

DAMIANI

HANDMADE IN ITALY SINCE 1924

PRESS RELEASE

Damiani Group – Approved the Annual Financial Statements for the 2016/2017 Revenues from sales of Euro 161.5 million, +4.8%

The Board of Directors convenes the Shareholders' Meeting

Valenza, 16 June 2017 – Today, the Board of Directors of **Damiani S.p.A.** (the “Company”), parent company of the Damiani Group, has approved the draft of its Financial Statements and the Consolidated Financial Statements to March 31, 2017, the Annual Report on Corporate Governance and the Ownership Structure for the financial year ended March 31, 2017 and the Remuneration Report.

The financial year closed with an **increase in consolidated revenues from sales by 4.8%** at current exchange rates. The growth of the consolidated revenues was related to both channels in which the Group operates, with similar trends: the retail channel grew by 5% at current exchange rates (3.8% at constant exchange rates). The wholesale channel recorded a positive +4.7% at current exchange rates (3.8% at constant exchange rates).

At March 31, 2017 the Group manages 61 direct stores, of which 45 Damiani mono brand shops, located in the main international luxury streets.

Revenues by Sales Channel <i>(in thousands of Euro)</i>	Financial Year 2016/2017	Financial Year 2015/2016	Change	Change %
Retail	76,486	72,837	3,649	5.0%
<i>Percentage on total revenues</i>	<i>47.3%</i>	<i>46.9%</i>		
Wholesale	85,059	81,250	3,809	4.7%
<i>Percentage on total revenues</i>	<i>52.6%</i>	<i>52.3%</i>		
Total revenues from sales and services	161,545	154,087	7,458	4.8%
<i>Percentage on total revenues</i>	<i>99.9%</i>	<i>99.2%</i>		
Other revenues	164	1,200	(1,036)	n.m.
<i>Percentage on total revenues</i>	<i>0.1%</i>	<i>0.8%</i>		
Total Revenues	161,709	155,287	6,422	4.1%

In terms of geographic distribution, in 2016/2017 the revenues in the domestic market increased by 0.7% compared with the previous financial year. Revenues in the foreign countries increased by 13.4% at current exchange rates (+9.5% at constant exchange rates).

OPERATING EARNINGS AND NET RESULT

The consolidated **EBITDA** in 2016/2017 was Euro 4.3 million, lower than in the previous year. Net of all non-recurring items recorded in the two comparative years, the gross operating result for 2016/2017 arising from ordinary operations would improve by Euro 5.9 million compared with the previous financial year, both as a result of revenue growth and operating cost efficiencies.

Consolidated **Operating result** was positive for Euro 107 thousand. Even at the operating level, if the non-recurring items are eliminated, there would be a net improvement of Euro 8.9 million, compared with the previous year.

The consolidated **Net Result** relating to the Group was a loss of Euro 5.5 million, compared to a profit of Euro 5.6 million in the previous financial year, which benefited of the above mentioned significant non-recurring net incomes.

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NET FINANCIAL POSITION

At March 31, 2017 the Group had a negative net financial position of Euro 53.1 million (Euro 52.5 at March 31, 2016). The limited change recorded in the financial year, even with relevant industrial investments realized (Euro 10.2 million) to develop the network of direct stores, is the direct consequence of the operational performance and the reduction in working capital.

RESULTS OF THE PARENT COMPANY

In the financial year ended March 31, 2017 the parent company Damiani S.p.A. recorded total revenues of Euro 141.6 million. EBITDA was positive for Euro 6.5 million and the Net Result was negative for Euro 0.9 million, as a result of some write-downs.

The Board of Directors decided to suggest to the Shareholders' Meeting to cover the loss using the available reserves.

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

In April 2016, the new Damiani advertising campaign was presented. It tells of a fascinating trip in Italy. The photos taken by the famous photographer Greg Williams flank the beauties and artistic excellences of the country with the new brand testimonial, the actress Nicoletta Romanoff, direct descendant of the Tsars of Russia, who perfectly represents the modern elegance of Damiani jewels.

During the year the Group's retail segment continued to grow with the opening of new direct stores in Italy and abroad. In particular:

- Concurrently with the celebrations of the first thirty years of the Salvini brand, and within the framework of the development strategy in Italy and the international strengthening of the brand visibility, a mono-brand boutique was opened in Milan in via Montenapoleone (late June).
- In August the new Damiani boutique in Paris was inaugurated. It is located in Place Vendome, the reference point in the French capital of international luxury brands.
- In September the new Damiani boutique in Venice was inaugurated. It is near to Piazza San Marco, the heart of the lagoon city, unique in the world.
- In October the new Damiani boutique was opened in Kuala Lumpur, Malaysia, in the avant-garde shopping mall Pavilion located in Bukit Bintang's luxury neighborhood. The boutique, managed in franchise, reiterates the usual elements of refinements and elegance of the Italian style of Damiani and contributes to enhancing the visibility and brand awareness in Asia.
- Also in October, the new Damiani boutique in Florence was inaugurated. Subsequently, the spaces have been further expanded and, starting from March 2017, the boutique develops on two levels according to a modern concept that allows to enjoy at the best of the indoor spaces.
- In December the new multi-brand Rocca 1794 store was opened in Venice.

On March 21, 2017 was inaugurated in Milan at the Royal Palace the exhibition "Damiani: a century of excellence and passion". In the historic rooms of the royal residence located in the central Piazza Duomo of the Lombardy capital, a path was set up that through the Damiani masterpieces represented the evolution of the Italian costume. The exhibition has received enthusiastic consensus among visitors.

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IMPORTANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

On April 20, 2017, the Board of Directors of Damiani S.p.A., with a favorable opinion of the Audit, Risk, Remuneration and Operations with Related Parties Committee, resolved to enter into a framework agreement which provides for the availability of financial resources, with the faculty for Damiani S.p.A. of using them at its discretion, by the majority shareholder Leading Jewels S.A. (referring to Grassi Damiani family). This financial availability is designed to enable more efficient and flexible treasury management.

On May 9, 2017 Damiani Singapore Pte. Ltd was incorporated, with office in Singapore, with a share capital of 300,000 Singapore dollars (around 190,000 euros at current exchange rates), fully owned by Damiani International S.A. The new company will carry out the marketing of the Group products in the country.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Today, the Board of Directors approved the Report on Corporate Governance and Ownership Structure for the financial year 2016/2017, that will be made available to the public, with the Annual Financial Report to 31 March 2017 and the Independent Auditors' Opinion and the Statutory Auditors' Reports under the terms of law, at the registered office, the company website www.damiani.com and the authorised eMarketStorage storage mechanism at the website www.emarketstorage.com.

CALLING OF SHAREHOLDERS' MEETING AND EXPLANATORY REPORT EX ART. 125-TER LEGISLATIVE DECREE N. 58/98

Today, the Board of Directors also resolve to convene the Ordinary Shareholders' Meeting at the registered office of the Company in Valenza (AL), Piazza Damiano Grassi Damiani no. 1, on first call for the day of July 27, 2017 and, if necessary, on a second call for July 28, 2017 to decide on the following agenda:

1. *Financial Statements at March 31, 2017; Directors' Report on Operations; Report of the Board of Statutory Auditors and Report of the Independent Auditors; inherent and consequent deliberations.*
2. *Authorization to purchase and disposition of treasury shares pursuant to art. 2357 e seq. of the Italian Civil Code, and art. 132 of the Legislative Decree February 24, 1998 no. 58, upon revocation of the resolution adopted by the Shareholders' Meeting of July 21, 2016 for the part not used; inherent and consequent deliberations.*
3. *Report on Remuneration pursuant to art. 123-ter of the Legislative Decree February 24, 1998 no. 58; inherent and consequent deliberations.*

The notice of convocation and the relevant documentation required by the current law, including the Explanatory Report prepared pursuant art. 125-ter of the Legislative Decree no. 58/98 on the second item on the agenda will be made available to the public at the registered office, the company website www.damiani.com and the authorised eMarketStorage storage mechanism at the website www.emarketstorage.com in terms of law and regulations. In compliance with current legislation, the notice of call will be published by extract also on a newspaper.

With special reference to the proposal to renew the authorisation of the Shareholders' Meeting for the purchase and disposal of treasury shares, subject to revocation of the resolution adopted by the Shareholders' Meeting on July 21, 2016 as not used, please note that the reasons behind the request for authorisation are specified in detail in the aforementioned Explanatory Report ex Art. 125-ter of the Legislative Decree no. 58/98, that will be made available to the public jointly with the convening of the Shareholders' Meeting at the registered office, in the company website www.damiani.com and the authorised eMarketStorage storage mechanism www.emarketstorage.com.

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The proposal sets out that the maximum number of shares that can be purchased (taking into account the shares already owned by the Company) is 16,520,000 ordinary shares of the nominal value of Euro 0.44 each, corresponding to one-fifth of the share capital of the company. The purchase authorisation is valid for a period of 18 months, while the duration of authorization to dispose treasury shares is unlimited. The purchase transactions can be carried out in accordance with the terms and conditions, to be identified from time to time by the Board of Directors in compliance with art. 144-bis of the Issuers Regulations, as well as in accordance with permitted market practises or with the various modalities permitted by law, including regulations, applicable from time to time, in any case so as to ensure equal treatment to shareholders and compliance with the regulations in force, including applicable European rules on market abuse (UE Reg. no. 596/2014).

Except for the cases of payment other than in cash, the purchase price of each of the treasury shares must be not less than 20%, as a minimum, and not more than 20% as a maximum of the official price of the deals registered in operations on the screen-based Stock Exchange on the day before purchase or the announcement of the operation, depending on the technical modalities used, without prejudice to the further limits from time to time resulting from the applicable legislation and the accepted market practises.

Please note that, at today's date, Damiani S.p.A. holds 5,556,409 treasury shares, about 6.727% of the share capital. The company does not hold treasury shares through subsidiary companies, fiduciaries or third persons.

REPORT ON REMUNERATION AND REMUNERATION POLICIES AND PROCEDURES

In addition, today the Board of Directors approved the Remuneration Report prepared pursuant to Art. 123-*ter* of the L.Decree no. 58/98 and also confirmed the adequacy of the Remuneration Policies and Procedures of Damiani S.p.A. (with the aid of the Audit, Risks, Remuneration and Operations with Related Parties Committee) illustrated in the first section of the Remuneration Report that will be made available jointly with the annual Financial Report to March 31, 2017 to the public at the registered office, in the company website www.damiani.com and the authorised eMarketStorage storage mechanism www.emarketstorage.com .

Pursuant to Article 154 bis, sub-paragraph 2, of the Consolidated Finance Act, the senior manager responsible for drafting the corporate accounting documents (Gilberto Frola) declares that the accounting information in this press release corresponds to the documentary results, books and book entries based on the best available estimates.

For further information:

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Damiani S.p.A.

Damiani S.p.A., founded in Valenza in 1924 and now managed by the third generation, is the parent company of the Damiani group, leader in the Italian market of the production and sale of fine jewellery and watches. The Group is active in the jewellery sector with the prestigious brands it owns such as Damiani, Salvini, Bliss, Calderoni 1840 and Alfieri & St. John. It also owns the chain Rocca 1794 with a history of more than 200 years in the retail of the best-known brands of watches and fine jewellery. The Damiani Group is present in Italy and major world markets through its operating subsidiaries and manages direct and franchised points of sale in the main international fashion high streets. The Group is an attentive interpreter of a heritage, respecting the tradition with the same innovative spirit as its origins.

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ATTACHED: Consolidated Income Statement and Consolidated Statement of Financial position at March 31, 2017

CONSOLIDATED INCOME STATEMENT

Main economic data <i>(in thousands of Euro)</i>	Financial Year 2016/2017	Financial Year 2015/2016	Change	Change %
Revenues from sales and services	161,545	154,087	7,458	4.8%
Total revenues	161,709	155,287	6,422	4.1%
Cost of production	(157,402)	(131,140)	(26,262)	20.0%
EBITDA	4,307	24,147	(19,840)	n.m.
EBITDA %	2.7%	15.5%		
EBITDA Adjusted (*)	2,767	(3,103)	5,870	n.m.
Amortization, depreciation and write downs	(4,200)	(9,864)	5,664	-57.4%
Operating income	107	14,283	(14,176)	n.m.
Operating income %	0.1%	9.3%		
Operating income Adjusted (*)	(1,433)	(10,357)	8,924	n.m.
Net financial incomes (expenses)	(2,652)	(2,012)	(640)	31.8%
Result before taxes	(2,545)	12,271	(14,816)	n.m.
Net result of the Group	(5,454)	5,623	(11,077)	n.m.
Basic Earnings (Losses) per Share	(0.07)	0.07		

(*) Net of non-recurring income(charges) items

Please note: Net production costs are increasing in 2016/2017 as they do not benefit from the large non-recurring incomes recognized in the previous year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Balance sheet data <i>(in thousands of Euro)</i>	Situation at March 31, 2017	Situation at March 31, 2016	change
Fixed Assets	42,737	39,113	3,624
Net working capital	79,881	87,673	(7,792)
Non current Liabilities	(6,361)	(6,538)	177
Net Capital Invested	116,257	120,248	(3,991)
Shareholders' Equity	63,133	67,747	(4,614)
Net Financial position	53,124	52,501	623
Sources of Financing	116,257	120,248	(3,991)

NET FINANCIAL POSITION

Net Financial Position <i>(in thousands of Euro)</i>	Situation at March 31, 2017	Situation at March 31, 2016	change
Current portion of loans and financing	12,909	4,013	8,896
Drawdown of credit lines, short term financing and others	31,252	28,378	2,874
Current portion of loans and financing with related parties	1,055	1,036	19
Current financial indebtedness	45,216	33,427	11,789
Non current portion of loans and financing	5,633	18,045	(12,412)
Non current portion of loans and financing with related parties	12,686	9,847	2,839
Non current financial indebtedness	18,319	27,892	(9,573)
Total gross financial indebtedness	63,535	61,319	2,216
Cash and cash equivalents	(10,411)	(8,818)	(1,593)
Net Financial Position	53,124	52,501	623