

OVS

OVS S.p.A.'s sales and EBITDA continue to grow

The Board of Directors met today in Venice and approved the results for the first half of 2016 (1 February 2016 - 31 July 2016)

+4.7%

Net sales

+10.9%

EBITDA

7.2%

Market share

- ✓ **Net sales for the first half were €640.1 million**, up 4.7% compared with the same period a year earlier.
- ✓ **EBITDA was €75.1 million**, representing 11.7% of net sales, up by €7.4 million (10.9%) and by around 60 bps as a percentage of sales compared with the same period a year earlier.
- ✓ **The network increased by 12 full format DOS** and an incremental 58 other stores (mainly kids in franchising).
- ✓ **Market share increased again, reaching 7.2%** and gaining 20 bps compared with the start of the period, and 50 bps compared with the first half of 2015.
- ✓ **Net profit was €30.8 million**, up €6.5 million (+26.9%) compared with the first half of 2015.
- ✓ **The net financial position was €321.7 million**, after the payment of €34.1 million in dividends in June 2016.

CONSOLIDATED RESULTS

€mln	31 July '16	31 July '15	Chg	Chg %
Net Sales	640.1	611.1	29.0	4.7%
EBITDA	75.1	67.7	7.4	10.9%
<i>% on net sales</i>	<i>11.7%</i>	<i>11.1%</i>		
EBIT	51.0	44.4	6.6	14.8%
<i>% on net sales</i>	<i>8.0%</i>	<i>7.3%</i>		
EBT	44.5	37.5	7.0	18.7%
<i>% on net sales</i>	<i>7.0%</i>	<i>6.1%</i>		
Net Profit	30.8	24.3	6.5	26.9%
<i>% on net sales</i>	<i>4.8%</i>	<i>4.0%</i>		
Net Financial Debt	321.7	319.2	2.5	1%
Market Share (%)	7.2	6.7	0.5	7.0%



N.B. In order to give a clearer picture of the company's performance, the data in this document have been normalised.



Statement from the Chief Executive Officer Stefano Beraldo

OVS S.p.A. continued its path of growth and consolidation in the Italian market. Sales grew by 4.7% in the first half year, driven by further expansion of the network in line with management expectations, with very positive performance of the new stores and an acceleration of franchising openings. In particular, in the semester the network increased by 12 full format DOS and 58 other stores, mainly kids in franchising.

As a result of the increased efficiency resulting from the many initiatives undertaken, both at supply chain level (particularly the relocation of sourcing to lower-cost countries) and at distribution level (in-season replenishment and post-distribution), as well as careful management of costs (the expected savings in electricity and rental costs were achieved), OVS successfully responded to the adverse effect on sales of particularly unfavourable weather conditions in May, a very important month for the spring/summer season. The month was very cold and rainy compared to last year, resulting in a negative like-for-like performance in the semester.

EBITDA reached 11.7% of net sales, up by €7.4 million, or +10.9%, and by around 60 bps as a percentage of sales compared with the same period last year. As expected, the UPIM brand recorded very positive results, doubling its EBITDA from €4.0 million to €8.0 million, confirming the ongoing soundness of the strategic repositioning.

Net profit, which stood at €30.8 million, was up by €6.5 million compared to the same period a year earlier.

Post the €34.1 million dividend payout in June 2016 the financial structure remains sound, with OVS's financial position largely unchanged year-on-year.

The network expansion continued in the first part of the second semester, with 31 stores added to date, including 5 full format DOS. However, the autumn/winter season has had an unfavourable start in terms of weather, with unusual high temperatures well above the seasonal average, particularly in the first half of September.

Our strategy of consolidation of the Italian market and our priorities remain unchanged whilst we continue to expand in foreign markets. The recently announced minority investment in Sempione Retail and the potential related commercial agreement with Charles Vögele, represents a great commercial opportunity for the internationalization of OVS brand through a limited financial investment of CHF 14.1 million by the group.

We believe that the soundness of our strategy evidenced by strong growth historically will continue to deliver sustainable and remunerative growth for our shareholders.

NET SALES

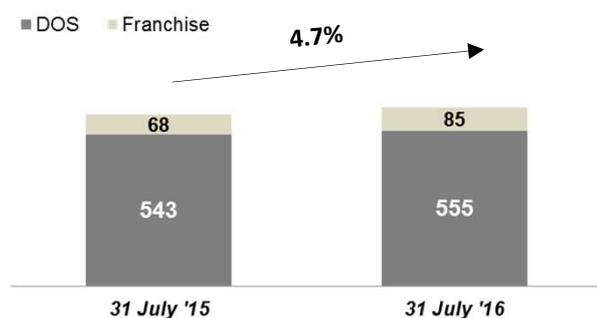
Total sales grew by €29.0 million, or +4.7%, with a positive contribution from network expansion, whilst sales growth on a like-for-like basis (-2.9%) were adversely affected by unfavourable weather conditions, particularly in May, which was also a strong month in the previous year with very favourable conditions. Like-for-like sales excluding May were slightly positive.

OVS registered an increase in sales of 4.3% (up €22.2 million), driven by the steady expansion of the DOS network and an acceleration of franchise openings.

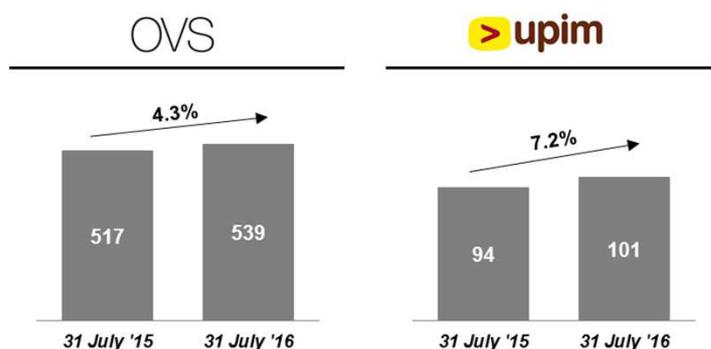
UPIM registered strong growth: its sales rose by 7.2% (up €6.8 million), benefiting from (i) the positive reception by the public of the brand's repositioning in terms of format and products and (ii) the expansion of the kids franchise network (Blukids).

+4.7%
The trend of growth driven by development has continued

NET SALES: aggregate performance



NET SALES: performance by brand



EBITDA

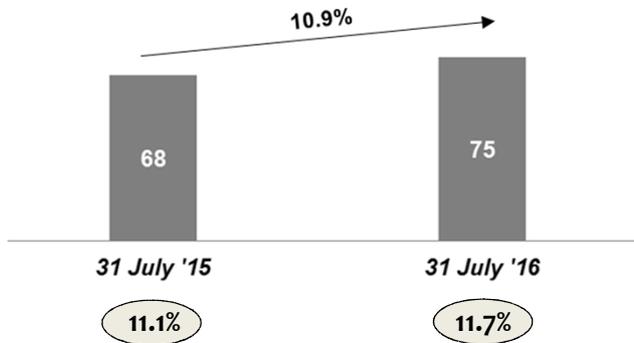
EBITDA was €75.1 million (11.7% of net sales), up €7.4 million (+10.9%) from €67.7 million for the same period of 2015 (11.1% of net sales).

Both brands made a strong contribution to this performance, also thanks to (i) a substantial improvement in the gross margin due to actions undertaken at supply chain level (relocation of part of purchasing to lower-cost countries) and at distribution level (better-quality stock and a relative reduction in the impact of mark-downs), and (ii) careful cost control and specific savings initiatives (particularly on rental costs and electricity, thanks to the LED project).

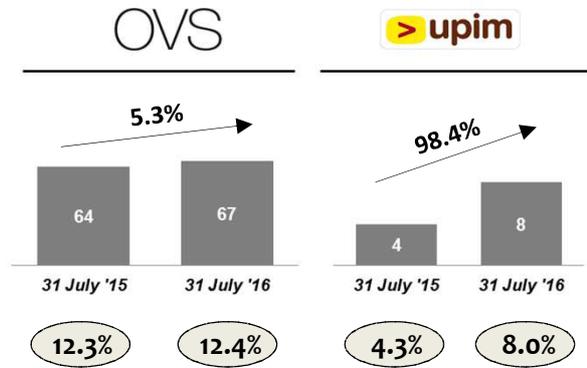
The OVS brand registered an increase of €3.4 million in EBITDA (up 5.3% on last year), while the UPIM brand increased by €4.0 million (up 98.4%).

+10.9%
EBITDA
Higher sales, along with improved margins and operating leverage

EBITDA : aggregate performance



EBITDA: performance by brand



○ Margin in %

OPERATING INCOME

Thanks to the positive EBITDA performance, operating income came in at €51.0 million, up €6.6 million or +14.8% compared to the same period last year. Depreciation and amortisation increased slightly, as a result of the network expansion activities and the investment in operations.

PROFIT BEFORE TAX AND NET RESULT

Profit before tax was €44.5 million, up €7.0 million or +18.7% compared to the first half of 2015. This performance was driven by operating income and decreasing financial expenses.

Net profit stood at €30.8 million, up by €6.5 million.

OPERATING CASH FLOW

Operating cash flow for the half-year (negative €24.1 million) is representative of the normal seasonality of the business, accentuated this year by an acceleration of the opening of affiliated stores, both in Italy and abroad, which resulted in an increase in trade receivables. The increase in stock was largely in line with the growth in sales, while payables decreased, mainly reflecting (i) the settlement of balances relating to capex for the LED project carried out in previous periods, and (ii) a partial change in the supplier mix due to the relocation of part of purchasing activities to lower-cost countries and a change in the payment conditions of some suppliers granting better purchasing conditions. The increase in net working capital is under control, in line with the activities implemented by management.



Bianca Balti in Jean-Paul Gaultier for OVS
Venice International Film Festival 2016



Arts of Italy, the new OVS capsule collection

OVS

SUMMARY STATEMENT OF CASH FLOWS

€mln	31 July '16	31 July '15	31 January '16
EBITDA	75.1	67.7	179.6
Change in Net Operating Working Capital	(59.6)	(13.1)	(5.6)
Other changes in Working Capital	(9.9)	(11.5)	12.4
Capex	(29.7)	(33.9)	(68.3)
Operating Cash Flow	(24.1)	9.2	118.0
Financial charges	(7.5)	(12.3)	(20.2)
Severance indemnity payment	(0.9)	(1.6)	(2.5)
Corporate taxes	(10.9)	(17.9)	(20.5)
IPO costs (excl. bank commissions)	0.0	(3.4)	(3.6)
IPO proceeds (net of bank commissions)		349.0	349.1
Dividends	(34.1)		
Others	(0.9)	(5.8)	(6.1)
Net Cash Flow (excl derivatives MtM and amortised costs)	(78.4)	317.2	414.1
MtM derivatives, amortized cost and exchange differences	(8.3)	(12.0)	(24.7)
Net cash flow	(86.7)	305.2	389.4

NET FINANCIAL POSITION

At 31 July 2016, after the payment of €34.1 million in dividends in June, the Group's net financial position was €321.7 million, largely unchanged compared with the same period of the previous year. The ratio of net financial position to EBITDA for the last 12 months is 1.7x. The current interest rate on debt is 2.50% + Euribor 3M (currently around 0%).



The Flagship Store in Milan

€ mln	31 July '16	31 July '15
Net Debt	321.7	319.2
EBITDA LTM	187.0	168.5
Leverage	1.7x	1.9x

CAPITAL STRUCTURE

The company's net invested capital of €1,129.4 million increased by €69.3 million (or +6.5%) substantially in line with the growth of turnover and network.

SUMMARY STATEMENT OF FINANCIAL POSITION

€mln	31 July '16	31 January '16	Chg
Trade Receivables	83.7	71.0	12.6
Inventory	317.9	289.7	28.2
Trade Payables	(350.1)	(368.8)	18.7
Net Operating Working Capital	51.4	(8.1)	59.6
Other assets/(liabilities)	(80.9)	(91.3)	10.4
Net Working Capital	(29.5)	(99.5)	70.0
Tangible and Intangible Assets	1,358.5	1,357.2	1.4
Net deferred taxes	(141.5)	(142.7)	1.2
Other long term assets/(liabilities)	(6.8)	(6.1)	(0.6)
Pension funds and other provisions	(51.3)	(48.7)	(2.6)
Net Capital Employed	1,129.4	1,060.1	69.3
Net Equity	807.7	825.1	(17.4)
Net Financial Debt	321.7	235.0	86.7
Total source of financing	1,129.4	1,060.1	69.3



The Flagship Store in Turin



OTHER INFORMATION

Company information

OVS SpA is a registered Italian company (VAT number 04240010274), with its registered office in Mestre, Venice (Italy). OVS S.p.A. shares have been listed on the Mercato Telematico Azionario in Milan since 2 March 2015.

Approval of the Half-year Financial Report

The Half-year Financial Report was approved by the Board of Directors of OVS SpA on 21 September 2016 and, on the same date, the same body authorised its publication.

Non-recurring items

The non-recurring expenses excluded from the figures shown in this document (€2.2 million in the first half of 2016) mainly relate to M&A activity. Non-recurring expenses amounted to €12.2 million in the first half of 2015, and mainly related to IPO costs. The figures shown in this press release have also been standardised to eliminate the impact of the accounting treatment of stock options (non-cash charge of €1.2 million), depreciation and amortisation deriving from PPA (€4.3 million) and currency derivatives (charge of €8.3 million), which require mark-to-market accounting and are therefore very volatile.

Attestation by the Director responsible for preparing the company's accounting statements

Nicola Perin, the director responsible for preparing the company's accounting statements, hereby attests, pursuant to Article 154-bis, paragraph 2, of the Italian Consolidated Finance Act, that the accounting information contained in this press release corresponds to the company documents, books and accounting records.

Conference call and results presentation

Tomorrow, 22 September 2016 at 15:00 local time CET), a conference call will take place with analysts and investors during which the main results for the half year ended 31 July 2016 will be presented. To listen in on the conference call, dial +39 02 805 88 11 (from Italy), +44 121 281 8003 (from the UK) and +1 718 7058794 (from the US) (+39 02 8058827 for journalists) and confirm the access code 800#. A presentation will be available and can be downloaded from the "Investor Relations/Results and Presentations" section of the Company website at www.ovscorporate.it and from the "iinfo" storage mechanism at www.iinfo.it. A recording of the presentation will also be available on the same website, from the day after the meeting call.

Half-year Financial Report at 31 July 2016

The Half-year Financial Report at 31 July 2016, pursuant to Article 154-ter of the TUF - including the condensed half-year financial statements, the Interim Report on Operations and the declaration required under Article 154-bis, paragraph 5 of the TUF - will be made available to the public at the Company's registered office, via the "iinfo" centralised storage system at the website www.iinfo.it, and can be viewed on the Company website at www.ovscorporate.it, in the "Investor Relations/Results and Presentations" section. The external auditor's report will also be made available to the public in the same way as soon as it is available and pursuant to the law.

Upcoming events in the financial calendar

Interim Report on Operations for the third quarter of the year to 31 October 2016

14 December 2016

For further information, contact:

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Disclaimer

- i) *The information presented in this document has not been audited.*
- ii) *The document may contain forward-looking statements relating to future events and OVS's operating, financial and income results. These forecasts, by their nature, involve risk and uncertainty, as they depend on future events and developments. The actual results may differ, sometimes substantially, from those announced, due to multiple factors.*