1H18 FINANCIAL RESULTS

September 19, 2018

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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.

This investor presentation contains measures that were not prepared in accordance with IAS/IFRS.

1H18 Highlights

The domestic market decreased by -3.4% so far in 2018, mainly due to unfavorable weather conditions. Market share further increased to 7.98% (+14bps vs. Jan 2018 and +43bps vs. Jul 2017)

Sales stood at €666.4m excluding the sell-in to Sempione Fashion Group, slightly increasing compared to the same period of last year, despite the significant market contraction and a fire involving a cargo ship that affected supplies for the new summer collection. Like-For-Like performance was -3%

Adjusted EBITDA was €81.1m, in line with 1H17: actions put in place in order to contain costs and a good gross margin allowed the Company to maintain its profitability, inspite of a difficult environment, which negatively affected the top line

Adjusted net income was €32.8m, IFRS net income stood at €5.1m, higher than last year, even in presence of the extraordinary costs related to Sempione Fashion booked in the first quarter

Over the first six months of the year, the network expanded by 7 full format DOS and 64 other stores, mainly small formats in franchising opened in foreign countries

+0.9%

Increase in Net Sales excluding the sell-in to Sempione Fashion

8.0%

Italian Market Share

+14bps vs. January 2018 and +43bps vs. July 2017

Source: Sita Ricerca for market share

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Key Income Statement Items
Solid Gross Margin and cost control to sustain profitability

€ mln	31.07.2018 IFRS	31.07.2018 Adjusted	31.07.2017 IFRS	31.07.2017 Adjusted	Chg. (Adjusted)	Chg. % (Adjusted)
Net Sales	720.1	720.1	690.4	690.4	29.7	4.3%
Net Sales*	**666.4**	**666.4**	**660.1**	**660.1**	**6.2**	**0.9%**
Gross Margin	392.8	405.4	380.9	394.8	10.6	2.7%
GM%	58.9%	60.8%	57.7%	59.8%		+103ppt
EBITDA	22.6	81.1	66.5	82.1	(1.0)	(1.3%)
EBITDA%	3.4%	12.2%	10.1%	12.4%		(27ppt)
EBIT	(8.6)	54.2	36.5	56.3	(2.1)	(3.7%)
EBIT%	(1.3%)	8.1%	5.5%	8.5%		(39ppt)
PBT	13.4	46.3	(14.0)	54.5	(8.2)	(15.0%)
Net Income	5.1	32.8	(15.9)	38.4	(5.7)	(14.7%)
Net Financial Position	432.2	427.6	408.5	363.3	64.3	17.7%
Market Share	8.0%		7.6%			+43ppt

- 1H18 Net Sales slightly increased compared to 1H17, despite (i) the contraction of the domestic market during the first semester (-3.4% YTD), heavily impacted by unusual weather conditions, (ii) the refurbishment plan that involved 10 OVS directly operated stores in the first quarter and other 32 at the end of the second quarter, and (iii) a fire involving a cargo ship that affected supplies for the new summer collection (more than €20m at retail price).
- Adjusted EBITDA broadly stable. OVS brand EBITDA (-€3.5m) has been impacted by two main activities that will both contribute to the future growth of the brand: (i) more intense promotional activities that will benefit the stock, and (ii) the refurbishment of 42 stores. UPIM brand EBITDA continues its growth. A solid Gross Margin and the effective cost control implemented, allowed the company to offset, in terms of profitability, the negative effect of the LfL.
- Adjusted net income stood at €32.8m, while the IFRS reported one amounted to €5.1m. The improvement experienced at reported bottom line level is mainly the result of an hedging more aligned to the spot exchange rate, which furthermore allowed OVS to compensate the negative impact of the extraordinary costs booked in relation to Sempione Fashion AG. The tax rate (on the adjusted results) of the first half of 2018 remained stable compared to the same period of last year, not yet fully benefiting from the positive full-year impacts expected arising from other elements like the hyper depreciation.

(*) Excluding the sell-in to Sempione Fashion AG

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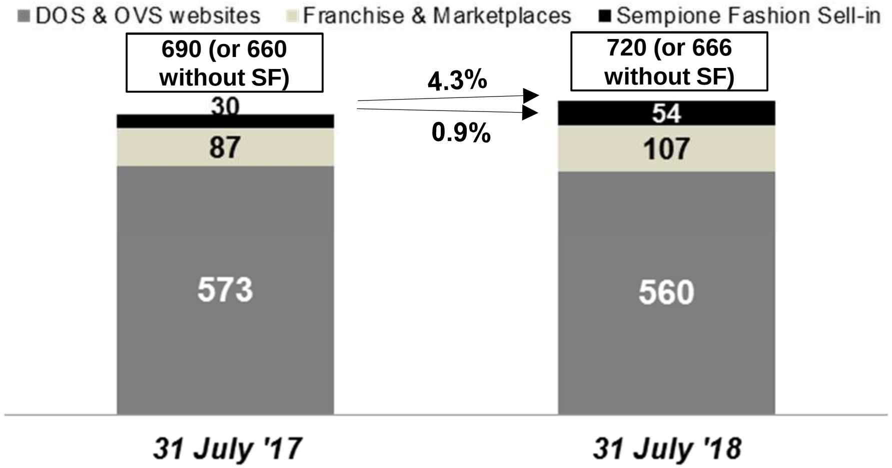
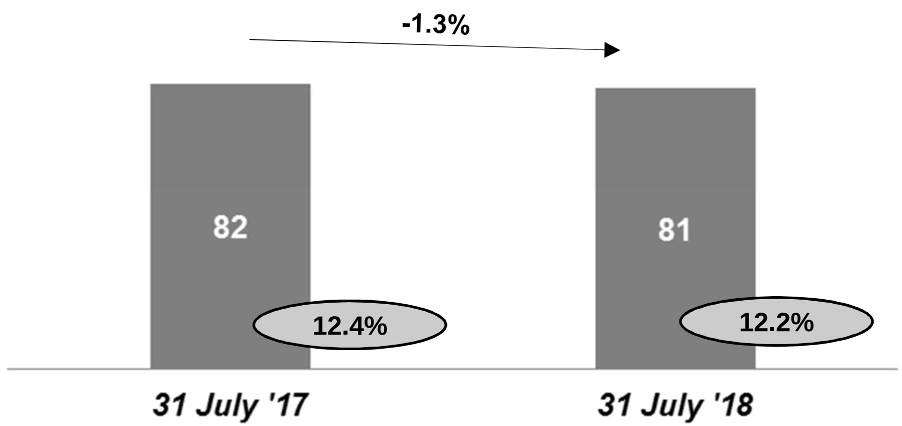
Sales and EBITDA Performance in 1H18

Aggregate Performance

Net Sales (€mln)



EBITDA (€mln)



Performance By Brand

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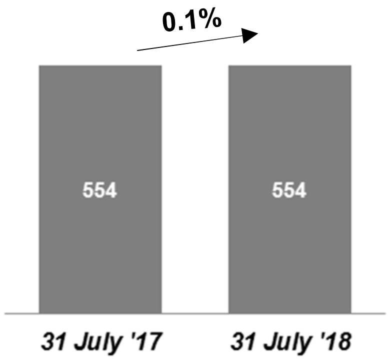
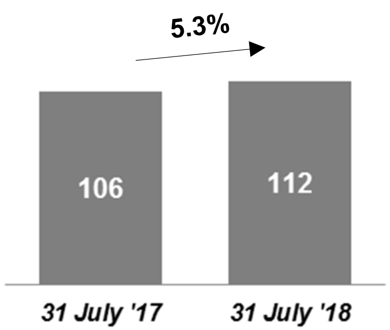


upim



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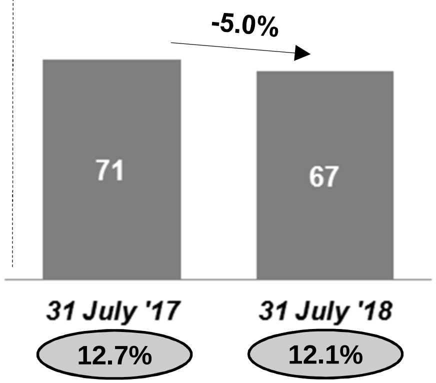

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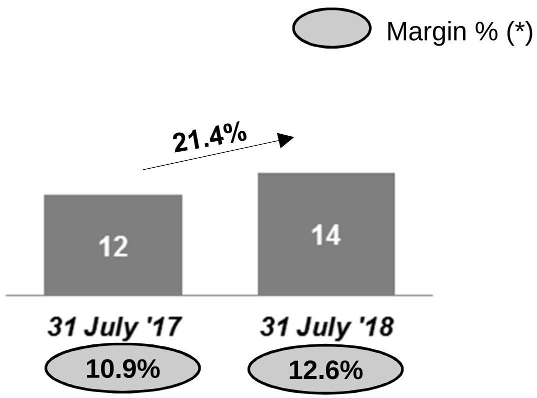

(*) EBITDA margin calculated excluding the sell-in to Sempione Fashion AG.

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31Jul18 Consolidated Trade Working Capital

€mln	31July18	31July17	*Change Jul18-Jan18*	*Change Jul17-Jan17*
Trade Receivables	126.9	99.7	13.9	24.4
Inventory	423.3	373.8	35.4	33.2
Trade Payables	(392.4)	(366.2)	11.0	1.5
Trade Working Capital	**157.8**	**107.3**	**60.3**	**59.1**

1H18 trade working capital experienced a peak due to the final phase of the relations with the Group Sempione Fashion. Goods bought for Sempione Fashion will be sold through the OVS and Upim network in the next 12 months, resulting in lower purchases for the next seasons. Analyzing it by each single component:

- Compared to 1H17, trade receivables increased by +€27.2m, reflecting the significant growth of the franchise top line compared to last year. It should be noted that, in the first semester of 2018, the increase of trade receivables experienced has been lower compared to the same period of last year.
- The level of inventory grew by +€49.5m compared to 1H17, mainly as a result of the additional merchandising bought and never delivered to Sempione. Several actions have been implemented in order to decrease the inventory level and absorb the temporary peak.
- The higher level of trade payables compared to the same period of last year (+€26.2m) is the consequence of additional merchandising bought from vendors.

It has to be underlined that, with regard to the asset write-downs of €50.4m relating to Swiss retailer Sempione Fashion AG and booked in the first quarter, no further costs have been necessary in the second quarter. The allocation of these write-downs (receivables and merchandise) has changed, however, since part of the already written-down merchandise became a receivable after “consignment stock” was implemented.

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Capex

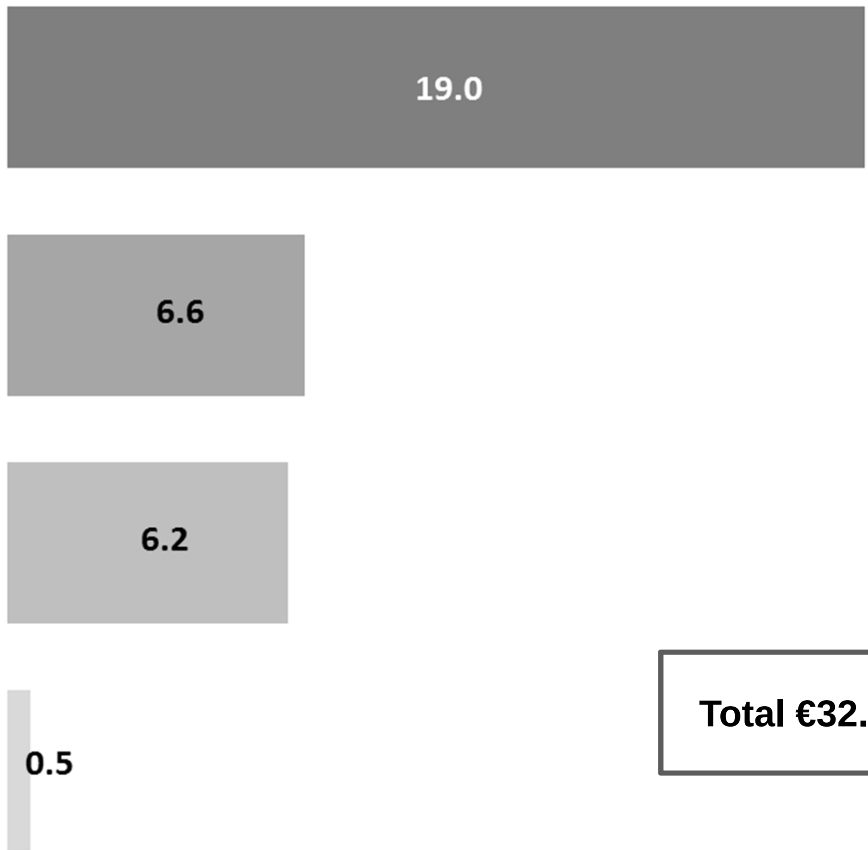
1H2018 Capex breakdown (*€ mln*)

Refurbishments (c. 58.8%): investments related to the existing network significantly increased vs. last year

It & Digital Transformation (c. 20.4% of total): increased investments also on multichannel activities and IT

New Openings (c. 19.2%)

Capex for the maintenance of the **headquarter building, logistics** and others (c. 1.6%)



Total €32.3m

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Net Debt and Leverage

€ mln	31st July 2018	31st July 2017
Net Debt excluding MtM	427.6	363.3
EBITDA LTM Adjusted	195.5	193.7
Leverage on EBITDA (*)	2,2x	1,9x
Average Leverage on EBITDA (**)	1,95x	1,78x

Notes:

(*) calculated on Net Debt at 31st July excluding the MtM

(**) calculated on the average last 12 months Net Deb excluding the MtM

- At 31 July 2018, the Group's net financial position was €427.6m net of the mark-to-market effect (-€4.5m). OVS purchases most of its merchandise in USD, and the accounting effect, significantly lower than in the first half of last year, is due to the realignment between the closing spot exchange rate for the period and euro/dollar hedging on merchandise mainly to be purchased in 2019.
- The ratio of net financial position to the EBITDA for the last 12 months, excluding the mark-to-market, was 2.2x, while the ratio considering the average net financial position in the last 12 months was 1.95x.
- The current spot interest rate is 2.50% + Euribor 3M (currently around 0%).

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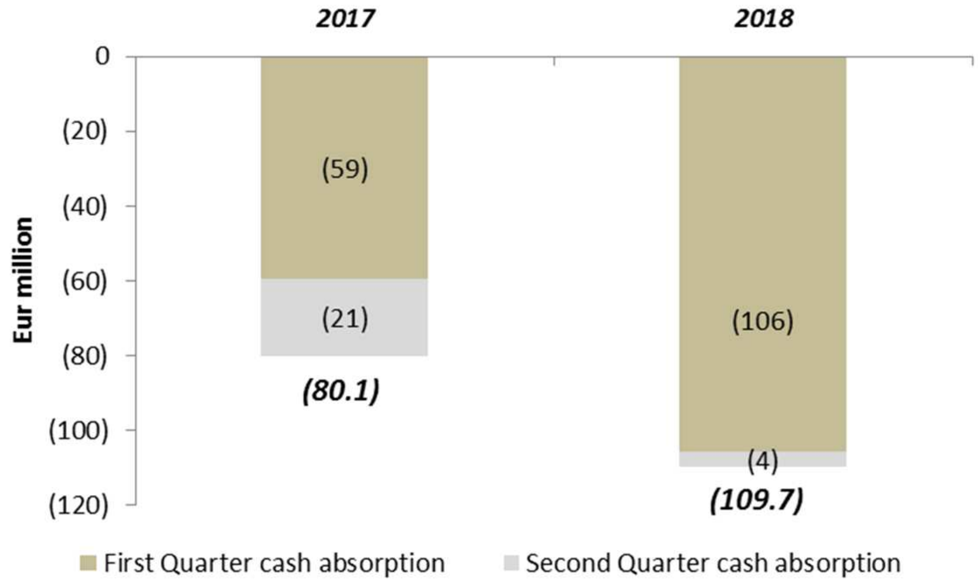
Consolidated Cash Flow Statement

	31 July '18	31 July '17
EBITDA Adjusted	**81.1**	**82.1**
Adjustments[1]	(58.5)	(15.6)
Change in Net Operating Working Capital	(60.3)	(59.1)
Other changes in Working Capital	(11.3)	(4.9)
Capex	(32.3)	(31.1)
Operating Cash Flow	**(81.4)**	**(28.5)**
Financial charges	(7.6)	(6.9)
Dividends	0.0	(34.1)
Taxes and Others	(20.7)	(10.6)
Net Cash Flow excl derivatives MtM and amortised costs	**(109.7)**	**(80.1)**
MtM derivatives, amortized cost and exchange differences	55.4	(62.6)
Net cash flow	**(54.3)**	**(142.7)**



- Operating cash flow in the first half of 2018 was influenced by the absorption of working capital for trade receivables and inventory relating to Sempione Fashion AG (totaling €50.4m and included within the adjustments). Excluding this effect, the cash absorption of €31m reflects (i) the normal seasonality of the business, (ii) the residual peak in inventory due to the merchandise purchased for Sempione Fashion AG that will be sold within the OVS network in the next months, and (iii) the increase in the franchising business, which inevitably entails an increase in trade receivables.

- The second quarter of 2018 saw an initial improvement of the cash flow management. Compared with last year, the cash absorbed was €4.1m, versus €20.8m of the second quarter of 2017. The company is strongly committed to continuing in this direction.

- Net cash flow after accounting for derivatives, improved by €88.4m vs last year.

Notes: 1.Relates to adjustments at EBITDA level. Please see Appendix for further details

Outlook

- Pressure on markdowns boosted sales in August, which entirely compensated the sales missed in the stores under refurbishment, with a good impact on Spring/Summer sell-through and consequent impact on inventory.
- The network continued to expand in the first part of the second semester (+11 stores) while refurbished stores (almost all re-opened) are showing the expected increase in sales density, testifying the recognition by the costumers of the brand image as well as the appreciation of the new cutting-edge digital tools introduced.
- The company is not only paying attention to the image of the store, but it is also continuing focusing on improving its merchandising. With this goal, a collaboration with Massimo Piombo, assuming the role of man fashion director, has been signed. Upim is continuing its trajectory, expanding also in small catchment areas, where other international competitors are not willing to enter.
- Organic international growth will continue, mainly through the opening of kids stores in franchising, which are achieving good results, with limited capex investments.
- OVS SpA has also announced the appointment of Ismail Seyis as general manager of the OVS brand, succeeding to Francesco Sama. Ismail will bring its contribution to the brand in terms of vision and experience gained in important international groups, after the good results achieved through the expansion of the business unit dedicated to the international organic growth of the OVS brand. The OVS Group and the Board of Directors would like to thank Mr. Francesco Sama for his contribution during these years.
- The Board of Directors, implementing a resolution passed by the Shareholders' Meeting of 31 May 2018, resolved to carry out a share buy-back programme starting from the 20th of September.

Appendix

Consolidated Profit and Loss and related adjustments

€ mln	31.07.2018 IFRS	Adjustments	31.07.2018 Adjusted	31.07.2017 IFRS	Adjustments	31.07.2017 Adjusted	Chg. (Adjusted)	Chg. % (Adjusted)
Net Sales	720.1		720.1	690.4		690.4	29.7	4.3%
Net Sales*	**666.4**		**666.4**	**660.1**		**660.1**	**6.2**	**0.9%**
Gross Margin	392.8	(12.6)	**405.4**	380.9	(13.9)	**394.8**	10.6	2.7%
GM%	58.9%		60.8%	57.7%		59.8%		+103ppt
EBITDA	22.6	(58.5)	**81.1**	66.5	(15.6)	**82.1**	(1.0)	(1.3%)
EBITDA%	3.4%		12.2%	10.1%		12.4%		(27ppt)
EBIT	(8.6)	(62.8)	**54.2**	36.5	(19.8)	**56.3**	(2.1)	(3.7%)
EBIT%	(1.3%)		8.1%	5.5%		8.5%		(39ppt)
PBT	13.4	(32.9)	**46.3**	(14.0)	(68.5)	**54.5**	(8.2)	(15.0%)
Net Income	5.1	(27.6)	**32.8**	(15.9)	(54.3)	**38.4**	(5.7)	(14.7%)

Note: In order to provide a clearer picture of the organic business and render it comparable with the previous year, the net sales underlying the calculation of the financial KPIs (*) were net of sales under the service contract with the Swiss client Sempione Fashion AG.

The table shows the results adjusted to represent the Group's operating performance net of non-recurring events which are unrelated to ordinary operations. In particular, in the first half-year, the results have mainly been adjusted for provisions already reflected in the data for the first quarter of 2018.

Specifically, EBITDA in the first half of 2018 was mainly affected by: (i) asset write-downs of €50.4 million, relating to receivables from Sempione Fashion AG and merchandise at the companies of the Sempione Group (Austria and Switzerland); (ii) €6 million relating to one-off costs, mainly legal costs and/or costs connected to the management of changes in the relationship with the Swiss partner (including €3 million already allocated in the first quarter of 2018). The remaining €3 million in the second quarter relate to operating, logistics and other costs required to recover part of the inventory; and (iii) costs of €1.9 million relating to the stock option plan (non-cash costs).

Other adjustment items that impacted EBIT and profit before taxes concerned: (i) costs of €4.3 million related to the amortisation of intangible assets relating to purchase price allocation, and (ii) adjusted income of €29.9 million mainly relating to foreign exchange differences arising from the valuation of foreign currency items also with respect to forward derivative instruments and realized exchange differences.

Lastly, the reported net result reflected taxes recalculated following the aforementioned adjustments, entailing an increase in charges of €5.3 million.

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Consolidated Balance Sheet Statement

€mln	31 July '18	31 January '18	Chg.
Trade Receivables	126.9	113.0	13.9
Inventory	423.3	387.9	35.4
Trade Payables	(392.4)	(403.4)	11.0
Net Operating Working Capital	**157.8**	**97.5**	**60.3**
Other assets/(liabilities)	(59.6)	(51.2)	(8.4)
Net Working Capital	**98.2**	**46.3**	**51.9**
Tangible and Intangible Assets	1,367.0	1,365.8	1.2
Net deferred taxes	(119.2)	(134.3)	15.1
Other long term assets/(liabilities)	(13.9)	(14.7)	0.7
Pension funds and other provisions	(48.1)	(43.7)	(4.4)
Net Capital Employed	**1,284.0**	**1,219.5**	**64.5**
Net Equity	851.7	841.7	10.0
Net Financial Debt	432.2	377.8	54.4
Total source of financing	**1,284.0**	**1,219.5**	**64.4**

(*) It includes -€4.5m of liability recorded through the recognition of the mark-to-market value at the 31st July 2018.