

DAMIANI S.p.A.

Consolidated Interim Financial Report as of December 31, 2013

(9 months period – April/December 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 Euro 36,344,000
Tax and Vat registration no. 01457570065

February 14, 2014

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CORPORATE BODIES Board of Directors ⁽¹⁾

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)

Fabrizio Redaelli (Director)

Board of Statutory Auditors ⁽²⁾

Gianluca Bolelli (President)

Simone Cavalli (Statutory Auditor)

Milena Motta (Statutory Auditor)

Fabio Massimo Micaludi (Alternate Auditor)

Paola Mignani (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

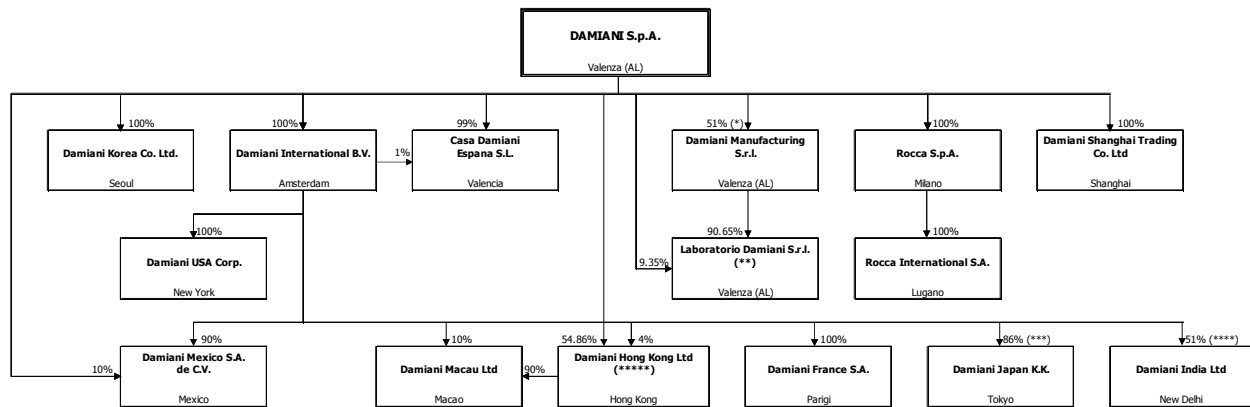
Giancarlo Malerba

¹ 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.

² Appointed by the Shareholders' Meeting of July 26, 2013.

REPORT ON OPERATIONS ⁽³⁾

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

(****) 49% is held by Mehta family, Indian partner of the JV

(*****) From December 31, 2013 as a result of a capital increase, 27.43% is held by Simest S.p.A. and 13.71% by the Venture Capital Fund of the Italian Ministry of Economic Development

Damiani S.p.A. (hereinafter referred to as "Company"), apart from directly performing production and commercial activities, is responsible for carrying out strategic and coordination activities for Damiani Group (hereinafter referred to as "Group") and technical and financial assistance both for production and 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 as of December 31, 2013 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 consolidated financial statements intercompany transactions have been eliminated.

During the first nine months of the financial year 2013/2014 the composition of the Group underwent the following changes:

- on April 15, 2103 resulted in the transfer of 51% of the share capital of Damiani India Private Ltd by the previous Indian owner in Damiani International B.V., the Dutch company 100% owned by Damiani S.p.A.. The transfer of n. 357,000 shares (at a price of 10 Indian Rupees each) resulted in an outflow for the Group in Indian Rupees (INR) of 3.57 million, amounting to approximately Euro 51 thousands. Subsequently Damiani International B.V. subscribed a capital increase, to its share, which resulted in an additional outlay of INR 14,779,800 (approximately Euro 210 thousands). The Indian company currently manages a Damiani flagship store in New Delhi, at the prestigious Oberoi Hotel.
- On December 31, 2013 the capital increase in the subsidiary Damiani Hong Kong Ltd has finalized, with the entry of new minority shareholders (Simest S.p.A. and Venture Capital Fund of the Ministry of Economic Development), and the resulting transformation of the shareholding of the company. The capital increase for a total of HK\$ 70,000,000 has occurred either through cash contribution (46.5% of the total) and through the conversion of commercial and financial debt the subsidiary had to Damiani S.p.A. (for the remaining 53.5%). Therefore, the share capital of Damiani Hong Kong Ltd after the increase amounts to HK\$ 72,500,000 (approximately Euro 7,292 thousands), with 58.86% held by the Group (by Damiani S.p.A. 54.86% and by Damiani International B.V. 4%) and the remaining 41.14% by minorities. At December 31, 2013 Damiani Hong Kong Ltd manages three Damiani points of sales located in the Asian metropolis.

³ The Damiani Group closes its financial year at March 31, and therefore the period from April 1 to December 31 represents the first nine months of the financial year that will end on March 31, 2014 (hereafter Financial Year 2013/2014). For comparative purposes are shown also the figure related to the prior year period, nine months of the Financial Year 2012/2013.

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, particularly in the timepiece sectors.

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 stores directly managed by the Group. As of December 31, 2013 the Point of Sales ("POS") were 55, with the breakdown shown in the table:

Boutiques and corners	Italy	Rest of the World	Japan	Total
Mono-brand Damiani	9	16	13	38
Mono-brand Bliss	1	-	-	1
Multi-brand Rocca	15	1	-	16
Total	25	17	13	55

Criteria used and accounting standards

Damiani Group prepared the Consolidated interim financial report as of December 31, 2013, 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, 2013 and the Consolidated interim financial report as of September 30, 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 and then until the approval of the Financial statements at March 31, 2015.

The new Board of Directors of Damiani S.p.A. met on July 26, 2012 appointed Guido Grassi Damiani as President and CEO, Giorgio and Silvia Grassi Damiani as Vice-Presidents.

Following the 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 designated to form the Remuneration Committee and the Audit and Risk Committee.

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

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

The Board of Directors of Damiani S.p.A. of November 29, 2013 has appointed Giorgio Grassi Damiani as Director in charge of the system of internal control and risk management, in place of the Director Stefano Graidì that gave up this position for unexpected commitments.

Share buy-back program

The Shareholders' Meeting of July 26, 2013 renewed the authorization, subject to the revocation of the resolution adopted by the Shareholders' Meeting of July 26, 2012 to the extent not used, to the purchase and disposal of treasury 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:

- 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 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 and article 144bis of Consob Regulation n. 11971/1999) and respecting the principle of equal treatment of shareholders and any other regulations, including Community rules.

As of December 31, 2013 Damiani S.p.A. holds n. 5,556,409 treasury shares, equal to 6.73% of the share capital, and no treasury stocks were purchased or sold during April-December 2013.

Stock option plans

At the date of approval of this Consolidated interim financial 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 on July 22, 2009 and implemented by the Board of Directors on September 24, 2009 and relates to the sale of option in one or more tranches within five years from the approval of the Meeting, to the management of the Damiani Group for the purchase of a maximum of 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 on July 22, 2009 and concerning the free allocation of a maximum of n. 1,000,000 Damiani shares to employees and directors of the Damiani Group, in one or more tranches within five years from the approval of the Meeting; this plan as so far been the subject of two cycles of implementation, both concluded, approved by the Board of Directors respectively on September 10, 2009 and June 10, 2011 (and amended on February 10, 2012).
- Stock Option Plan 2010, approved by the Shareholders' Meeting on July 21, 2010 and concerning the free allocation of options to purchase a maximum of n. 3,500,000 Damiani shares to directors, executives, managers, employees, consultants and co-workers, including agents, of the Damiani Group, in one or more tranches within five years from the approval of the Meeting. The Plan was amended by the Shareholders' Meeting of July 27, 2011 and was the subject of a single cycle of implementation approved by the Board of Directors on April 21, 2011 (amended on February 10, 2012), which is still valid.

For more information please refer to the Remuneration Report, prepared by the Board of Directors of Damiani S.p.A. pursuant to article 123-ter of Legislative Decree n. 58/1998 and article 84-quater of Consob Regulation n. 11971/1999 and available on the website www.damiani.com.

Financing operations

In order to face up effectively the needs of medium-term related to investments required for the development of the Group, mainly in international markets, and the recovery of profitability, have been

recently completed two financing operations which also determine the rebalancing, in terms of time, between sources and uses.

The first transaction was the issuance by Damiani S.p.A. of a non-convertible bond with a nominal value of Euro 5,000 thousands reserved for subscription of executive directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani. The duration of the bond is defined in six years, from October 1, 2013 to September 30, 2019, repayable in a single installment on the due date, and annual compensation at a fixed rate of 5.5%, postpaid in annual installments, the first of which will take place December 31, 2014. Pursuant to article 5 of Consob Regulation n. 17221/2010, which governs transactions with related parties and article 6 of the Procedure for transactions with related parties approved by the Board of Directors of Damiani S.p.A. on November 26, 2010 and subsequently updated on February 10, 2012, was prepared the Disclosure Document relating to the bond issue, due to the importance constituted by this operation which has also received a positive opinion by the Audit and Risk Committee on September 20, 2013. The Disclosure Document is available at the registered office and at the website www.damiani.com in the Investor relations section.

The second operation consists of a medium-long term loan underwritten by Damiani S.p.A. with a syndicate of banks on November 6, 2013 for an amount up to a maximum of Euro 11,000 thousands which is intended to support the continued operation of the Damiani Group, mainly by financing industrial investments and the initial stock required for the development of the retail channel. Disbursements are subject to effective implementation of the investment plan of the Group and to comply with financial covenants stated in the contract and verified quarterly by lenders. On the amounts disbursed interest are calculated at the six-month Euribor rate, plus a spread of 6.05% per annum. The repayment of the credit lines runs from the 30th month following the signature of the contract, to be completed after 66 months from the signature according to the established plan.

As a guarantee of the bank loan, the executive directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani have signed an undertaking to Equity Commitment, consisting of financial support up to a maximum of Euro 5.000 thousands, in the event of breach of the financial covenants stated in the contract. This commitment of the related parties is part of "ordinary" to "market conditions" transactions, as approved by the Audit and Risk Committee on November 4, 2013.

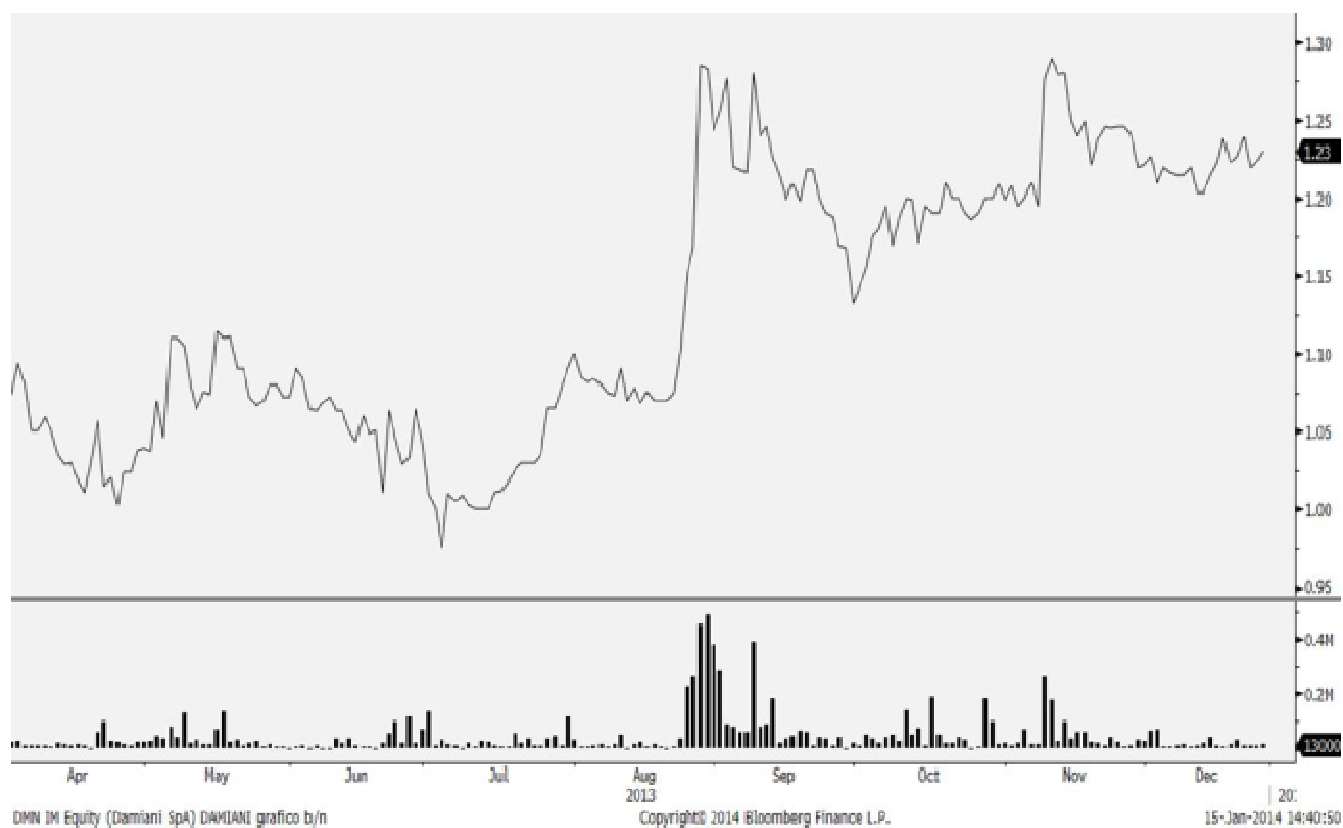
Therefore, pursuant to article 8.1 letter f) of the current Procedure for transactions with related parties of Damiani S.p.A. and in accordance with article 13, paragraph 3, letter c) of Consob Regulation n. 17221/2010 is not required the publication of the Disclosure Document, but we proceeded to inform Consob on November 13, 2013.

At the date of approval of this Interim Report, February 14, 2014, Damiani S.p.A. based on the progress of its investment plan, properly documented in accordance with the procedures laid down in the contract, received by the lending banks a total of Euro 6,012 thousands.

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 nine months of the financial year 2013/2014.

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The main share and market data for the nine months period closed at December 31, 2013 are reported below.

Damiani in the Stock Market*

Price on April, 2nd 2013 (euro)	1.074
Price on December 30th, 2013 (euro)	1.230
Maximum price (euro)	1.290 (11th November 2013)
Minimum price (euro)	0.975 (3rd July 2013)
Average volumes	45,600
Maximum volumes	490,623 (29th August 2013)
Minimum volumes	10 (10th June 2013)
N° shares Company capital	82,600,000
Market capitalisation at December 30th, 2013 (euro mln)	101.6 mln €

* The table above summarizes the main share data as of December 30th, 2013

Source: Bloomberg (trade prices)

Key Data

Share Capital	December 31, 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

Ownership	% 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. (treasury 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

Individual	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 treasury 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 December 31, 2013 the treasury 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 treasury shares of Damiani S.p.A.

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Main economic data	Nine months	
	Financial Year 2013/2014	Financial Year 2012/2013 (restated)*
<i>(in thousands of Euro)</i>		
Revenues from sales and services	110,292	107,483
Total revenues	110,330	107,626
Cost of production	(110,059)	(108,439)
EBITDA (**)	271	(813)
EBITDA %	0.2%	-0.8%
Amortization and depreciation	(2,465)	(2,228)
Operating income	(2,194)	(3,041)
Operating income %	-2.0%	-2.8%
Net financial income (expenses)	(1,148)	(1,434)
Result before taxes	(3,342)	(4,475)
Net result of the Group	(3,561)	(4,699)
Basic Earnings (Losses) per Share	(0.05)	(0.06)
Personnel cost	(18,975)	(20,352)
Average number of employees (***)	581	568

(*) Economic data restated for the first nine months of the financial year 2012/2013 include the effects arising from IAS 19 (2011) ⁽⁴⁾.

(**) 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 adopted, 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 in the two periods compared.

Balance sheet data	December 31, 2013	March 31, 2013
<i>(in thousands of Euro)</i>		
Fixed Assets	48,562	49,191
Net working capital	76,073	67,553
Non current Liabilities	(6,138)	(6,622)
Net Capital Invested	118,497	110,122
Shareholders' Equity	73,130	77,159
Net Financial Position (*)	45,367	32,963
Sources of Financing	118,497	110,122

(*) Net financial position has been determined on the basis of the indications of Consob communication n. DEM/6064293 of July 28, 2006.

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

Total revenues for the Damiani Group in the first nine months of the financial year 2013/2014 amounted to Euro 110,330 thousands, an increase of 2.5% compared to those recorded in the same period of the previous financial year. The operating result was negative for Euro 2,194 thousands, but an improvement of Euro 847 thousands compared to the results achieved in the first nine months of the previous financial year, which included a non-recurring income of Euro 1,955 thousands, for the compensation for loss of goodwill received for the issuance of a shop. Excluding this component, which positively impacted the Group's

⁴ IAS 19 (2011) has introduced a number of changes in accounting for defined benefit plans, including actuarial gains and losses that are now recognized as other components of comprehensive income and permanently excluded from the income statement. It requires recognition in the income statement net interest on liabilities (assets) of the plan. That interest should be calculating using the same rate of interest used to discount the obligation. The Group has applied IAS 19 (2011) from April 1, 2013 and has retrospectively adjusted the financial statements at March 31, 2013 and at December 31, 2012, as if the standards have already been applied.

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operating performance, the improvement registered would be equal to Euro 2,802 thousands, confirming the correctness of the actions undertaken also on the cost structure.

The net loss of the Group amounted to Euro 3,561 thousands, an increase of Euro 1,138 thousands compared to the first nine months of the financial year 2012/2013.

The following table shows the income statement for the first nine months of the financial year 2013/2014, compared with the statement for the corresponding period of the previous financial year, and are therefore discussed the trends of the main economic variables.

Income statement	Nine Months	
	Financial Year 2013/2014	Financial Year 2012/2013 (restated)*
<i>(in thousands of Euro)</i>		
Revenues from sales and services	110,292	107,483
Other revenues	38	143
Total revenues	110,330	107,626
Cost of production	(110,059)	(108,439)
EBITDA (**)	271	(813)
EBITDA %	0.2%	-0.8%
Depreciation and amortization	(2,465)	(2,228)
Operating income	(2,194)	(3,041)
Operating income %	-2.0%	-2.8%
Net financial incomes (expenses)	(1,148)	(1,434)
Result before taxes	(3,342)	(4,475)
Result before taxes %	-3.0%	-4.2%
Taxes	(511)	(403)
Net result	(3,853)	(4,878)
Net result %	-3.5%	-4.5%
Non controlling interests	(292)	(179)
Net result of the Group	(3,561)	(4,699)
Net result of the Group %	-3.2%	-4.4%

(*) Economic data restated for the first nine months of the financial year 2012/2013 include the effects arising from IAS 19 (2011).

(**) 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 adopted, 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, which are not affected by non-recurring transactions and are expressed at current exchange rates, in the first nine months of the financial year 2013/2014 amounted to Euro 110,292 thousands, an increase of 2.6% compared to those recorded in the corresponding period of the previous financial year. The trend in exchange rates, particularly the depreciation of the Japanese yen against the euro, has affected the Group's performance: at constant exchange rates the increase in revenues would be equal to 5.6%, compared to the previous financial year.

The following table shows revenues by sales channel.

Revenues by Sales Channel <i>(in thousands of Euro)</i>	Nine Months	
	Financial Year 2013/2014	Financial Year 2012/2013
Retail	44,135	38,757
<i>Percentage on total revenues</i>	<i>40.0%</i>	<i>36.0%</i>
Wholesale	66,157	68,726
<i>Percentage on total revenues</i>	<i>60.0%</i>	<i>63.9%</i>
Total revenues from sales and services	110,292	107,483
<i>Percentage on total revenues</i>	<i>100.0%</i>	<i>99.9%</i>
Other revenues	38	143
<i>Percentage on total revenues</i>	<i>0.0%</i>	<i>0.1%</i>
Total Revenues	110,330	107,626

- In the retail channel revenues amounted to Euro 44,135 thousands, **an increase of 18.7% at constant exchange rates** and 13.9% at current exchange rates, compared to the same period of the previous financial year. The trend for the nine months confirms the positive long-term trend which testifies the quality of the offer of both Italian and foreign single-brand Damiani boutiques (**overall growth in revenues of 15.7% at current exchange rates**) and multi-brand Rocca, located almost exclusively in Italy, which recorded a growth of 13.4% in revenues, an increase of 14.5% of the Group's brands that attests to the appreciation of our collections. The weight of the retail revenues reached 40% of total revenues from sales of the Group, further growth over the first nine months of the previous financial year (36% of total).
- In the wholesale channel revenues amounted to Euro 66,157 thousands, a decrease of 1.9% at constant exchange rates and 3.7% at current exchange rates, compared to the first nine months of the previous financial year. The performance is still affected by the contraction in the domestic market (-5.0%), which was heavily penalized by the stagnation of consumption and the consequent caution in purchases from the wholesalers. In foreign countries continues the Group's penetration in the markets with the highest potential (mainly Russia and the former Soviet Republics, the Middle East and the Far East).

Cost of production

Overall, the net cost of production in the first nine months of the financial year 2013/2014 amounted to Euro 110,059 thousands, an increase of Euro 1,620 thousands (+1.5%) compared to the corresponding period of the previous year (Euro 108,439 thousands). The net costs of the previous year also included the non-recurring income for the compensation for loss of goodwill received for the issuance of a shop, for Euro 1,955 thousands. Therefore, net of this component the cost of production would result in a reduction of Euro 335 thousands, benefiting from the savings implemented.

EBITDA

The combined trend of revenues and net cost of production, described above, results in a positive EBITDA in the nine-month period ended December 31, 2013 for Euro 271 thousands, an increase for Euro 1,084 thousands compared to negative EBITDA of Euro 813 thousands for the same period of the previous financial year. **Net of the aforementioned non-recurring income recorded in the previous year, it would instead recorded an improvement in EBITDA equal to Euro 3,039 thousands.**

Amortization and depreciation

In the nine-month period ended December 31, 2013 the amount of depreciation and amortization amounted to Euro 2,465 thousands, an increase of Euro 237 thousands compared to the corresponding period of the

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previous year (Euro 2,228 thousands), as a direct result of the investments incurred in the prior months to the development of the retail channel (total capital expenditures in the current financial year amounted to Euro 3,374 thousands).

Operating result

The operating result of the Group in the first nine months of the financial year 2013/2014 was negative for Euro 2,194 thousands, but an improvement of Euro 847 thousands compared to the operating loss recorded in the corresponding period of the previous year. Net of the non-recurring income recorded in the previous financial year, as described above, it would instead be an improvement in the operating result equal to Euro 2,802 thousands.

Net financial incomes/(expenses)

The balance of financial management in the first nine months of the financial year 2013/2014 was a loss of Euro 1,148 thousands, an increase of Euro 286 thousands compared to the negative balance of Euro 1,434 thousands in the corresponding period of the financial year 2012/2013. The change was mainly due to positive contribution of the exchange gains.

Current, prepaid and deferred taxes

In the nine-month period ended December 31, 2013 income taxes had a negative impact of Euro 511 thousands compared to a negative balance of Euro 403 thousands in the same period of the financial year 2012/2013.

Net Result

The Group's consolidated net result for the first nine months of the financial year 2013/2014 was a loss for Euro 3,561 thousands compared to a net loss of Euro 4,69 thousands in the same period of the financial year 2012/2013, resulting in an improvement of Euro 1,138 thousands as a result of the trends above described.

Capital and financial situation

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

Balance sheet data <i>(in thousands of Euro)</i>	December 31, 2013	March 31, 2013
Fixed Assets	48,562	49,191
Net working capital	76,073	67,553
Non current Liabilities	(6,138)	(6,622)
Net Capital Invested	118,497	110,122
Shareholders' Equity	73,130	77,159
Net Financial Position (*)	45,367	32,963
Sources of Financing	118,497	110,122

(*) Net financial position has been determined on the basis of the indications of Consob communication n. DEM/6064293 of July 28, 2006.

Net Capital Invested

At December 31, 2013 the Group's Net capital invested was equal to Euro 118,497 thousands, an increase for Euro 8,375 thousands compared to March 31, 2013 (Euro 110,122 thousands). The change was due

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primarily to the growth in net working capital of Euro 8,520 thousands, for which the performance of its components (trade receivables and payables, inventories) is related to the normal trend of process manufacturing/distribution as well as the expansion of Group's retail network (which generates a growing demand for stocks). This expansion is also reflected in the value of fixed assets, which reduced to only Euro 629 thousands, as the investments made for the Group's development (overall Euro 3,374 thousands) largely offset by reduction in depreciation and other fixed assets.

Shareholders' Equity

At December 31, 2013 the Shareholders' equity amounted to Euro 73,130 thousands, a decrease of Euro 4,029 thousands compared to March 31, 2013, mainly due to: i) the negative result for the period (loss of Euro 3,853 thousands, including non-controlling interest); ii) capital increase in Damiani Hong Kong Ltd, with the contribution of the minority shareholders of Euro 2,789 thousands; iii) the effects of exchange rate on translation accounted in the other reserves of the shareholders' equity. In the first nine months of the financial year 2013/2014 were not made purchases of treasury shares.

Net Financial Position

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

Net Financial Position (*) (in thousands of Euro)	December 31, 2013	March 31, 2013
Current portion of loans and financing	4,285	5,500
Drawdown of credit lines, short term financing and others	25,764	21,493
Current portion of loans and financing with related parties	1,037	1,042
Current financial indebtedness	31,086	28,035
Non current portion of loans and financing	9,774	4,500
Non current portion of loans and financing with related parties	12,421	8,263
Non current financial indebtedness	22,195	12,763
Total gross financial indebtedness	53,281	40,798
Financial current assets	-	(147)
Cash and cash equivalents	(7,914)	(7,688)
Net Financial Position (*)	45,367	32,963

(*) Net financial position has been determined on the basis of the indications of Consob communication n. DEM/6064293 of July 28, 2006.

On December 31, 2013 the Group had a net financial debt of Euro 45,367 thousands, down by Euro 12,404 thousands compared to March 31, 2013, a result of cash flow absorbed by operating and investing activities in the first nine months of the current financial year. As a result of loans granted by the banking system in the current financial year (to December 31, 2013 amounted to Euro 9,362 thousands), and the private bond signed by the majority shareholders (Euro 5,000 thousands) the composition of debt between short term sources and medium/long term sources is more balance than March 31, 2013 and better correlated to the uses and to the investment plan to support the medium-term development of the Group, mainly abroad. The short-term credit lines, currently less costly for the Group, continue to be underutilized. Please note that at December 31, 2013 the net financial position includes Euro 8,458 thousands for debts towards related parties for real estate transactions accounted as sale and lease-back operations (at March 31, 2013 such debt amounted to Euro 9,305 thousands).

Key data by geographical areas

Damiani Group operates in a single operating segment in which there aren't any significant differences that could be considered as a basis for constituting separate business units. Therefore, the geographical dimension, featuring by the segments described afterwards, is subject of periodic observation and revision by the Directors as well as within the operational responsibilities of Group management. The segments include:

- 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 Rest of the World segment includes revenues and operating costs of the commercial subsidiaries with registered offices outside the national borders that distribute Group's products in their markets.

As a result of the reorganization of the Damiani Group implemented during the previous financial year 2012/2013 which resulted in a reallocation of operational activities within the Italian and foreign subsidiaries, to maintain comparability between periods in the segment information by geographical sectors are also used data taken from internal management systems of the Group, in order to properly allocate revenues and operating costs on the relevant geographical areas.

In the following table are shown revenues by geographical sectors in the nine-months period ended December 31, 2013 and in the same period of the prior financial year.

Revenues by Geographical Area (In thousands of Euro)	Nine Months			
	Financial Year 2013/2014	% of total	Financial Year 2012/2013	% of total
Italy	77,609	70.3%	76,477	71.1%
- revenues from sales and services	77,583		76,358	
- other revenues	26		119	
Rest of the World	32,720	29.7%	31,149	28.9%
- revenues from sales and services	32,709		31,125	
- other revenues	11		24	
Total revenues	110,330	100.0%	107,626	100.0%

Revenues by geographic area showed the following trends:

Revenues in **Italy** showed a slight increase compared to the same period of the previous financial year 2012/2013 thanks to strong sales in retail channel, which offset the decline in wholesale, still penalized by the stagnation in consumption of domestic consumers.

In the **Rest of the World** the revenues increased of 15% at constant exchange rates and of 5% at current exchange rates. Particularly badly affected by the exchange rate was **Japan, the second largest market of the Group, which recorded a revenue growth of 30.4% at constant exchange rates**, almost completely absorbed from the contextual depreciation of the yen against the euro. Good performance have been recorded also in the areas where the Group is concentrating its development efforts (particularly Russia and former Soviet Republics and Far East), confirms the growing reputation of the brand Damiani.

Overall, the weight of foreign revenues in the first nine months of the financial year 2013/2014 is about 30% of the total, a slight increase compared to the same period of the previous financial year.

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

EBITDA by Geographical Area *	Nine Months	
	Financial Year 2013/2014	Financial Year 2012/2013 (restated)**
<i>(in thousands of Euro)</i>		
Italy	3,342	1,004
Rest of the World	(3,071)	(1,817)
Consolidated EBITDA	271	(813)
% on Revenues	0.2%	-0.8%

(*) 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 adopted, 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.

(**) Economic data restated for the first nine months of the financial year 2012/2013 include the effects arising from IAS 19 (2011).

In terms of EBITDA, the **Italy** segment recorded an improvement in gross operating profit compared to the same period of the previous financial year both due to the increase in revenues from the retail channel and for reduction of operating costs.

In the **Rest of the World** the deterioration of EBITDA even in the presence of increasing revenues is attributable to higher operating costs to support growth especially in the Greater China.

Related parties transactions

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

Data concerning dealings of the Group with related parties in the nine-months period ended December 31, 2013 and in the same period of the prior financial year are displayed hereunder.

<i>(in thousands of Euro)</i>	First nine months 2013/2014		Balance at December 31, 2013			
	Net operating costs	Financial expenses	Other current assets	Financial debt (including leasing)	Other current liabilities	Trade payables
Total with related parties	(792)	(680)	712	(13,458)	(69)	(4,931)
Total from financial statements	(112,524)	(1,797)	10,712	(53,281)	(5,031)	(53,127)
% age weight	1%	38%	7%	25%	1%	9%

<i>(in thousands of Euro)</i>	First nine months 2012/2013		Balance at December 31, 2012		
	Net operating costs	Financial expenses	Other current assets	Financial debts (including leasing)	Trade payables
Total with related parties	(122)	(697)	1,411	(9,551)	(1,549)
Total from Financial Statements	(110,820)	(1,715)	12,825	(48,116)	(47,710)
% age weight	0.1%	40.6%	11.0%	19.8%	3.2%

Non-recurring, atypical and/or unusual operations

In the nine-months period there were no positions or transactions deriving from atypical and/or unusual and non-recurring transactions as defined by Consob Resolution n.15519 of July 27, 2006.

Significant events of the quarter

In October the Damiani Group's presence abroad is further increased with the opening of the first franchised Damiani boutique in Kyrgyzstan, a booming former Soviet republic in Central Asia.

Also in the month of October the second DOS was opened at Xin Tian Di, a trendy and elegant pedestrian area for shopping and leisure time in Shanghai, the Chinese megalopolis.

On November 20, 2013 has been organized the event for the reopening of the Damiani boutique in Rome, in via Condotti, completely renovated in 400 square meters on three floors, with the new concept presented in Via Montenapoleone in Milan, the previous year. Sophia Loren was the ambassador of the event, which was a great success with the Press and the selected guests.

The event in Rome also marked the start of the celebrations for the company's 90th anniversary, to be celebrated in 2014 and to continue in other key cities for the Group.

At the end of November 2013, Damiani obtained another international recognition with the victory in the *Watch & Jewellery Awards 2013* at Kuala Lumpur, Malaysia. The exhibition, in its seventh edition, awarded a prize to the 'Sophia Loren' necklace, a unique Masterpiece in diamonds weighing a total of 81 carats. The group has a franchised mono-brand Damiani boutique in Kuala Lumpur which was opened in September 2013.

Significant events after the end of the quarter

In January 2014, Damiani S.p.A. opened a new Damiani mono-brand point of sale in terminal T3 of the international airport Leonardo da Vinci, Fiumicino, in Rome. This opening is as further step in the strategy of expansion in the market sector consisting of travel retail after the inauguration of the Damiani boutique at Moscow airport in July 2013.

In January 2014, the capital increase of the subsidiary Damiani Macau Ltd has completed for an amount of MOP 20,300,000 (equivalent to approximately Euro 1,844 thousands), created as part of the recapitalization of the direct parent company Damiani Hong Kong Ltd (it owns 90% of the share capital of the subsidiary in Macau, while 10% is owned by Damiani International B.V.) and to support the Group's development in the Greater China. The transaction had no dilutive effect in the direct shareholdings.

Business Outlook

The trend of revenues in the first nine months of the current year, with the growth recorded in the international areas with the highest potential and in the retail channel, is consistent with expectations and confirms the correctness of the strategic initiatives launched with the aim of balancing the geographical breakdown of the distribution, with the traditional domestic market that, while maintaining its significant value, it is intended to reduce its percentage weight.

At the same time, the actions implemented on the configurations of the operating costs, with the aim of making it more flexible in some parts, are demonstrating the expected benefits.

Finally, interventions on financial sources have resulted in a better balance with the structure of uses and provided the necessary resources to support the Group in its expansion plans in the medium term.

The combined set of all these economic and financial factors leads management to believe that the financial year 2013/2014 will end with a recovery of profitability at the operating level, with optimistic forecasts for the start of the next financial year.

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.

Milan, February 14, 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2013 and at March 31, 2013.

<i>(in thousands of Euro)</i>	December 31, 2013	March 31, 2013 (restated)*
NON-CURRENT ASSETS		
Goodwill	4,984	4,984
Other Intangible Assets	4,268	4,930
Property, plant and equipment	18,140	16,907
Investments	167	167
Financial receivables and other non current assets	3,810	4,349
Deferred tax assets	17,193	17,854
TOTAL NON CURRENT ASSETS	48,562	49,191
CURRENT ASSETS		
Inventories	91,921	83,434
Trade receivables	32,977	25,126
Tax receivables	1,060	1,373
Other current assets	10,712	10,799
<i>of which towards related parties</i>	<i>712</i>	<i>788</i>
Current financial receivables	-	147
Cash and cash equivalents	7,914	7,688
TOTAL CURRENT ASSETS	144,584	128,567
TOTAL ASSETS	193,146	177,758
GROUP SHAREHOLDERS' EQUITY		
Share Capital	36,344	36,344
Reserves	35,389	46,623
Group net income (loss) for the period	(3,561)	(8,390)
TOTAL GROUP SHAREHOLDERS' EQUITY	68,172	74,577
NON CONTROLLING INTEREST		
Non controlling interest share capital and reserves	5,250	2,781
Non controlling interest net income (loss) for the period	(292)	(199)
TOTAL NON CONTROLLING INTEREST	4,958	2,582
TOTAL SHAREHOLDERS' EQUITY	73,130	77,159
NON CURRENT LIABILITIES		
Non current portion of long term financial debts	22,195	12,763
<i>of which towards related parties</i>	<i>12,421</i>	<i>8,263</i>
Employees' Termination Indemnities	4,879	4,208
Deferred tax liabilities	363	547
Provision for risks and charges	679	1,296
Other non current liabilities	217	571
TOTAL NON CURRENT LIABILITIES	28,333	19,385
CURRENT LIABILITIES		
Current portion of long term financial debts	5,322	6,542
<i>of which towards related parties</i>	<i>1,037</i>	<i>1,042</i>
Trade payables	53,127	45,604
<i>of which towards related parties</i>	<i>4,931</i>	<i>3,263</i>
Short term borrowings	25,764	21,493
Tax payables	2,439	1,993
Other current liabilities	5,031	5,582
<i>of which towards related parties</i>	<i>69</i>	<i>-</i>
TOTAL CURRENT LIABILITIES	91,683	81,214
TOTAL LIABILITIES	120,016	100,599
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	193,146	177,758

(*) Balance sheet restated for the first nine months of the financial year 2012/2013 include the effects arising from IAS 19 (2011).

CONSOLIDATED INCOME STATEMENT

For the nine months period ended December 31, 2013 and December 31, 2012.

<i>(in thousands of Euro)</i>	Nine Months	
	Financial Year 2013/2014	Financial Year 2012/2013 (restated)*
Revenues from sales and services	110,292	107,483
Other revenues	38	143
TOTAL REVENUES	110,330	107,626
Cost of raw materials and consumables	(60,401)	(60,230)
Cost of services	(31,568)	(30,232)
<i>of which towards related parties</i>	<i>(792)</i>	<i>(2,077)</i>
Personnel cost	(18,975)	(20,352)
Other net operating (charges) incomes	885	2,375
<i>of which towards related parties</i>	-	<i>1,955</i>
<i>of which not recurring</i>	-	<i>1,955</i>
Amortization, depreciation and write downs	(2,465)	(2,228)
TOTAL OPERATING EXPENSES	(112,524)	(110,667)
OPERATING INCOME (LOSS)	(2,194)	(3,041)
Financial Expenses	(1,797)	(1,715)
<i>of which towards related parties</i>	<i>(680)</i>	<i>(697)</i>
Financial Incomes	649	280
INCOME (LOSS) BEFORE INCOME TAXES	(3,342)	(4,475)
Income Taxes	(511)	(403)
NET INCOME (LOSS) FOR THE PERIOD	(3,853)	(4,878)
Attributable to:		
Equity holders of the parent	(3,561)	(4,699)
Non controlling interests	(292)	(179)
Basic Earning (Losses) per Share(**)	(0.05)	(0.06)
Diluted Earning (Losses) per Share(**)	(0.05)	(0.06)

(*) Economic data restated for the first nine months of the financial year 2012/2013 include the effects arising from IAS 19 (2011).

(**) 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 for share are set out below:

Basic Earnings (Losses) per Share	Nine Months	
	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	77,569,593	77,680,198
Basic Earnings(Losses) per Share (in Euro)	(0.05)	(0.06)

Diluted Earnings (Losses) per Share	Financial Year	
	2013/2014	2012/2013
Number of ordinary shares at the beginning and at the end of the period	82,600,000	82,600,000
Diluted effect from Stock option plan	-	-
Weighted average number of ordinary shares for computation of diluted earnings per share	77,569,593	77,680,198
Diluted Earnings(Losses) per Share (in Euro)	(0.05)	(0.06)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months period ended December 31, 2013 and December 31, 2012.

<i>(in thousands of Euro)</i>	Nine Months Financial year 2013/2014	Nine Months Financial year 2012/2013 (restated)*
Net income (Loss) for the period	(3,853)	(4,878)
<i>Other gains (losses) that will be reclassified to net income for the period:</i>		
Gain (Losses) on cash flow hedges	0	3
Tax effect	(0)	(1)
Gain (Losses) on exchange differences on translating foreign operations	(1,589)	(288)
Tax effect	(952)	(57)
<i>Other gains (losses) that will not be reclassified to net income for the period:</i>		
Gain (Losses) on the remeasurement of defined benefit plans	(710)	(54)
Tax effect	195	15
Total Comprehensive Income (loss) for the period	(6,909)	(5,260)
Equity holders of the parent	(6,497)	(5,066)
Non controlling interests	(413)	(194)

(*) Economic data restated for the first nine months of the financial year 2012/2013 include the effects arising from IAS 19 (2011).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months period ended December 31, 2013 and December 31, 2012.

<i>(in thousands of Euro)</i>	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging reserve	Shareholders payment reserve	Stock option reserve	Treasury Shares	Other reserves	IAS 19 reserve *	Net income (Loss) for the period	Group shareholders' equity	Non controlling interest	Total shareholders' equity
Balances at March 31, 2012	36,344	69,858	2,434	(2)	8,618	264	(8,149)	(14,457)	340	(11,939)	83,311	2,867	86,178
Allocation of the result for the period								(11,939)		11,939			
Other comprehensive income(loss)				2				(330)	(39)	(4,699)	(5,066)	(194)	(5,260)
Stock option						145					145		145
(Purchase)/Sale of own shares							15				15		15
Balances at December 31, 2012	36,344	69,858	2,434	(0)	8,618	409	(8,134)	(26,726)	301	(4,699)	78,405	2,673	81,078

<i>(in thousands of Euro)</i>	Share Capital	Share Premium Reserve	Legal Reserve	Cash flow hedging reserve	Shareholders payment reserve	Stock option reserve	Treasury Shares	Other reserves	IAS 19 reserve *	Net income (Loss) for the period	Group shareholders' equity	Non controlling interest	Total shareholders' equity
Balances at March 31, 2013	36,344	69,858	2,434	0	8,618	455	(8,134)	(26,602)	168	(8,563)	74,577	2,582	77,159
Allocation of the result for the period								(8,563)		8,563			
Other comprehensive income(loss)								(2,452)	(484)	(3,561)	(6,497)	(413)	(6,909)
Stock option						92					92		92
Capital increase												2,789	2,789
Balances at December 31, 2013	36,344	69,858	2,434	0	8,618	547	(8,134)	(37,617)	(316)	(3,561)	68,172	4,958	73,130

(*) Equity data restated for the first nine months of the financial year 2012/2013 include the effects arising from IAS 19 (2011).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months period ended December 31, 2013 and December 31, 2012.

<i>(in thousand of Euro)</i>	Nine Months Financial Year 2013/2014	Financial Year 2012/2013 (restated)* (restated)*
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	(3,853)	(4,878)
<i>Adjustments to reconcile the income (loss) for the period to the cash flow generated (absorbed) by operations:</i>		
Amortization, depreciation and write downs	2,465	2,228
Costs/(revenues) for stock option	92	160
(Gains)/Losses from sale of non current assets	48	121
Accrual (releases) of allowance for doubtful accounts	(257)	10
Accrual (releases) of provision for risks and charges	108	(34)
Changes in the fair value of financial instruments	133	(83)
Accrual to employees' termination indemnity	278	87
Employees' termination indemnity payments	(122)	(72)
Changes in the deferred tax assets and liabilities	477	(237)
	<u>(632)</u>	<u>(2,698)</u>
<i>Changes on operating assets and liabilities</i>		
Trade receivables	(7,594)	(1,158)
Inventories	(8,487)	1,217
Trade payables	7,523	(3,470)
Tax receivables	313	(70)
Tax payables	446	1,918
Provisions for risks and charges	(725)	(769)
Other current assets and current and non current liabilities	(951)	(1,839)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	(10,107)	(6,869)
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposal of intangible assets and property, plant and equipment	33	1
Purchase of property, plant and equipment	(3,301)	(1,149)
Purchase of intangible assets	(73)	(20)
Damiani India incorporation	(5)	-
Net change in the other non current assets	458	(85)
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)	(2,888)	(1,253)
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of long term loans	(6,150)	(6,091)
Issuance of long-term debt	14,362	-
Net change in short-term financial liabilities	4,418	19,244
Capital increase	2,789	-
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES ©	15,419	13,153
TOTAL CASH FLOW (D=A+B+C)	2,425	5,031
Effect of exchange rates on cash and cash equivalents	(2,199)	(305)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR (E)	7,688	6,658
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (F=D+E)	7,914	11,384

(*) Cash flow data restated for the first nine months of the financial year 2012/2013 include the effects arising from IAS 19 (2011)

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 December 31, 2013 corresponds to the documental results, books and accounting records.

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