9M17 FINANCIAL RESULTS

December 11, 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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9M17 Highlights

Total Net Sales reached €1,124m, or €1,031m excluding the sell-in to Charles Vögele. The growth was mainly driven by network expansion, despite the YTD contraction of 1.7% in the domestic market.

9M17 EBITDA continued to grow, reaching €138.0m, €12.0m higher than 9M16 (+9.6%).

Improved gross margin and good cost control boosted EBITDA margin, which increased from 12.8% in 9M16 to 13.4% in 9M17 (approx. +60bps) calculated on sales without the sell-in to Charles Vögele.

PBT adjusted amounted to €91.5m, €14.7m higher than in 9M16 (+19.2%).

Over the first nine months of the year, the network expanded by 29 full format DOS and 98 other stores (mainly Kids formats in franchising).

Market share was at 7.67% (+30bps vs. Jan 2017 and +47 bps vs. Oct 2016), representing the highest market share improvement among all the players in the Italian market.

+4.6%

Increase in Net Sales
(excluding Charles Vögele sell-in)

+29

Full format DOS
+98 other stores
mainly Kids in franchising

+9.6%

EBITDA Growth

Source: Sita Ricerca for market share and market trends

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Key Income Statement Items
Positive performance confirmed in 9M17

€mln	9M17 31 October '17	9M17 % on Net Sales**	9M16 31 October '16	9M16 % on Net Sales	Growth
Net Sales**	**1,031.4**		**986.2**		**4.6%**
EBITDA*	**138.0**	*13.4%*	**125.9**	*12.8%*	**9.6%**
EBIT*	**99.0**	*9.6%*	**88.5**	*9.0%*	**11.8%**
EBT*	**91.5**	*8.9%*	**76.8**	*7.8%*	**19.2%**

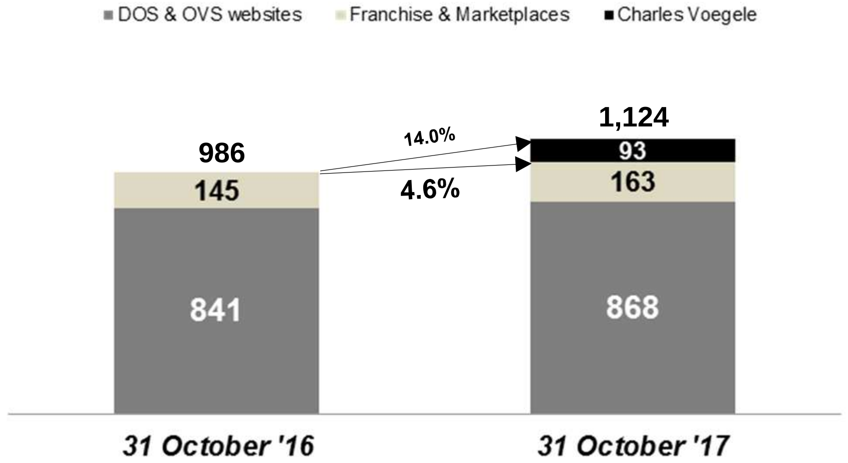
- Net Sales grew by 4.6% in 9M17, driven by network expansion and store refurbishments (12 during the 9 months of the year). This strong performance was achieved despite an ongoing tough domestic market (-1.7% YTD), particularly in October (-6.7%), proving once again the Company's ability to outperform the domestic market. The growth rate of the e-commerce channel, which increased by +74% YTD and +93% in the third quarter, should be highlighted.
- EBITDA continued to increase (+9.6% vs. 9M16) and the EBITDA margin improved by approx. 60bps to 13.4% (calculated on net sales excluding the sell-in to Charles Vögele), driven by (i) an improved gross margin, (ii) cost control and (iii) good performances by new openings, which are valid for all the business lines: OVS and Upim in Italy, international expansion (including the positive contribution from Charles Vögele) and e-commerce.
- Adjusted PBT increased significantly (+€14.7m, or +19.2%) thanks to positive operating results.
- We underline that the above figures have been adjusted for one-offs and non-cash items. In this regard, PBT (€34.5m) was mainly impacted by a non-cash accounting entry arising from the Mark-to-Market of the EUR/USD hedges in place for the purchase of goods in 2018 and 2019 of -€48.4m as a consequence of the appreciation of the Euro against the US Dollar experienced in the second part of the first half 2017. Please see page 11 for more details.

(*) Excluding extraordinary and non-cash items
(**) Excluding the sell-in to Charles Voegele

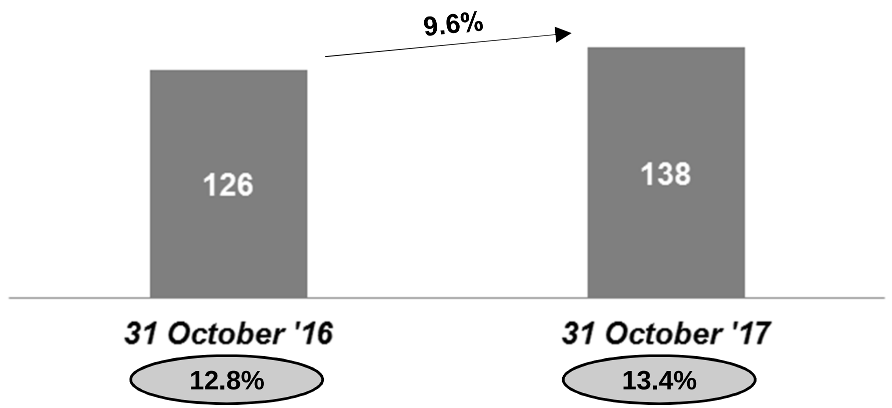
Sales and EBITDA Performance in 9M17

Aggregate Performance

Net Sales (€mln)



EBITDA (€mln)



Performance By Brand

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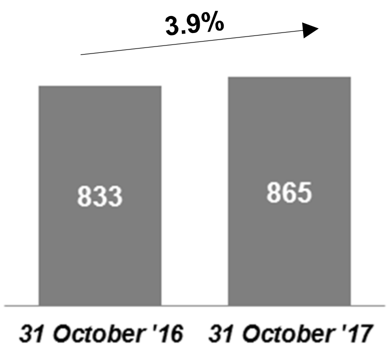
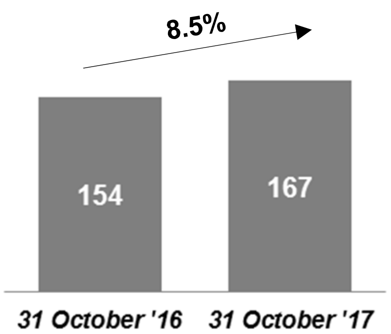


upim



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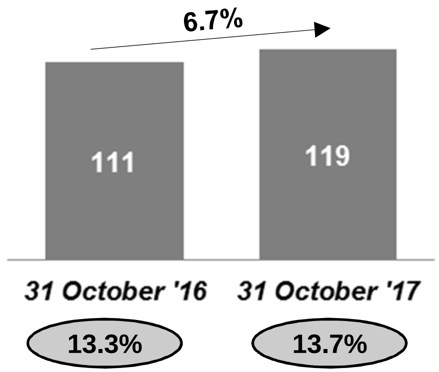
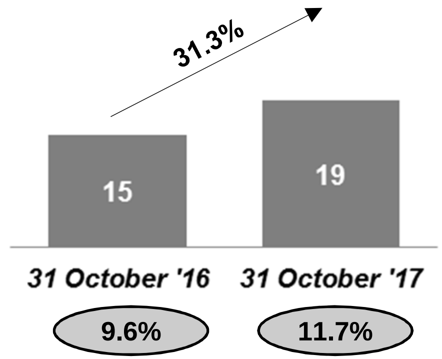


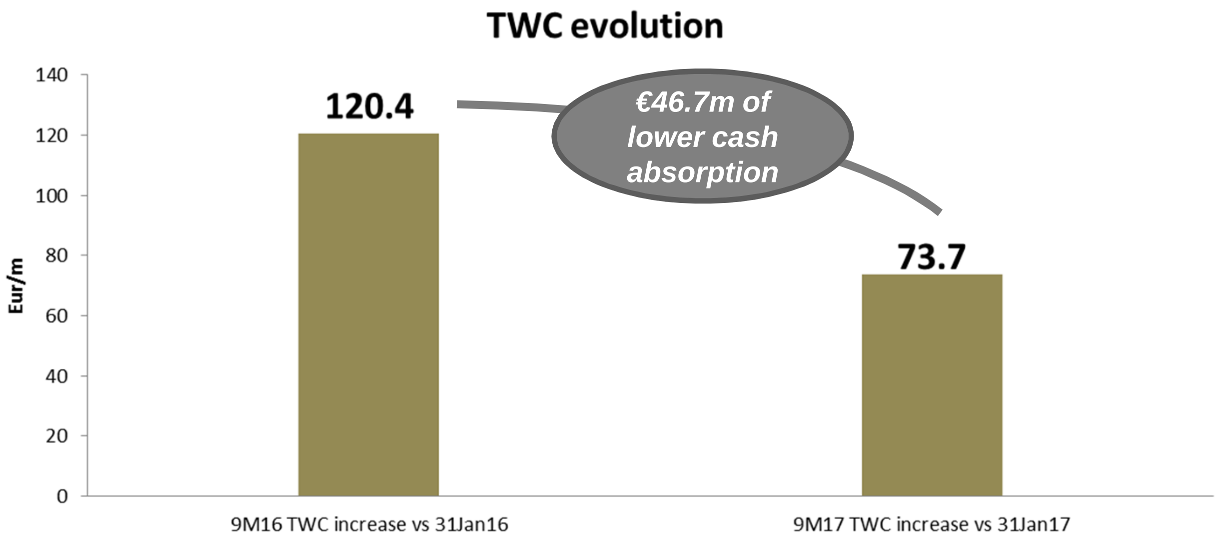
upim



Net sales by brand exclude sell-in to Charles Vögele.

Margin %

Consolidated Trade Working Capital
Improvement of €46.7m compared to 9M16



- Trade working capital is €9.7m higher compared to the one at 31Oct16. Most importantly, we underline that in the first nine months of 2017, where trade working capital is cash absorbing, reflecting the seasonality of the business, the performance is much better compared to the same period of last year (€73.7m vs. €120.4m of cash absorption)

- Fluctuations of the three items at 31October 2017compared with FY16YE are explained below:
  - Higher trade receivables as a normal consequence of the growth of the physical franchise network both in Italy and abroad and the impact of agreements with marketplaces.
  - Also the inventory level reflects the normal seasonality of the business. Inventory increased by €33.4m, -€21.1m less compared to the increase experienced in the same period of last year. This is due to an improvement of stock management and a better sell-through over the 9M17 period.
  - The increase in accounts payables is the natural consequence of the increase in volumes bought, and better management of relations with vendors.

Capex

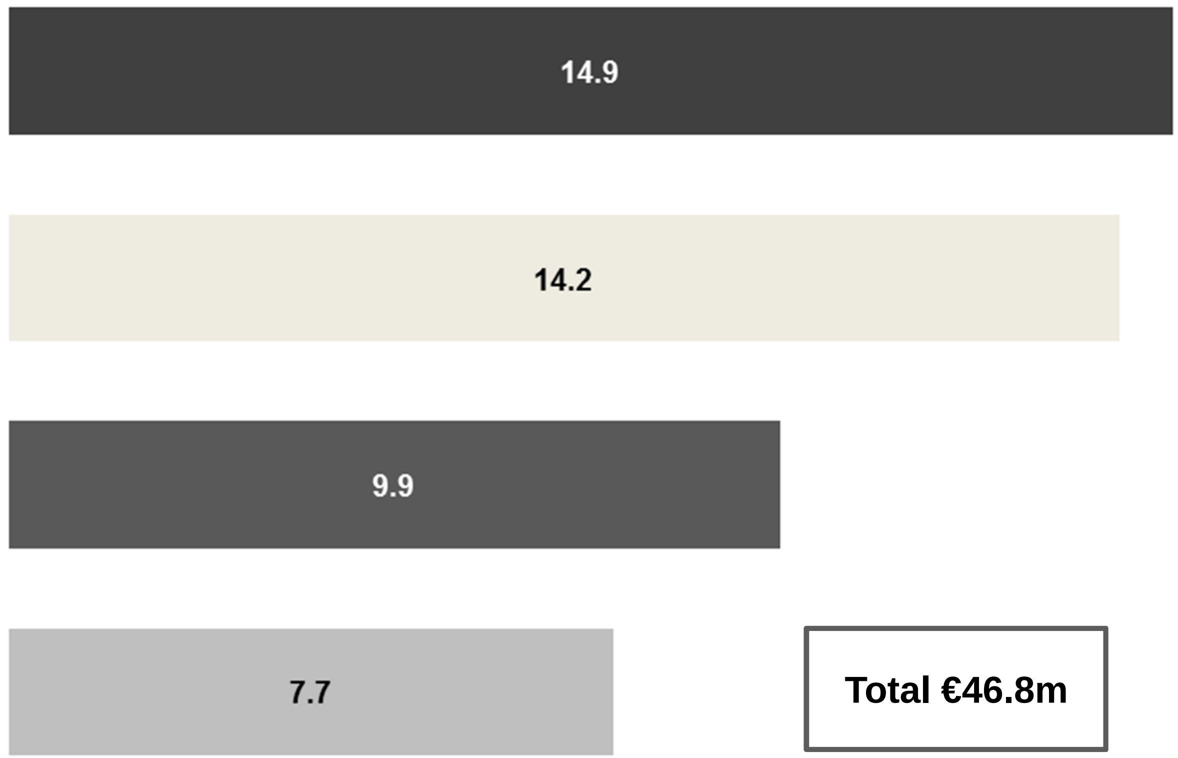
9M 2017 Capex breakdown (€ *mln)*

Refurbishment, maintenance and other commercial projects of the existing network (c. 31.9%)

New openings (c. 30.4% of total)

IT and special projects (c. 21.1%), mainly related to operational projects

Capex for the maintenance of the **headquarter building, logistics** and others (c. 16.6 %)



Total €46.8m

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Net Debt and Leverage

€ mln	31 October '17	31 October '16
Net Debt	365.7	351.5
Net Debt excluding MtM derivatives	334.8	366.6
EBITDA LTM	198.7	187.3
Leverage excluding MtM derivatives	1.7x	2.0x

- As of 31st October 2017 net debt was equal to €334.8m excluding MtM derivatives, and to €365.7m reported, considering the MtM negative impact of -€30.9m.
- In the last 12 months, leverage on net debt excluding MtM derivatives improved by 0.3x. Even including the negative non-cash impact of MtM at 31st October 2017, it would have improved by 0.1x.
- The current interest rate on debt is 2.50% + Euribor 3m.

Consolidated Cash Flow Statement

Operating cash flow improved by +€52.6m, even in presence of capex increase of about +€4m compared to last year. This is the result of (i) EBITDA increase (+€12.0m), and (ii) a lower absorption of cash at working capital level (+€46.7m), which anyway reflects the seasonality of the business.

Net cash flow (before MtM derivatives and amortized cost) reflects this improvement, absorbing €61.8m of lower cash compared to the same period of last year.

€ mln	9M17	9M16
EBITDA	**138.0**	**125.9**
Change in Net Working Capital	(73.7)	(120.4)
Change in other assets (liabilities)	3.8	6.0
Capex	(46.8)	(42.9)
Operating Cash Flow	**21.2**	**(31.3)**
Financial Expenses	(10.3)	(11.1)
TFR (Employees' leaving indemnity)	(1.5)	(1.5)
Taxes	(27.3)	(32.7)
Dividends	(34.1)	(34.1)
Other	0.5	(2.6)
Net Cash Flow (before MtM derivatives and amortized costs)	**(51.4)**	**(113.3)**
Change in MtM derivatives and amortized cost	(48.4)	(3.2)
Cumulated Net Cash Flow	**(99.9)**	**(116.5)**

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Outlook

- In November, sales performances were positevely affected by autumn temperatures, while physical stores and the e-commerce channel took full advantage of «Black Friday», resulting in a positive contribution in absolute terms at gross margin level.
- The network continued to expand in the first part of the fourth quarter by 18 stores, including 5 full format DOS. The new Full Format opening in the new surface area of «City Life» in Milan, was a particular highlight, with results significantly higher than expected, once again demonstrating the flexibility of the Company's formats.
- OVS will continue to consolidate the Italian market by gaining market share from other competitors, such as street vendors, independent stores and mono-brand retailers, which are still experiencing difficulties, while being ready to be the first to take advantage from the first reassuring signals regarding the Italian economic recovery.
- Also OVS' international presence will continue to be the other main pillar, through the expansion in Europe and in other foreign countries. The brand's presence is also growing in Slovenia, Switzerland and in the future in Austria, thanks to the conversion of the commercial partner Charles Vögele's retail network.
- During the fourth quarter of 2017, also two new stores have been opened in France, including one full-format in Paris, where the results are better than expected
- The e-commerce channel continues to grow rapidly, with an overall increase in sales of 74%; Digital is becoming more and more strategic; in this regard, a new digital transformation director will promote a new phase of digitisation of the company according to an end-to-end approach – ranging from new ways of serving our customers to digitising back-end processes and systems – and a customer-centric and data-driven vision.
- The Company has also launched a website fully dedicated to corporate sustainability «wecare.ovscorporate.it» which we invite you to visit to discover the full range of information on all the hard work and major success already achieved in this regard.
- As shown by the results for 9M17, we believe that the implementation of our corporate strategy will continue to drive sustainable and profitable growth.

Appendix

Consolidated Profit and Loss and related adjustments

€ mln	31.10.2017 Reported	o/w: non recurring; Stock Option; Derivatives; PPA	31.10.2017 Adjusted	31.10.2016 Reported	o/w: non recurring; Stock Option; Derivatives; PPA	31.10.2016 Adjusted
Net Sales	**1,124.3**		**1,124.3**	**986.2**		**986.2**
EBITDA	**135.8**	**(2.2)**	**138.0**	**121.4**	**(4.5)**	**125.9**
% on net sales including sell-in to Charles Vögele	*12.1%*			*12.3%*		*12.8%*
% on net sales excluding sell-in to Charles Vögele	*13.2%*		*13.4%*	*12.3%*		*12.8%*
Depreciation & Amortization	45.4	6.4	39.0	43.8	6.4	37.4
EBIT	**90.4**	**(8.6)**	**99.0**	**77.6**	**(10.9)**	**88.5**
% on net sales including sell-in to Charles Vögele	*8.0%*		*8.8%*	*7.9%*		*9.0%*
% on net sales excluding sell-in to Charles Vögele	*8.8%*		*9.6%*	*7.9%*		*9.0%*
Net financial (income)/charges	55.9	48.4	7.4	14.9	3.2	11.7
PBT	**34.5**	**(57.0)**	**91.5**	**62.7**	**(14.1)**	**76.8**

With regard to the first nine months 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; €1.6m in costs relating to stock options with no impact on cash; €6.4m of non-cash costs for amortization relating to purchase price allocation; €48.4 million of 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 and partially 2019 in USD and the effective EUR/USD exchange rate at the end of 9M17 fiscal year.

The accounting impact regarding the derivatives is also reflected within the balance sheet, with a negative effect on the net financial position of -€30.9m due to the liability recorded through the recognition of the mark-to-market value at the 31st October 2017 balance sheet date.

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Consolidated Balance Sheet Statement

€mln	31 October '17	31 October '16	Var. Oct17-Jan17	Var. Oct16-Jan16
Trade Receivables	148.5	113.5	73.2	42.5
Inventory	374.0	344.1	33.4	54.5
Trade Payables	(400.6)	(345.4)	(32.9)	23.4
Net Operating Working Capital	**121.9**	**112.2**	**73.7**	**120.4**
Other assets/(liabilities)	(54.1)	(62.8)	25.0	28.5
Net Working Capital	**67.8**	**49.4**	**98.7**	**148.9**
Tangible and Intangible Assets	1,370.2	1,356.3	1.4	(0.9)
Net deferred taxes	(141.1)	(142.0)	(0.1)	0.7
Other long term assets/(liabilities)	(14.4)	(7.8)	(2.6)	(1.7)
Pension funds and other provisions	(44.2)	(50.9)	3.5	(2.2)
Net Capital Employed	**1,238.3**	**1,204.9**	**100.7**	**144.8**
Net Equity	872.6	853.4	0.9	28.3
Net Financial Debt (*)	365.7	351.5	99.9	116.5
Total source of financing	**1,238.3**	**1,204.9**	**100.7**	**144.8**

(*) It includes -€30.9m of liability recorded through the recognition of the mark-to-market value at the 31st October 2017.