

**BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING,
DRAWN UP AS PER ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998 ("TUF") AND
THE SECOND PARAGRAPH OF ARTICLE 2429 OF THE ITALIAN CIVIL CODE**

To the shareholders,

1. Introduction

The board of statutory auditors of OVS S.p.A. (the "Company"), formed by Mr Giuseppe Moretti, chairman, and Mr Roberto Cortellazzo Wiel and Mr Lucio Giulio Ricci, statutory auditors (the "Board"), was appointed by the quotaholders' meeting of then OVS S.r.l. on 23 July 2014 for three financial years, until the meeting called to approve the financial statements as at 31 January 2017.

The legal auditing of the accounts is entrusted, instead, to PricewaterhouseCoopers S.p.A. (the "Audit Firm"), appointed for the financial years ending 31 January 2015 to 31 January 2023 by the same quotaholders' meeting of 23 July 2014, after a reasoned proposal by the Board. The Audit Firm is responsible, over the above nine-year period, for auditing the individual and consolidated financial statements of the group, for the limited review of the half-yearly short-format consolidated financial statements, and for verifying that accounts are properly kept and that the Company's accounting system can be relied on to give a true picture of operational items.

2. Checking of compliance

- 2.1** In the financial year ended 31 January 2016, the Board performed the duties required by law (and, in particular, by article 149 of the "TUF", or Consolidated Law on Finance). The Board also took into account the Consob communications and recommendations on the supervision of companies and the activities of boards of statutory auditors (especially Communication no. DAC/RM 97001574 of 20 February 1997 and Communication no. DEM/1025564 of 6 April 2001, as supplemented by Communication no. DEM/3021582 of 4 April 2003 and Communication no. DEM/6031329 of 7 April 2006), the principles of conduct for boards of statutory auditors of listed companies, recommended by the National Council of Professional Accountants (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), and the indications given in the Code of Conduct for the Self-Regulation of the Corporate Governance Committee of Listed Companies (*Codice di Autodisciplina del Comitato per la Corporate Governance delle società quotate* – the "Code of Conduct").
- 2.2** In the financial year ended 31 January 2016, the Board verified that the law and the articles of association were observed, and that the principles of sound management were respected.

To do so, the Board also relied on the internal and external information flows set up by the Company, which enable the Board to verify that the Company's organisational structure, internal procedures, corporate deeds and internal resolutions are compliant with the rules of law, the Company's articles of association and relevant regulations.

Based on the information it acquired, the Board notes first of all that the Company observed the disclosure requirements in relation to information that is regulated, privileged or required by the supervisory authorities. In this last regard, the Company's statements and communications were compliant with the formats and contents required by CONSOB.

To carry out its checks, the Board held six meetings in the course of the year, in addition to the meeting to check the financial statements as at 31 January 2015.

In order to ensure an adequate and effective flow of information, the Board also:

- ✓ collectively attended six board of directors' meetings, as well as one shareholders' meeting;
- ✓ attended, through its chairman and/or another statutory auditor, in compliance with the Code of Conduct, meetings of the Internal Audit and Risk Management Committee, and met with the Appointments and Remuneration Committee;
- ✓ held regular meetings with the head of Internal Audit, and with the financial reporting manager (the *dirigente preposto alla redazione dei documenti contabili societari*); both individuals were invited to attend Board meetings;
- ✓ held two meetings with the Audit Firm;
- ✓ held two meetings with the supervisory board, of which Mr Roberto Cortellazzo Wiel is chairman.

During these meetings, the Board gathered information and verified, as far as its own remit goes, that the principles of sound management were observed and that the Company's administrative structure adequately reflected these principles.

With regard to the decision-making processes of the board of directors, the Board checked that the operating decisions taken by the directors complied with the law and the articles of association and verified that their resolutions were not contrary to the interests of the Company.

On the basis of the information it acquired, the Board believes that the principles of sound management were respected and that operating decisions were made on an informed basis and were reasonable, and

that the directors were aware of the level of risk and effects of the transactions that they approved and implemented.

2.3 The Board periodically obtained information about the general performance of the Company and its outlook, and about the most significant transactions of the Company in terms of their size or characteristics. The Board verified that the decisions taken and implemented complied with the law and the Company's articles of association, were not manifestly imprudent, did not involve potential conflicts of interests – or, if there was a potential conflict of interest, that the decision was nevertheless taken in compliance with the law and internal procedures – and did not jeopardise the integrity of the Company's assets.

Among the most significant events of the financial year ended 31 January 2016, the Board must report the following, in addition to the events already described in the report on the financial statements as at 31 January 2016:

- The completion of the Global Offering of ordinary shares in the Company.
- The new loan agreement with Banca IMI as lender and agent bank (the “Agent Bank”), and with lending banks Unicredit S.p.A., Natixis S.A., Milan Branch, HSBC Bank plc, Milan Branch, Crédit Agricole Corporate and Investment Bank, Milan Branch, Banca Popolare Friuladria S.p.A., BNP Paribas, Milan Branch, Banca Monte dei Paschi di Siena S.p.A., MPS Capital Services – Banca per le Imprese S.p.A., Banca Popolare di Vicenza S.c.p.A., Banca Popolare di Milano S.c.a.r.l., Banca Popolare di Sondrio S.c.p.A., Banca Popolare Soc. Coop. and Banca Popolare dell'Alto Adige S.c.p.A.
- The approval, on 26 May 2015, of the 2015-2020 Stock Option Plan, to be implemented by granting, free of charge, options to subscribe newly issued ordinary shares in the Company. The plan is reserved for directors who are also employees, managers with strategic responsibilities, and/or other employees of the Company and its subsidiaries, and involves issuing a maximum of 5,107,500 options, granted free of charge when the beneficiaries reach certain performance targets.

The same extraordinary shareholders' meeting of 26 May 2015 also decided to grant the board of directors, for a five-year period from the date of the resolution, the authority to increase the Company's capital against payment, as per article 2443 of the Italian Civil Code, regardless of the number of shares subscribed, and – as allowed by the eighth paragraph of article 2441 of the Italian Civil Code – without any option right. The capital may be raised by a total nominal amount of €35,000,000, by issuing, even in several tranches, a maximum of 5,107,500 ordinary shares with no par value, to be reserved for beneficiaries of the 2015-2020 Stock Option Plan. On 8 June 2015, the board of directors resolved to use its delegated powers and therefore approved the capital increase funding the 2015-2020 Stock

Option Plan, approved at the same meeting. In particular, the board of directors approved a capital increase, to be made against payment, by 8 June 2025, by issuing, even in several tranches, a maximum of 5,107,500 new ordinary shares with no par value, having the same characteristics as the ordinary shares outstanding on the date of issue. These shares should carry standard dividend rights but, as per the eighth paragraph of article 2441 of the Italian Civil Code, no option rights, and be reserved for subscription by the beneficiaries of the 2015-2020 Stock Option Plan, at a strike price of €4.88 per share.

Although the majority of its shares are held by Gruppo Coin S.p.A., the Company decided that it is not directed and coordinated by that company, for the reasons detailed in the directors' report on the year ended 31 January 2016.

- 2.4** In relation to the Group structure, the Board points out that the Company's main subsidiaries include: (a) OBS Hong Kong Sourcing Ltd (previously OBS Ltd), based in Hong Kong; (b) OVS Department Stores D.O.O., based in Belgrade (Serbia); (c) Oriental Buying Services India Private Ltd and Oriental Buying Services Sales Private Ltd, based in Delhi (India); (d) Cosi International (Shanghai) Ltd, based in Shanghai (China); (e) OVS Maloprodaja D.O.O, based in Zagreb (Croatia); and (f) OVS Bulgaria Eood, based in Sofia (Bulgaria).

In the year ended 31 January 2016, the Board did not discover any atypical and/or unusual transactions with Group companies, third parties or related parties.

As specified by the directors in their explanatory notes to the consolidated and individual financial statements, the Company's transactions with group companies or related parties – further details of which can be found in the explanatory notes – are at arm's length and reflect current market conditions.

With regard to these transactions, the Board believes that the information provided by the draft individual financial statements is adequate.

The board also noted that the Company, through a resolution of 23 July 2014, had adopted, with effect from 2 March 2015, a special procedure for Company transactions with related parties. However, it had not appointed a special committee, but had entrusted the task of implementing the procedure to the non-executive directors.

On the other hand, the Board established that there was a proper flow of information between the Company and its subsidiaries and/or associates, and received confirmation that the Company was not giving instructions to its subsidiaries in the way described in article 114(2) of the TUF.

- 2.5** The Board, as far as its own remit goes, obtained information on the Company's organisational structure, checked the structure, and believes that, overall, it is reasonably adequate.

2.6 In the financial year, the Board did not issue any opinions, declarations or observations. The Board approved, as per article 2386 of the Italian Civil Code, the co-option of Mr Marvin Teubner, on 14 April 2016, to replace Ms Lori Hall-Kimm.

In accordance with the Code of Conduct, the Board also verified that:

- a) the assessment criteria and procedures, adopted by the Board of Directors to determine whether its members are independent on the basis of the criteria laid down by law and the Code of Conduct, were correctly applied;
- b) the statutory auditors themselves continued to meet the independence requirements, on the basis of the criteria laid down by law and the Code of Conduct, it being understood that whenever a statutory auditor, on his own behalf or on behalf of third parties, has an interest in one of the Company's transactions, he must promptly give full information to the other members of the Board and the chairman of the board of directors on the nature, terms, origin and scope of his interest.

In the financial year, no situations arose in which the auditors had an interest, on their own behalf or on behalf of third parties, in a given transaction.

2.7 In the financial year 2016, the Board did not receive any complaints or reports that need to be mentioned in this report.

2.8 The Board of Auditors verified that the Company had adopted a system of internal control and risk management, valid also for the Group, consisting of a set of rules, procedures and organisational structures whose purpose is to ensure the identification, measurement, management and monitoring of the main business risks.

The Board, in order to monitor the adequacy of the Company's internal control system, maintained a process of interaction and coordination with the Internal Control and Risk Management Committee, the director in charge of the Internal Control and Risk Management System, the head of Internal Audit, and the supervisory board.

In its capacity as Internal Control and Audit Committee (in accordance with article 19 of Legislative Decree no. 39/2010), the Board maintained an ongoing exchange of information with the Internal Control and Risk Management Committee and was in regular contact with the Audit Firm. Today it received the report drawn up pursuant to article 19(3) of the above-mentioned decree, confirming that there were no significant shortcomings in the internal control system, even though the Audit Firm had reported that there were areas that might be improved.

The Board also noted that the Company had adopted an organisational model which complies with the principles set out in Legislative Decree no. 231/2001, and had appointed a supervisory board. The Board also reviewed the supervisory board's annual report, submitted to the board of directors on 14 April 2016. The annual report made no points and/or observations that need to be mentioned here.

During the year, the Board was in regular contact with and met with the supervisory board, and acquired the information necessary and useful for its work.

In light of the Board's own checks, and the assessment – by the Internal Audit and Risk Management Committee and by the board directors – of the adequacy, effectiveness and working order of the Company's internal control structure, the Board believes, as far as its own remit goes, that this system is, as a whole, adequate.

- 2.9** The Board verified – by collecting information from the financial reporting manager and those in charge of the relevant departments, examining company documentation and exchanging information with the Audit Firm – that the Company's administrative and accounting system could be relied on to give a true picture of operational items.

In particular, the Board was able to establish – for the Company and its strategically important subsidiaries – that the financial reporting manager had conducted and completed an assessment of the adequacy and actual implementation of the administrative and accounting procedures required in article 154-*bis* of the TUF. Following this assessment, the financial reporting manager certified that the financial documents give a true and fair view of the assets and financial position of the Company and its strategically important subsidiaries.

The financial reporting manager's statements, procedures and declarations were, according to the information obtained by the Board, complete.

In light of its work and the board of directors' assessment of the adequacy of the Company's organisational, administrative and accounting structure, the Board believes, as far as its own remit goes, that this system is basically adequate and can be relied upon to give a true picture of operational items.

- 2.10** The reports by the Audit Firm on the individual and consolidated financial statements – issued, pursuant to articles 14 and 16 of Legislative Decree no. 39/2010, today – were unqualified and did not contain any emphasis of matter paragraphs. They certified that the individual financial statements and the consolidated financial statements were drawn up clearly and in compliance with the rules and give a true and fair view of the assets and liabilities, P&L result and cash flows of the Company and the OVS Group for the financial year ended 31 January 2016.

The above reports, in compliance with Italian Auditing Standard 720B, also attest that the directors' report and the information given in that report on the corporate governance and ownership structure are consistent with the individual and consolidated financial statements.

These reports also attest that the directors' report and the information referred to in letters c), d), f) and m) of the first paragraph and letter b) of the second paragraph of article 123-*bis* of the TUF, presented in the report on the corporate governance and ownership structure, are consistent with the individual financial statements and the consolidated financial statements.

In its capacity as Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, the Board also received confirmation that, based on the Audit Firm's audit of the individual financial statements and consolidated financial statements as at 31 January 2016, no material deficiencies affecting financial reporting and to be brought to the attention of the Internal Control and Audit Committee were found in the internal control system, even though some suggestions had been made about possible improvements.

The Board of Statutory Auditors also examined the statement that the Audit Firm issued on 29 April 2016, pursuant to article 17 of Legislative Decree no. 39 of 27 January 2010. It (i) certified that it had found no situations likely to compromise independence or causes of incompatibility according to articles 10 and 17 of the aforementioned legislative decree, and (ii) indicated the non-audit services provided to the Company, also through its network.

- 2.11** During the year ended 31 January 2016, the Board, as part of its checks of the Audit Firm and its independence, regularly met the persons in charge at the Audit Firm and checked the work carried out by the Audit Firm and its network, and their fees.

The information available to the Board indicates that the fees due to the Audit Firm and other companies in its network amount to (i) €240,000.00 for the auditing of the Company; (ii) €68,000.00 for the auditing of its subsidiaries. The Audit Firm also charges €40,000.00 for non-audit services rendered to the Company.

The Company paid the Audit Firm's network €835,000.00 for services other than auditing: (i) VAT assistance in the Spanish market, provided by TLS Associazione Professionale di Avvocati e Commercialisti; (ii) methodological assistance provided by PricewaterhouseCoopers Advisory S.p.A. in connection with the improvement of certain internal operating processes; (iii) VAT assistance provided by Landwell – PricewaterhouseCoopers Spain.

In light of the above, and the statement of independence and absence of any causes of incompatibility, issued by the Audit Firm, the Board believes that no critical aspects have emerged with regard to the independence of the Audit Firm.

2.12 The Company has adopted the Code of Conduct.

In compliance with the Code of Conduct, the board of directors approved, through a resolution dated 14 April 2016, the 2015 Report on Corporate Governance and the Ownership Structure, a full version of which, as stated in the directors' report, is available for consultation on the Company's website at www.ovscorporate.it.

The 2015 report was drawn up in compliance with Borsa Italiana S.p.A.'s Market Rules.

The report details the system of governance adopted by the Company. That system complies with the model of governance prescribed by the Code of Conduct, and the principles laid down by the Code of Conduct are effectively and properly applied.

2.13 During its checks in the year ended 31 January 2016, the Board found no wrongful acts, omissions or irregularities of such importance that they need to be mentioned in this report.

As far as the Board is aware, there were no departures from the provisions of law in the preparation of the individual and consolidated financial statements.

Also in view of the results of the work carried out by the Audit Firm, the Board, as far as its own remit goes, does not see any reason not to approve the individual financial statements as at 31 January 2016, as prepared and approved by the board of directors at its meeting of 14 April 2016, or not to allocate the profit of the year in the way proposed by the board of directors. The year closed with a profit of €81,838,100.00 and the board of directors proposed that (i) €4,091,905.00 be allocated to the legal reserve; (ii) €10,536,472.00 be used to cover the entire loss of the year ended 31 January 2016; (iii) €34,050,000.00 be distributed as dividends, equal to €0.15 per share; (iv) €33,159,723.00 be allocated to retained earnings.

Milan, 4 May 2016

SIGNED BY THE BOARD OF STATUTORY AUDITORS MEMBERS

Mr Giuseppe Moretti (Chairman)

Mr Lucio Giulio Ricci

Mr Roberto Cortellazzo Wiel