1H17 FINANCIAL RESULTS

September 20, 2017

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The manager in charge of preparing corporate accounting documents, Nicola Perin, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the accounting figures, books and records.

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1H17 Highlights

Sales (€697.1m) grew 8.9% driven by network expansion (+4.1%), sales to Charles Vögele (+4.8%) and flat like-for-like performance (0%).

Over the first six months of the year, network expanded by 16 full format DOS and 48 other stores (mainly Kids formats in franchising)

In a domestic market that decreased by -1.4% over the period Jan17-July17, further market share increased to 7.55% (+18bps vs. Jan 2017 and +40bps vs. Jul 2016)

€82.1m EBITDA, €7.0m higher than 1H16 (+9.4%)

Improved gross margin (net of Charles Vögele sell-in impact) and good cost control boosted EBITDA margin that went from 11.7% in 1H16 to 11.8% in 1H17 (ca. +10bps)

€38.4m Net income adjusted, +€7.6m higher than 1H16.

+8.9%

Increase in Net Sales

+16

Full format DOS
+48 other stores
mainly Kids in franchising

+9.4%

EBITDA Growth

Source: Sita Ricerca for market share

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Key Income Statement Items
Positive performance confirmed in 1H17

	1H17		1H16		
Key Metrics	**€ mln**	***% of Net Sales***	**€ mln**	***% of Net Sales***	***Growth***
Net Sales	697.1		640.1		*8.9%*
EBITDA (*)	82.1	*11.8%*	75.1	*11.7%*	*9.4%*
EBIT (*)	56.3	*8.1%*	51.0	*8.0%*	*10.3%*
Net Income (*)	38.4	*5.5%*	30.8	*4.8%*	*24.8%*
Reported Net Income	-15.9	*-2.3%*	18.0	*2.8%*	*n.a.*

- 1H17 Net Sales increased by 8.9% driven by network expansion (+4.1%) and sales to Charles Vögele (+4.8%). During the period, 10 stores have been refurbished, boosting net sales performance. As expected, like-for-like performance has been flat. The good performance realized during the month of May has been partially offset by the declining market of July (-2.8%). We highlight that sales have been also negatively impacted by the late delivery of goods from the Far East Countries due to the change of some custom procedures and practices at the borders.
- Thanks to the positive contribution of all the business lines (OVS and Upim in Italy, and the international expansion), EBITDA increased by 9.4% vs. 1H16 and EBITDA margin grew by approx. 10bps to 11.8% (or by 60 bps excluding sales to Charles Vögele), driven by (i) improved gross margin (net of the impact arising from the sell-in to Charles Vögele) and (ii) cost control.
- Adjusted net income increased by €7.6m thanks to positive operating results and also benefitting from a slight decrease of the tax rate. We underline that the above figures have been adjusted for one-offs and non-cash items. At this regard, reported net income (negative for -€15.9m) has been mainly impacted by a non-cash accounting entry arising from the Mark-to-Market of the EUR/USD hedges in place for 2018 purchase of goods of -€62.6m as a consequence of the appreciation of the Euro against the US Dollar experienced in the second part of the first half. The corresponding adjustment net of corporate taxes impact amounts to €47.6m. For more details please see page 11.

(*) Excluding extraordinary and non-cash items

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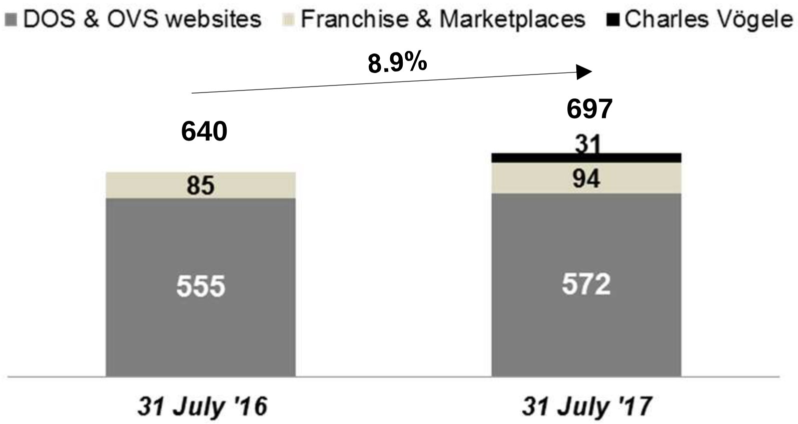
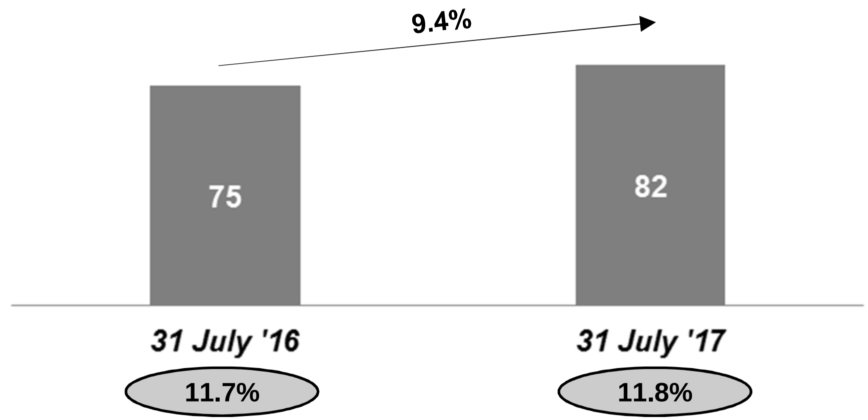
Sales and EBITDA Performance in 1H17

Net Sales (€mln)

EBITDA (€mln)

Aggregate Performance





Performance By Brand(1)(2)

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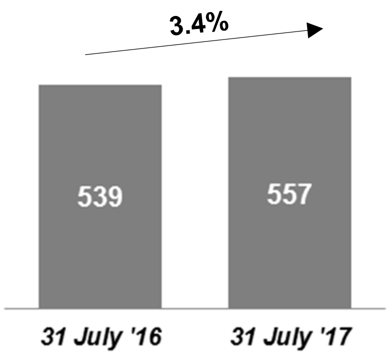
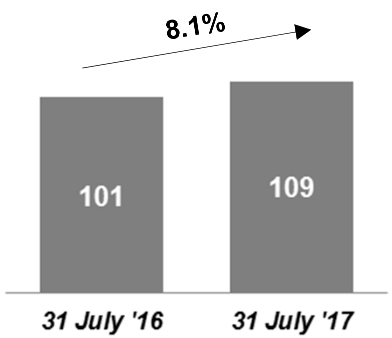


upim



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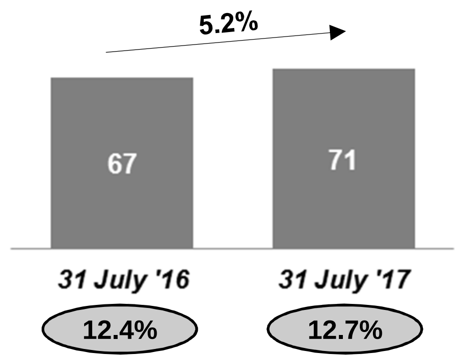

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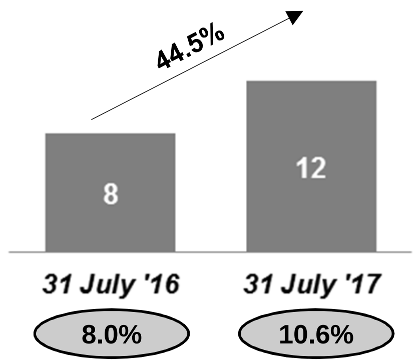

Margin %

(1) Excluding sales to Charles Vögele and related royalties.
(2) EBITDA Margins are calculated on the above sales.

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Consolidated Net Working Capital

€ mln	31 July '17	31 July '16	Change
Trade Receivables	99.7	83.7	16.0
Inventory	373.8	317.9	55.9
Trade Payables	(366.2)	(350.1)	(16.0)
Net Working Capital	**107.3**	**51.4**	**55.9**

- 1H17 Net working capital increase is in line with the one experienced in 1H16 (+€59.1m vs. +€59.6m in 2017 and 2016 respectively). The increase reflects the seasonality of the business and the initial phase of the Commercial Agreement with Charles Vögele. Fluctuations are explained as follows:
  - Higher trade receivables (+€16.0m vs 31 July 2016) in connection with the growth experienced by the franchise network both in Italy and abroad, and the Commercial Agreement with Charles Vögele (impacting for +€7m and already collected at the time of writing).
  - The inventory level has been impacted by the initial phase of the implementation of the Trade Agreement with Charles Vögele (+€27m) and by the normal seasonality of the business. Net of Charles Vögele merchandising, inventory grew by +€6.2m vs Jan17, while last year increased by +€28.2m over the same period.
  - Accounts payables slightly increased as a consequence of the increase in volumes bought experienced.

Capex

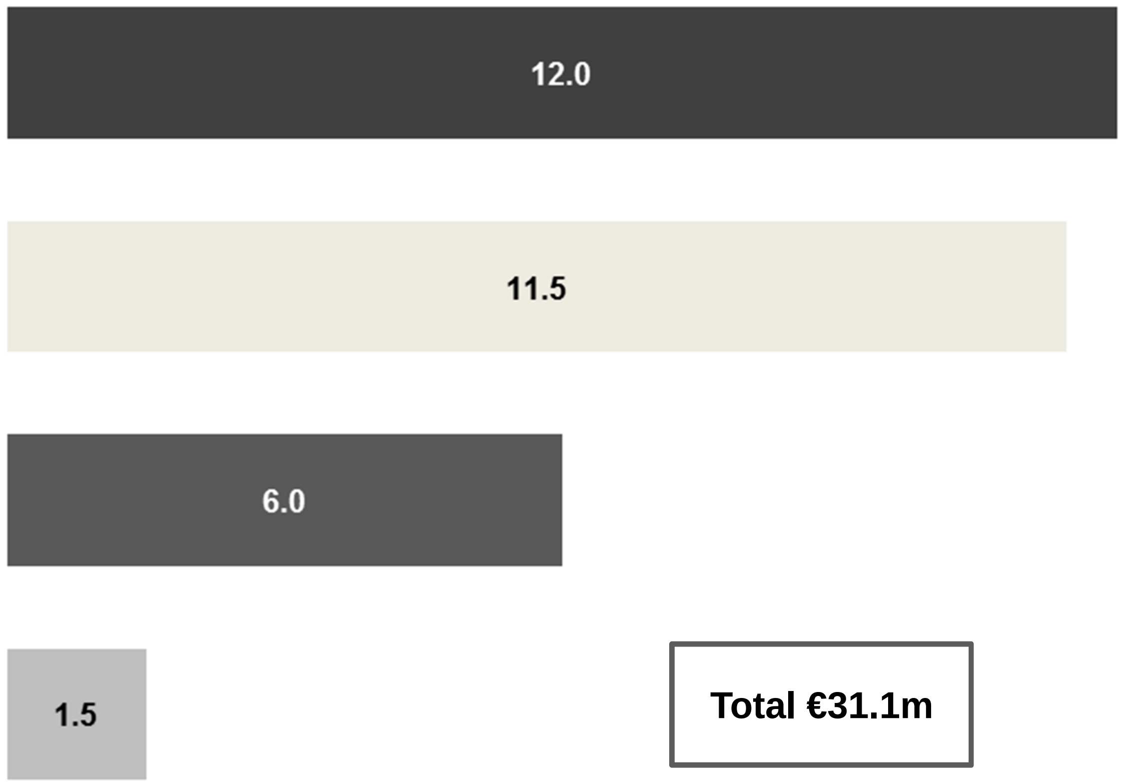
1H 2017 Capex breakdown (*€ mln)*

Refurbishment, maintenance and other commercial projects of the existing network (c. 38.8%)

New openings (c. 37.0% of total)

IT and special projects (c. 19.4%), mainly related to operational projects

Capex for the maintenance of the **headquarter building, logistics** and others (c. 4.8%)



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Net Debt and Leverage

€ mln	31 July '17	31 July '16
Net Debt	408.5	321.7
Net Debt excluding MtM derivatives	363.3	331.7
EBITDA LTM	193.7	187.0
Leverage excluding MtM derivatives	1.9x	1.8x

- As of 31st July 2017 net debt was equal to €363.3m excluding MtM derivatives, and to €408.5m reported, considering the MtM negative impact of -€45.1m.
- In the last 12 months, leverage on net debt excluding MtM derivatives is in line with the one of one year ago.
- The current interest rate on debt is 2.50% + Euribor 3m.

Consolidated Cash Flow Statement

Operating cash flow improved by +€11.1m mainly driven by an increase of cash generation at EBITDA level. Drivers of operating cash absorption in 1H17 (-€12.9), were mainly (i) the seasonality of the business and (ii) the initial phase of the implementation of the Commercial Agreement with Charles Vögele which impacted trade receivables and inventory, contributing to increase by +€34m working capital.

Increase in taxes cash out is driven by the extended payment terms of the previous years.

€ mln	1H17	1H16
EBITDA	**82.1**	**75.1**
Change in Net Working Capital	(59.1)	(59.6)
Change in other assets (liabilities)	(4.9)	(9.9)
Capex	(31.1)	(29.7)
Operating Cash Flow	**(12.9)**	**(24.1)**
Financial Expenses	(6.9)	(7.5)
TFR (Employees' leaving indemnity)	(1.0)	(0.9)
Taxes	(27.3)	(10.9)
Dividends	(34.1)	(34.1)
Other	2.1	(0.9)
Net Cash Flow (before MtM derivatives and amortized costs)	**(80.0)**	**(78.4)**
Change in MtM derivatives and amortized cost	(62.6)	(8.3)
Cumulated Net Cash Flow	**(142.6)**	**(86.7)**

Outlook

- Year to date sales performances positively impacted by favourable weather conditions expecially during the first half of September.
- The network continued to expand in the first part of the second semester: +17 stores, including 1 full format DOS.
- Our strategy will remain based on two main pillars: (i) the consolidation of our presence in the Italian market, which is expected to shrink at a lower rate compared to the previous years and to continue rewarding a small number of players that are versatile and able to benefit from economies of scale, and (ii) the further increase of OVS' international presence. OVS' international network expansion, mainly across Europe, will continue.
- At the same time we just entered in the first exciting phase of the Charles Vögele restructuring plan. Now that the first two phases of central costs rationalization have been completed successfully, and the whole of the Slovenian network has been converted to the OVS brand (11 stores), the process of converting the Swiss stores has begun, with 75 stores converted since the second half of July to date and other 68 stores will be converted by November. As of today, Charles Vögele is performing better than expected, with positive like-for-like consolidated performances and EBITDA, and a better than forecasted financial position.
- The online channel is growing as expected, thanks to «ovs.it» focused on the domestic market, the new platform «ovsfashion.com» which serves all the Eurpean markets, and the agreements in place with marketplaces.
- It is also worth to mention the success of the red carpet during the Venice International Film Festival where our famous model Bianca Balti has been mentioned by the most influence fashion magazines for wearing one of the best dresses of the event.
- We believe the execution of our corporate strategy evidenced by strong historical financial results will continue to drive sustainable and profitable growth.

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Consolidated Profit and Loss and related adjustments

€ mln	31.07.2017 Reported	o/w: non recurring; Stock Option; Derivatives; PPA	31.07.2017 Adjusted	31.07.2016 Reported	o/w: non recurring; Stock Option; Derivatives; PPA	31.07.2016 Adjusted
Net Sales	**697.1**		**697.1**	**640.1**		**640.1**
Purchases of consumables	302.3		302.3	270.6		270.6
Gross Margin	**394.8**		**394.8**	**369.5**		**369.5**
GM%	*56.6%*		*56.6%*	*57.7%*		*57.7%*
Total operating costs	314.3	1.7	312.7	297.9	3.5	294.4
EBITDA	**80.5**	**(1.7)**	**82.1**	**71.6**	**(3.5)**	**75.1**
EBITDA%	*11.5%*		*11.8%*	*11.2%*		*11.7%*
Depreciation & Amortization	30.1	4.3	25.8	28.4	4.3	24.1
EBIT	**50.4**	**(6.0)**	**56.3**	**43.3**	**(7.7)**	**51.0**
EBIT %	*7.2%*		*8.1%*	*6.8%*		*8.0%*
Net financial (income)/charges	64.4	(62.6)	1.8	14.8	(8.3)	6.5
PBT	**(14.0)**	**(68.6)**	**54.5**	**29.5**	**(16.0)**	**44.5**
Tax	1.9	14.2	16.1	10.5	3.2	13.7
Net Profit/(Loss)	**(15.9)**	**(54.3)**	**38.4**	**18.0**	**(12.8)**	**30.8**

With regard to the first half of 2017, the following normalizations are regarded as one-offs or as non-cash items. Specifically, there were €0.6 million of one-off costs due to staff lay-offs; €1.0 million in costs relating to stock options with no impact on cash; €4.3 million in non-cash costs for amortization relating to purchase price allocation; €62.6 million in non-cash costs relating to the mark-to-market fair value due to the difference between the hedging exchange rate for the expected purchase of goods in 2018 in USD and the effective EUR/USD exchange rate at the end of 1H17 fiscal year. Lastly, the tax effect of the above income statement adjustments was estimated at €14.2 million.

The accounting impact regarding the derivatives is also reflected within the balance sheet, with a negative effect on the net financial position of -€45.1 million due to the liability recorded through the recognition of the mark-to-market value at the 1H17 balance sheet date.

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Consolidated Balance Sheet Statement

€ mln	31 July '17	31 July '16	31 January '17	Delta vs. 31 July '16	Delta vs. 31 January '17
Trade Receivables	99.7	83.7	75.3	16.0	24.4
Inventory	373.8	317.9	340.6	55.9	33.2
Trade Payables	(366.2)	(350.1)	(367.7)	(16.0)	1.5
Net Operating Working Capital	**107.3**	**51.4**	**48.2**	**55.9**	**59.1**
Other Short-term Non-financial Receivables (Payables)	(47.7)	(80.9)	(79.0)	33.2	31.3
Net Working Capital	**59.6**	**(29.5)**	**(30.9)**	**89.1**	**90.4**
Net Assets	1,369.9	1,358.5	1,368.9	11.4	1.0
Net Deferred Taxes	(141.0)	(141.5)	(140.9)	0.5	(0.0)
Other Short-term Non-financial Receivables (Payables)	(13.0)	(6.8)	(11.8)	(6.2)	(1.2)
Severance Indemnity Provision and Other Provisions	(45.7)	(51.3)	(47.7)	5.7	2.0
Net Invested Capital	**1,229.8**	**1,129.4**	**1,137.6**	**100.4**	**92.3**
Equity	821.4	807.7	871.7	13.7	(50.4)
Net Debt (*)	408.5	321.7	265.8	86.8	142.6
Total Sources of Funding	**1,229.8**	**1,129.4**	**1,137.6**	**100.4**	**92.3**