OVS

The Growth of OVS SpA continues

The Board of Directors met on 20th June 208 in Milan and approved the first quarter 2018 results (1 February 2018 - 30 April 2018)

Despite a difficult environment, OVS continued to consolidate the market also in the first quarter of 2018. Sales suffered across all Europe from particularly unfavorable weather conditions, which have been characterized by temperatures below seasonal averages and frequent rainfall. The reported result for the first quarter was affected by write-downs and provisions related to the commercial relationship with the Sempione Fashion Group of Eur 53.4 million. On the basis of the information available to date and taking into account the costs already booked in the FY17 Financial Statement, management is convinced that the commercial relationship with Sempione Fashion Group will not result in any further significant material negative impact on the company.

- ✓ **Further consolidation of market share at 7.9%**, gaining 43 bps compared to the first quarter of 2017.
- ✓ **Net sales** of €353m, or **€320.5m** if the sell-in to Sempione Fashion AG is excluded. Despite a difficult start to the year, sales were up 2.0% compared to the first quarter of 2017.
- ✓ **Adjusted EBITDA** also grew to **€30.1m**, accounting for 9.4% of net sales excluding the sell-in to Sempione Fashion. On the other hand **reported EBITDA** was negative (**-€24.5m**), mainly due to asset write-downs of €50.4m and provisions for €3m.
- ✓ The **adjusted pre-tax profit stood at €13.2m**, which is broadly in line with the first quarter of 2017. **The reported figure** amounted to **-€26.1m**, which was negative mainly due to one-off costs at EBITDA level, partially offset by a positive effect arising from the fair value of the mark-to-market.
- ✓ **The network increased by 7 full-format DOS and another 47 stores** (mainly children's clothing in franchising, 26 of which in foreign countries).
- ✓ **The adjusted net financial position**, was **€423.5m**, while reported figure was €451.2m. The cash absorption relating to the first quarter of 2018 is €46.3m higher than the one reported in the first three months of 2017, and this was exclusively due to the increase in working capital (largely written down) which is attributable to the evolution of relations with Sempione Fashion AG.

CONSOLIDATED RESULTS

€ mln	30.04.2018	30.04.2018 Adjusted	30.04.2017	30.04.2017 Adjusted	*Chg. (Adjusted)*	*Chg. % (Adjusted)*
Net Sales	353.0	353.0	319.3	319.3	33.7	10.6%
Net Sales*	**320.5**	**320.5**	**314.1**	**314.1**	**6.3**	**2.0%**
EBITDA	(24.5)	**30.1**	28.6	**29.3**	0.8	2.8%
EBITDA%	(7.7%)	9.4%	9.1%	9.3%		+8ppt
EBIT	(39.9)	**16.9**	14.1	**16.9**	(0.1)	(0.4%)
EBIT%	(12.4%)	5.3%	4.5%	5.4%		(13ppt)
PBT	(26.1)	**13.2**	(0.1)	**13.8**	(0.6)	(4.1%)
Net Financial Position	451.2	**423.5**	339.2	**342.6**	80.9	23.6%
Market Share	7.9%		7.4%			+43ppt

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.
See page 3 for an analysis of the normalisations made to the results for the first quarter of 2018.

Statement from the Chief Executive Officer Stefano Beraldo

In a very difficult first quarter for the entire sector, with a shrinking domestic market every month, particularly in February and March, OVS SpA continued to grow in the first quarter of 2018 with net sales, excluding the sell-in to Sempione Fashion, up by + 2%.

Adjusted EBITDA increased by € 0.8m (+ 2.8%), thanks to the positive contribution of both the OVS and Upim brands, a slightly improved gross margin, and effective cost control.

The network expansion continued in line with expectations. During the period, 7 directly operated full format stores and 47 other kids' stores, mostly in franchising, were opened. 26 of these 47 stores were opened outside Italy. The e-commerce channel grew by more than 100%, driven by the growth of marketplace agreements and the evolution of the vertical website, where 47% of online purchases involved the customer collecting the product from the stores of the sales network, thereby creating a virtuous circle that benefited the physical network.

The commercial relationship with the Sempione Fashion group (formerly Charles Vögele) has been subject to a radical change in the first quarter. The sales trend has been affected by bad weather conditions, both in converted stores and in the ones still under the Charles Vögele brand. In view of the already tense financial situation, and considering that all shareholders were not willing to take action, the Board of Directors decided to start a process aimed at the protection of our receivables and at the same time at allowing Sempione Fashion AG to continue its activities, switching from a wholesale model to a consignment model (OVS maintains the ownership of the goods delivered to Sempione Fashion, until the merchandise is sold). Therefore, OVS bought back the merchandise already sold to Sempione Fashion, mainly through the compensation of trade receivables and a smaller portion of cash.

Notwithstanding the above, the Swiss company has not succeeded in reversing the negative current trend. On the 30th of May 2018 Sempione Fashion AG has obtained by the judge at the composition court of Höfe, in the Canton of Svitto, Switzerland, the admission to the provisional composition moratorium procedure the company applied for.

The Austrian, Slovenian and Hungarian companies have been recording better trends, and the few converted stores showed encouraging performances. However, it is not possible to predict at the moment whether these activities will continue or will be affected by the procedure of the parent company. The German company has instead been sold to a third party by Sempione Group.

In light of the situation described above, and based on the information available as of today, the possible losses relating to the recoverability of receivables and inventories deriving from relations with the aforementioned companies have been written-down this quarter.

Despite the great efforts of our employees and of Charles Vögele's staff, Sempione Fashion has not been able to exit from the pre-existing economic and financial difficulties. However, we remain confident on the potential of our company and of our brand, outside Italy as well, as proved by the good organic growth we are achieving in almost all the countries where we are present.

With regards to the operating business of OVS, the Group once again demonstrated the ability to adapt in a sector under pressure, with a growth in the operating results in a today still weak market.

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Key consolidated economic and financial results

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The table shows the results adjusted to represent the Group's operating performance net of non-recurring events which are unrelated to ordinary operations. The adjusted results therefore enable a uniform analysis of performance in the periods indicated. In particular, as expected, the first quarter of 2018 was affected by the second part of write-downs of assets and by the provisions for certain costs arising from commercial relations with the Sempione Fashion Group. On the basis of the most recent information available today, it is believed that no further significant negative impact on the company and on the Group will arise from the business relationship with Sempione Fashion Group, taking into account the provisions already booked in the financial statements for the financial year 2017 and those reflected in the data for the first quarter of 2018.

In particular, EBITDA in the 1Q18 was affected by: (i) €20m in write-downs relating to goods destined for the markets served by the Sempione Group which will take longer to dispose of; (ii) €30.4m in write-downs of receivables from the actual and former Sempione Fashion Group companies, which arose after the end of 2017 and which are considered necessary in order to anticipate any possible further losses arising from the non-recoverability of these assets; (iii) €3m in one-off costs, mainly of a legal nature, relating to management of the evolution of relations with the Swiss partner; (iv) €1m of other non-cash costs.

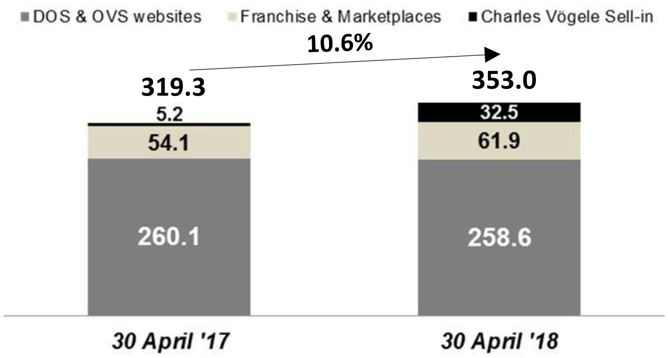
Other adjustment items that impacted EBIT and profit before taxes concerned: (i) costs of €2.1m related to the amortisation of intangible assets linked to the "Purchase Price Allocation", and (ii) adjusted income of €17.5m relating to non-cash revenues from mark-to-market accounting.

NET SALES

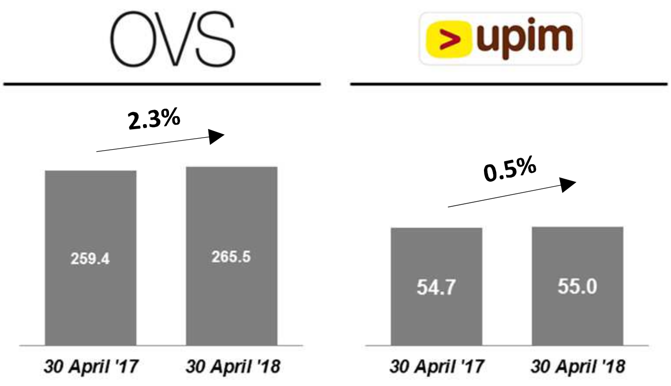
Total sales, excluding the sell-in to Sempione Fashion Group, increased by €6.3m or +2.0%, despite the fact that the Italian market contracted significantly in February and March (by -5.2% and -8.6% respectively), and continued to contract in the first half of April (-1.3% for the whole month).

OVS grew by 2.3% (or +€6.1m), despite being penalized by the combined effects of exceptional climatic factors and an extremely uncertain political-economic situation, which conditioned the domestic market. Also worth mentioning is the restructuring of seven stores which, despite the fact that they have performed excellently since their reopening, were not able to close the top line gap that opened up in the period of closure necessary for their restructuring. UPIM also contributed to the Group's growth, with sales that grew by €0.3m (+0.5%).

NET SALES: aggregate performance



NET SALES: performance by brand[1]



1. Excluding sell-in to Sempione Fashion AG.

EBITDA

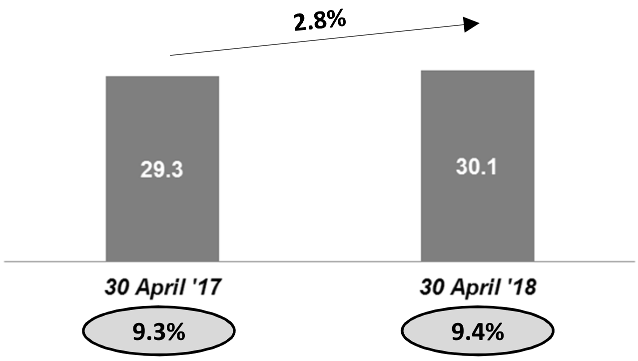
Adjusted EBITDA, which is representative of the company's actual operating performance, stood at €30.1m (9.4% of net sales not considering Sempione Fashion Group sell-in), an increase of €0.8m (or 2.8%) in absolute terms, and of 8 bps in terms of percentage of net sales compared to the same period in 2017.

Both divisions made a positive contribution to this result, benefiting from (i) an improvement in the gross margin and (ii) effective cost control to cope with a sharply shrinking market in the first few months of the year.

Adjusted EBITDA for both brands increased compared to the previous year, the OVS brand by +€0.5m and the UPIM brand by +€0.3m .

Finally, it should be noted that the difference between adjusted and reported EBITDA is mainly due to asset write-downs following the evolution of the existing relationships between OVS and the Sempione Fashion AG Group. In particular, OVS considered it necessary to allocate €20m to the merchandise depreciation fund mainly referred to the goods at the Swiss and Austrian companies but owned by OVS. At the same time, a further €30.4m of receivables was written down to cover the risks related to their recovery.

Adjusted EBITDA: aggregate performance[1]



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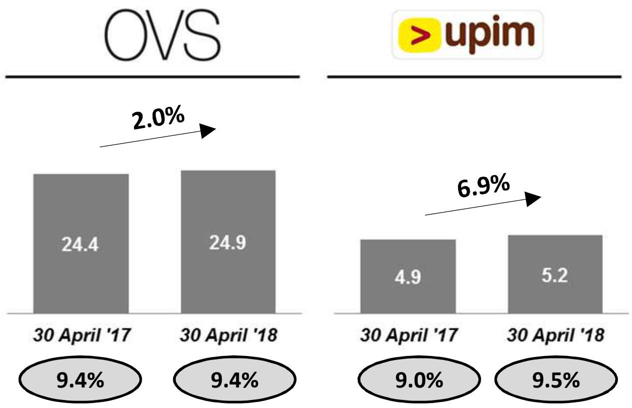

Margin %

1. EBITDA margin is calculated excluding the sell-in to Sempione Fashion AG

EBIT AND PROFIT BEFORE TAX

Adjusted operating income and adjusted pre-tax profit amounted to €16.9m and €13.2m respectively and were essentially in line with the previous year. The reported results, on the other hand, were mainly affected by the one-off write-downs in the quarter as described in detail in the previous pages.

OVS Store Roma Tritone

NET FINANCIAL POSITION AND CASH FLOW

As of 30 April 2018, the Group's Net Financial Position, adjusted for the impact of the mark-to-market, stood at €423.5m, while the ratio between the adjusted net financial position and adjusted EBITDA was 2.1, (up from 1.8 a year earlier). The interest rate for the period was 2.5% + Euribor 3m.

It should be recalled that in 2017 cash flow was affected by the payment of €34m in dividends and €64.9m have been absorbed by the relationships with Sempione Fashion Group between the end of May 2017 and April 2018.

€ mln	30 April 2018	30 April 2017
Net Debt (*)	423.5	342.6
EBITDA LTM Adjusted	197.3	189.6
Leverage su EBITDA (*)	2.1x	1.8x

(*) Net debt does not include the impact arising from the valuation at fair value of the mark-to-market, equal in April 2018 to -€27.7m.

Bianca Balti, OVS testimonial

CAPITAL STRUCTURE

The company's net invested capital of €1,269 million increased by €49.5 million compared with 31 January 2018. This increase was mainly due to an increase in working capital resulting from the typical seasonality of the business and higher investments compared to the same period of the previous year related to restructuring and new openings (total capex of €18.6m in the first quarter of 2018).

OVS Full Format Store in Hail, Saudi Arabia

OVS Kids Spring Summer Collection

Co-option of a director. Assessment of the requirements of the Co-opted Director and the new Chairman of the Board of Statutory Auditors.

Following the resignation of the independent director Vincenzo Cariello, as communicated to the market on 1 June 2018, the Board of Directors, in accordance with the Articles of Association, co-opted Elena Angela Luigia Garavaglia, who was taken from the same minority list as the outgoing director.

The Board also verified the requirements of the co-opted director Elena Angela Garavaglia, including verification that she possesses the independence requirements established by applicable legislation and the Corporate Governance Code, and the compatibility of the offices held outside the company with the office of Director of OVS S.p.A.

The Board also verified the requirements of the Chairman of the Board of Statutory Auditors, Stefano Poggi Longostrevi, who took over from Paola Camagni following her resignation as communicated to the market on 1 June 2018, including the requirements of independence as established by legislation and the Code of Conduct.

Following the resignation of Vincenzo Cariello, the Board of Directors of OVS S.p.A. adopted a resolution on the composition of the Internal Board Committees of which the resigning director was a member, appointing Elena Angela Garavaglia in all the said committees.

The directors Chiara Mio, as Chairman, and Gabriele Del Torchio were confirmed as members of the Control, Risks and Sustainability Committee, both drawn from the list that obtained the highest number of votes at the Shareholders' Meeting of 31 May 2017 that elected the current Board of Directors. Elena Angela Garavaglia, now co-opted and drawn from the minority list, was also appointed to the Committee. All are non-executive and possess the independence requirements established by applicable legislation and by the Corporate Governance Code.

The directors Gabriele Del Torchio, as Chairman, Heinz Jürgen Krogner Kornalik and Nicholas Stathopoulos were confirmed as members of the Nomination and Remuneration Committee. All were drawn from the list that obtained the highest number of votes at the Shareholders' Meeting of 31 May 2017 that elected the current Board of Directors. Elena Angela Garavaglia, now co-opted and drawn from the minority list, was appointed to the Committee. Gabriele Del Torchio, Heinz Jürgen Krogner Kornalik and Elena Angela Garavaglia possess the independence requirements established by applicable legislation and the Corporate Governance Code.

The directors Gabriele Del Torchio, as Chairman, Heinz Jürgen Krogner Kornalik and Chiara Mio were confirmed as members of the Committee for Transactions with Related Parties, all are drawn from the list that obtained the highest number of votes at the Shareholders' Meeting of 31 May 2017 that elected the current Board of Directors. Elena Angela Garavaglia, now co-opted and drawn from the minority list, was also appointed to the Committee. All are non-executive and possess the independence requirements established by applicable legislation and by the Corporate Governance Code.

The curricula of the Director Elena Angela Luigia Garavaglia, the Chairman of the Board of Statutory Auditors, Stefano Poggi Longostrevi and of the other directors confirmed in their respective roles as members of the internal committees of the Board of Directors as indicated above can be consulted on the company website at www.ovscorporate.it.

Note that, according to the information available to the company of the date of this press release, neither Elena Angela Garavaglia nor Stefano Poggi Longostrevi hold any shares in OVS S.p.A.

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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.

Quarterly information

OVS S.p.A. announces that, as indicated in the calendar of corporate events and pursuant to Article 82-ter of the Regulation of Issuers, it has decided to publish, on a voluntary basis, a quarterly update of the main indicators of economic performance, with a view to maintaining a timely and transparent dialogue regarding the dynamics of the company's business with the financial community and with key stakeholders.

Nicola Perin, the executive responsible for preparing the company's accounting statements, hereby attests, pursuant to Article 154-bis, paragraph 2, of Legislative Decree No. 58 of 1998, that the accounting information contained in this press release corresponds to the company documents, books and accounting records.

Non-recurring and adjusted items

The following adjustments have been made to the income statement information for the first quarter of 2018: (i) €20m in write-downs relating to excess merchandise destined for the markets served by Gruppo Sempione; (ii) €30.4m in write-downs of receivables from Sempione Fashion AG Group companies; (iii) €3m in one-off costs, mainly of a legal nature, related to the management of relations with the Swiss partner; (iv) €1m in non-cash costs related to stock options; (v) €2.1m related to the amortisation of intangible assets linked to the “Purchase Price Allocation”, and (vi) €17.5m in adjusted income relating to non-cash revenues from mark-to-market accounting. In the same way, the comparative figures for the first quarter of 2017 do not include: (i) non-recurring expenses of €0.06m, (ii) normalising elements relating to the accounting treatment of stock options (“non-cash” expenses of €0.6 million) , (iii) €2.1m in amortisation of intangible assets related to PPA, and finally (iv) €11.0m in adjusted income relating to non-cash revenues from mark-to-market accounting.

Conference call and results presentation

Tomorrow, 21 June 2018 at 15:00 local time (CET), a conference call will take place with analysts and investors during which the main results for the first quarter ended 30 April 2018 will be presented. The conference call can be followed on these numbers: +39 02 805 88 11 (from Italy); + 44 121 281 8003 (from the UK); +1 718 7058794 (from the US); (or +39 02 8058827 for journalists) using access code 836#. 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 '1info' storage mechanism at www.1info.it. A recording of the presentation will also be available on the same website, from the day after the meeting call.

Upcoming events in the financial calendar

Half-year Financial Report as at 31 July 2018	19 September 2018
Interim Report on Operations for the third quarter of the year to 31 October 2018	11 December 2018

For further information:

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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, economic and financial 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.*