b>	(34,439)	(536)	10,471	(41,096)	(47,708)
<b>% age weight</b>	1%	39%	9%	22%	9%

<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	(34,050)	(51,375)
<b>% age weight</b>	1%	44%	8%	30%	2%

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

In the reference quarter there were no positions or transactions deriving from atypical and/or unusual and non-recurring operations as defined in the Consob ruling n. 15519 as of July 27, 2006.

### Significant events of the quarter

After having obtained the authorization by the Indian competent body in November 2012, on April 15, 2013 resulted in the transfer of 51% of the share capital of Damiani India Pvt. Ltd from the Indian partner, owner of all the shares, to Damiani International B.V., a subsidiary 100% owned by Damiani S.p.A. The Indian company currently operates a flagship store Damiani in New Delhi at the prestigious Oberoi Hotel.

From 14 to 20 April 2013 the Damiani Group has organized, with the prestigious collaboration of the diva Sophia Loren, four important events in Singapore, Beijing, Shanghai and Honk Kong to promote the Damiani brand and its prestigious collections, excellence of Made in Italy, in Asia, meeting with clients, and local media and personalities and getting general appreciation.

In the month of May 2013 Damiani won the Andrea Palladio International Jewellery Award for Best communication campaign 2012/2013, sponsored by the Vicenza Fair and dedicated to excellence in design, production and communication in jewelry.

In the month of May 2013 Damiani opened its first DOS in Beijing, at Beijing Charter, the new mall dedicated to luxury located in the west of Chinese metropolis.

Also in the month of May has been opened in Turin, in the central Via Roma, a new store with the signboard Rocca Tr3nd, the new young retail concept that savor the luxury (jewelry and watches) in an accessible way. After the recent openings within the Coin department stores in Milan and Rome, Turin is the third store in Italy, and the first on the road, with the signboard Rocca Tr3nd.

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

In the month of July 2013, as part of the expansion strategy in the countries of the former Soviet Union, was opened a new store Damiani at the Vnukovo airport in Moscow. With this store, managed by a local partner, the Group is currently present in the Russian capital with four stores.

### **Business Outlook**

The results of the first quarter, in line with expectations and with the seasonality of the sector, arise from the strategy that the Damiani Group has adopted and which is progressively implementing, with a strong focus on internationalization and retail channel, without neglecting the domestic market, which is always reference area for the Group, despite the difficulties associated with the generalized crisis of consumption. Considering even the benefits on the operational costs resulting from structural measures of savings realized during the previous financial year, it is believed that the Group will record in the current financial year growth in turnover and recovery of operating profitability.

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 article 70, paragraph 8, and 71, paragraph 1-bis, of Consob Regulation n. 11971/99 and subsequent changes and additions.

Valenza, August 9 2013

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



## CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2013

### CONSOLIDATED BALANCE SHEET STATEMENT

At June 30, 2013 and at March 31, 2013.

(in thousands of Euro)

	June 30 2013	March 31 2013
<b>NON-CURRENT ASSETS</b>		
Goodwill	4,984	4,984
Other Intangible Fixed Assets	4,415	4,930
Tangible Fixed Assets	17,576	16,907
Investments	167	167
Financial receivables and other non current assets	4,070	4,349
Deferred tax assets	18,226	17,854
<b>TOTAL NON-CURRENT ASSETS</b>	<b>49,438</b>	<b>49,191</b>
<b>CURRENT ASSETS</b>		
Inventories	87,727	83,434
Trade receivables	20,115	25,126
Tax receivables	1,341	1,373
Other current assets	10,471	10,799
	<i>of which towards related parties</i>	<i>948</i>
Current financial receivables	-	147
Cash and cash equivalents	6,789	7,688
<b>TOTAL CURRENT ASSETS</b>	<b>126,443</b>	<b>128,567</b>
<b>TOTAL ASSETS</b>	<b>175,881</b>	<b>177,758</b>
<b>GROUP SHAREHOLDERS' EQUITY</b>		
Share Capital	36,344	36,344
Reserves	35,812	46,796
Group net income (loss) for the period	(2,033)	(8,563)
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>	<b>70,123</b>	<b>74,577</b>
<b>MINORITY SHAREHOLDERS' EQUITY</b>		
Minority share capital and reserves	2,532	2,781
Minority net income (loss) for the period	(68)	(199)
<b>TOTAL MINORITY SHAREHOLDERS' EQUITY</b>	<b>2,464</b>	<b>2,582</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>72,587</b>	<b>77,159</b>
<b>NON CURRENT LIA BILITIES</b>		
Long term financial debt	13,137	12,763
	<i>of which towards related parties</i>	<i>7,988</i>
Termination Indemnities	4,189	4,208
Deferred Tax liabilities	512	547
Risk reserves	755	1,296
Other non current liabilities	243	571
<b>TOTAL NON CURRENT LIA BILITIES</b>	<b>18,836</b>	<b>19,385</b>
<b>CURRENT LIA BILITIES</b>		
Current portion of long term financial debt	6,461	6,542
	<i>of which towards related parties</i>	<i>937</i>
Trade payables	47,708	45,604
	<i>of which towards related parties</i>	<i>4,128</i>
Short term borrowings	21,498	21,493
Income tax payables	2,634	1,993
Other current liabilities	6,157	5,582
<b>TOTAL CURRENT LIA BILITIES</b>	<b>84,458</b>	<b>81,214</b>
<b>TOTAL LIA BILITIES</b>	<b>103,294</b>	<b>100,599</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIA BILITIES</b>	<b>175,881</b>	<b>177,758</b>

## CONSOLIDATED INCOME STATEMENT

For the three months period ended June 30, 2013 and June 30, 2012.

<i>(in thousands of Euro)</i>	I Quarter	
	Financial Year 2013/2014	Financial Year 2012/2013
Revenues from sales and services	33,054	31,357
Other recurring revenues	17	44
<b>TOTAL REVENUES</b>	<b>33,071</b>	<b>31,401</b>
Costs of raw materials and consumables	(17,413)	(16,105)
Costs of services	(10,280)	(9,311)
<i>of which towards related parties</i>	<i>(266)</i>	<i>(295)</i>
Personnel cost	(6,588)	(6,854)
Other net operating (charges) incomes	638	(231)
Amortization and depreciation	(796)	(728)
<b>TOTAL OPERATING EXPENSES</b>	<b>(34,439)</b>	<b>(33,228)</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,368)</b>	<b>(1,828)</b>
Financial Expenses	(536)	(554)
<i>of which towards related parties</i>	<i>(209)</i>	<i>(241)</i>
Financial Incomes	168	71
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(1,736)</b>	<b>(2,310)</b>
Income Taxes	(365)	(651)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>(2,101)</b>	<b>(2,961)</b>
Attributable to:		
Group	(2,033)	(2,827)
Minorities	(68)	(134)
Basic Earnings (Losses) per Share (*)	(0.03)	(0.04)
Diluted Earnings (Losses) per Share (*)	(0.03)	(0.04)

(\*) The earnings (losses) per share are calculated by dividing the net result for the period belonging to the ordinary shareholders of the Issuer Damiani S.p.A. by the weighted average number of the shares in circulation during the 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 2013/2014	Financial Year 2012/2013
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	77,620,085	77,755,484
<b>Basic Earnings (Losses) per Share (amount in Euro)</b>	<b>(0.03)</b>	<b>(0.04)</b>

**Diluted Earnings (Losses) per Share**

	I Quarter	
	Financial Year 2013/2014	Financial Year 2012/2013
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	77,620,085	77,755,484
Weighted average number of ordinary shares for computation of basic earnings per share	77,620,085	77,755,484
<b>Diluted Earnings (Losses) per Share (amount in Euro)</b>	<b>(0.03)</b>	<b>(0.04)</b>

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

For the three months period ended June 30, 2013 and June 30, 2012.

<i>(in thousands of Euro)</i>	I Quarter	
	Financial Year 2013/2014	Financial Year 2012/2013
<b>Net Income (Loss) for the period</b>	<b>(2,101)</b>	<b>(2,961)</b>
Gain (Losses) on cash flow hedging	0	3
Fiscal effect	(0)	(1)
Gain (Losses) on exchange differences on translating foreign operations	(2,922)	651
Fiscal effect	420	371
<b>Total comprehensive Income (Loss) for the period</b>	<b>(4,603)</b>	<b>(1,937)</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months period ended June 30, 2013 and June 30, 2012.

<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, 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>
<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, 2013</b>	<b>36,344</b>	<b>69,858</b>	<b>2,434</b>	<b>0</b>	<b>8,618</b>	<b>455</b>	<b>(8,134)</b>	<b>(26,434)</b>	<b>(8,563)</b>	<b>74,577</b>	<b>2,582</b>	<b>77,159</b>
Allocation of the result for the period								(8,563)	8,563			-
Other comprehensive income(loss)				0				(2,452)	(2,033)	(4,485)	(118)	(4,603)
Stock option						31				31		31
<b>Balances at June 30, 2013</b>	<b>36,344</b>	<b>69,858</b>	<b>2,434</b>	<b>0</b>	<b>8,618</b>	<b>486</b>	<b>(8,134)</b>	<b>(37,449)</b>	<b>(2,033)</b>	<b>70,123</b>	<b>2,464</b>	<b>72,587</b>

## CONSOLIDATED CASH FLOW STATEMENT

For the three months period ended June 30, 2013 and June 30, 2012.

	I Quarter	
<i>(In thousands of Euro)</i>	Financial Year 2013/2014	Financial Year 2012/2013
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
Net income (loss) for the period	(2,101)	(2,961)
<i>Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:</i>		
Amortization, depreciation and write-downs	796	728
Costs / (Revenues) for stock option	31	46
Provisions to Bad Debts Reserve	-	140
Provisions (releases) to risks reserves	(541)	-
Changes in the Fair value of Financial Instruments	29	2
Changes in Termination Indemnity	(19)	70
Changes in the deferred tax assets and liabilities	(407)	(277)
	<u>(2,212)</u>	<u>(2,252)</u>
<i>Changes on operational assets and liabilities</i>		
Trade receivables	5,011	7,654
Inventories	(4,293)	(4,406)
Trade payables	2,104	195
Tax receivables	32	(74)
Income Tax payables	641	1,667
Other current and non current assets and liabilities	546	(1,091)
	<u>1,829</u>	<u>1,693</u>
<b>NET CASH FLOW PROVIDED (ABSORBED) BY OPERATING ACTIVITIES (A)</b>		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Tangible Fixed Assets purchased	(1,078)	(128)
Intangible Fixed Assets purchased	(6)	(2)
Incorporation Damiani India	(5)	-
Net change in the other non current assets	279	(268)
	<u>(810)</u>	<u>(398)</u>
<b>NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES (B)</b>		
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of long-term debt	293	(2,636)
Net change in short-term financial liabilities	152	1,440
Other changes in Net Equity	(2,363)	795
	<u>(1,918)</u>	<u>(401)</u>
<b>NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES (C)</b>		
<b>TOTAL CASH FLOW (D=A+B+C)</b>	<b>(899)</b>	<b>894</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)</b>	<b>7,688</b>	<b>6,658</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E)</b>	<b>6,789</b>	<b>7,552</b>

**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" (T.U.F.) 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