

The Board of Directors met on the 19th September 2018 in Milan and approved the results for the first half of 2018 (1 February 2018 - 31 July 2018)

- ✓ **Market share was 7.98%**, up 43 bps compared with the first half of 2017 and rising despite the ongoing contraction in the domestic market, due in particular to weather effects.
- ✓ **First-half net sales**, excluding the sell-in to the Sempione Fashion AG Group, **were €666.4 million**, up 0.9% compared with the same period of last year. Like-for-like sales decreased by 3%, influenced by the significant contraction in the market (-3.4%), caused by particularly adverse weather conditions, and a fire on a freight ship that compromised the arrival of merchandise for the spring/summer season.
- ✓ **Adjusted EBITDA came in at €81.1 million**, down slightly compared with the first half of 2017. This result was achieved thanks to the network development, a sound gross margin and the effective measures implemented on costs, which offset a top line affected by the factors described above. **Reported EBITDA was positive at €22.6 million**, mainly reflecting, compared with the same period last year, costs allocated in the first quarter for write-downs of balance sheet assets and provisions for liabilities and other charges relating to the Sempione Fashion AG Group.
- ✓ **The network increased by 7 full-format DOS** and 64 other stores, mainly Kids stores in franchising abroad.
- ✓ **The adjusted net result was €32.8 million**, while the **IFRS result was €5.1 million**. The latter result improved by €21 million in 2018, despite the fact that costs relating to the Sempione Fashion AG Group had not been realized in the previous year, mainly thanks to the positive non-cash impact of the mark-to-market deriving from EUR/USD hedging.
- ✓ **The adjusted net financial position of €427.6 million** reflected the measures taken to recover from an exceptional level of cash absorption in the first quarter due to the concluding phase of the relationship with the Sempione Fashion AG Group.
- ✓ The Board of Directors, implementing a resolution passed by the Shareholders' Meeting of 31 May 2018 and within the limits defined there, resolved to carry out the **share buy-back** programme.

CONSOLIDATED RESULTS

| € 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 |



Bianca Balti in OVS
Venice International Film Festival 2018

Note: in order to give a clearer picture of the Company's performance, the data in this document have been normalised. In particular, the reported net result reflects €56.4 million in write-downs and costs relating to the Sempione Fashion AG Group, partially offset by assets deriving from the non-cash impact of the mark-to-market (€29.9 million). Net sales based on the calculation of the financial KPIs (*) exclude sales deriving from the commercial agreement with Sempione Fashion AG Group.

It should also be noted that, due to adoption of IFRS 15, sales in 2017 decreased by €6.7 million (the impact is €10 million in 2018).

Statement from the Chief Executive Officer Stefano Beraldo

In the second quarter of 2018 the negative phase of the market that has characterized our sector continued, with a decline of 3.4% in the period. The main reason for this trend was the weather, with a much colder and rainy spring than the seasonal averages, and a too hot summer, which discouraged traffic and purchases. The entire sector has suffered from the negative climatic trends, as testified also by the main European markets where we are operating.



New OVS full format in Zadar, Croatia

Excluding the sell-in to the companies of the former Sempione Fashion, sales were up 0.9% in the half-year. Like-for-like sales therefore decreased by 3% in the first half, mainly influenced by the following factors: the sharp contraction in the market due to particularly unfavourable weather conditions and a fire on a freight ship containing summer merchandising for about €20m that would have been proposed for sale (the corresponding expected negative sales impact amounts to about €10m). During the period, 7 full-format DOS and 25 stores in franchising were opened in Italy. International expansion continued, with an increase of 39 stores, including 3 DOS and 36 in franchising (mainly Kids). Among other things, our expansion and consolidation continued in Spain, which now has 54 stores, Serbia (10) and Saudi Arabia (17), while new markets also opened, including Russia and Romania.

As previously announced when the first-quarter results were published, following the positive performance by the 10 stores restructured in the first quarter, the second most important phase of the project was launched in the second quarter, with the refurbishment of another 32 stores in the last two weeks of July, 30 of which have already reopened and have been performing well. On the digital innovation side, several projects have been implemented that will contribute to improve the brand-customer relationship: the OVS ID was launched, representing a premium service to manage an increasingly personalized relationship with customers; the OVS Card becomes digital and allows the customer to be univocally recognized on all OVS touch points. The "My Size" service is operating in all the renovated stores, allowing the customer in the shop to always find the size he / she looks for, in self-service mode via Ipad or assisted by the staff, as in the rest of the network. From the end of September the guest wifi will be available in 50 pilot stores, a free wifi service for customers that will allow them to get engaged with personalized marketing activities.

The e-commerce channel has continued to show strong growth, with sales more than doubling; this growth can be attributed to the ongoing expansion of "ovs.it" and its integration with the physical network, as well as the new agreements forged with the various marketplaces, with whom we operate in important foreign markets.

Adjusted EBITDA remained broadly in line with the first half of 2017, mainly reflecting the network development, a positive gross margin and efficient cost control, which combined allowed us to withstand the anomalous market trends and the fire impact that affected the cargo ship.

The cash absorption of the second quarter, characteristic of the seasonality of the business, has improved compared to the same quarter of 2017 (+16.7 million).

The balance sheet structure is therefore solid, and a detailed action plan is being implemented aimed at reducing the level of inventory, which should lead us in the coming quarters to an improved cash generation deriving from the reduction of working capital. Already in August, actions were carried out in this direction with an excellent trend in promotions.



Statement from the Chief Executive Officer Stefano Beraldo

In the months following the end of the semester, the development and renewal of the network continued, with the opening of further 11 stores, of which 1 full format directly operated, and the change of image of 32 stores. We are convinced that the focus on improving the image of the stores has always been an important lever to increase interest in the brand and to make in-store visits more pleasant. This translates into an increase in traffic and conversions. The first signs are very encouraging, and they confirm the expectations on the good returns on the investment. This has been possible also thanks to the fact that almost all investments in image renewal have been carried out through a vendor financing, with a gradual financial impact over time and aligned with the recovery period in terms of EBITDA growth.

Our company has maintained its focus on social activities. The sixth edition of "Kids creative lab", which involved more than 1,800,000 children, took place with great success. There has also been the third edition of "Arts of Italy": this year the opera and its clothing have been re-interpreted in a modern key, and will be on sale starting from 22nd September 2018 in more than 20 stores and on the web. Great success in the press, with many editorials.

Finally, last week the first two Piombo stores were opened, dedicated to men, with an affordable price positioning and high quality merchandising. We will observe with great interest the developments of this project, which could represent another contributor for further growth in Italy and abroad, as experienced with the Kids stand alone format.

We have also announced the appointment of Ismail Seyis as general manager of the OVS brand, succeeding 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 managed by him. Also on behalf of the Board of Directors, I thank Francesco for his contribution over the years.

NET SALES

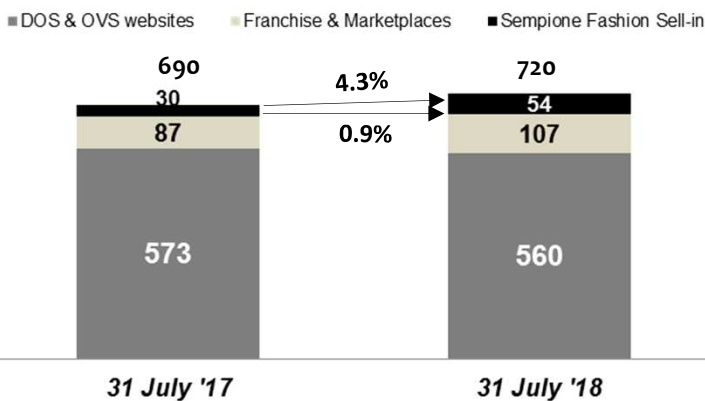
Total sales, excluding the sell-in to the former Sempione Fashion Group, grew by 0.9% compared with the first half of 2017, despite (i) a contraction in the market throughout the half-year (-3.4% year-to-date), mainly due to particularly unfavourable weather conditions, (ii) a fire involving a freight ship that affected supplies for the spring/summer season, and (iii) the refurbishment programme, which involved 42 DOS in total.

OVS brand registered flat sales compared with the first half of the previous year, mainly due, as anticipated, to the market contraction, the refurbishment programme, and the fire involving the cargo ship, mainly affecting OVS merchandising.

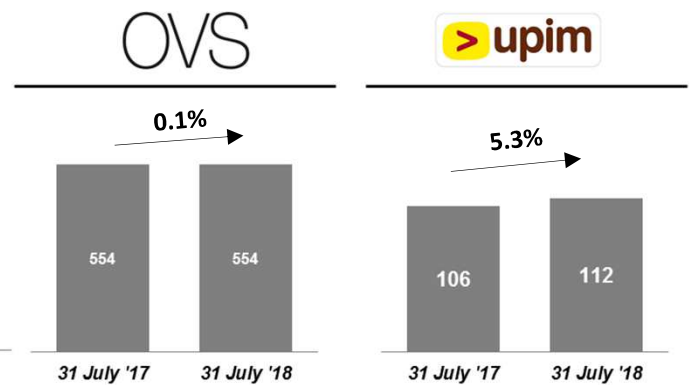
Lastly, UPIM continued to grow, with an increase in sales of 5.3%, benefiting from the positive development of the full-format Upim network and Kids franchising (Blukids).

+0.9%
Total net sales
excluding sell-
in to Sempione
Fashion Group

NET SALES: aggregate performance



NET SALES: performance by brand¹



1. Excluding sell-in to Sempione Fashion AG.

EBITDA

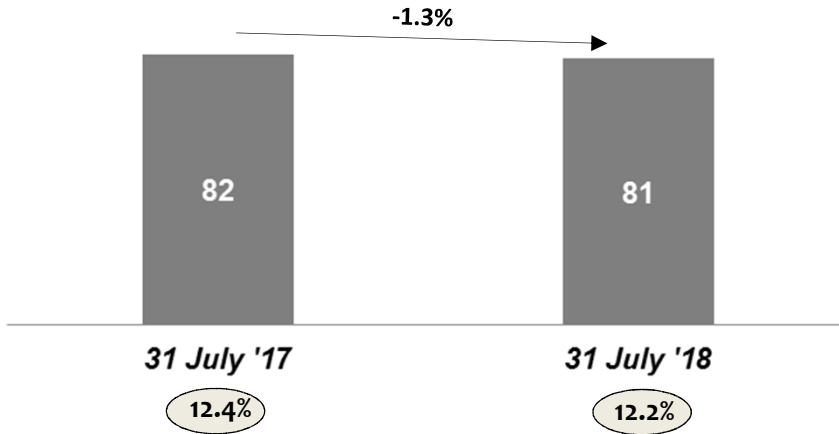
Adjusted EBITDA was €81.1 million, down slightly compared with the first half of last year, both in absolute terms and as a percentage on net sales (12.2% excluding the sell-in to the Sempione Fashion AG Group).

The EBITDA performances of the brands offset each other in a particularly difficult market context. The OVS brand (-€3.5 million) expects specific activities in the semester to be reflected in future profit, including increased promotional activities also aimed to improve the stock position, and the refurbishment of 42 stores. Meanwhile, Upim (+€2.5 million) pursued its normal path of growth. Both brands benefited from a stable gross margin and from the control of central costs, which enabled the company to maintain adequate profitability in anomalous external factors.

Lastly, it should be noted that the difference between adjusted EBITDA and reported EBITDA mainly relates to the asset write-downs of 2018 due to the change in the relationship between OVS and the Sempione Fashion AG Group (€50.4 million, including €37.8 million in write-downs of receivables and €12.6 million in write-downs of inventory at the Swiss retailer's companies and €6 million of one-off legal, operating, logistics, and other costs).

OVS

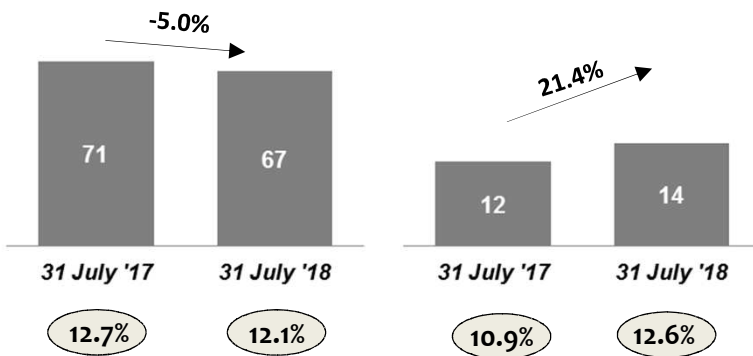
EBITDA: aggregate performance



EBITDA: performance by brand¹

OVS

> upim



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

○ Margin in %



Kylie + Kendall collection for OVS



Denim Campaign

NET RESULT

The adjusted net result was €32.8 million, down €5.7 million compared with the first half of 2017. The difference mainly reflects lower profit from financial income due to the forex delta that the company benefited from in the first six months of the previous year.

The reported net result was €5.1 million, up €21 million compared with the first half of 2017, partly due to the income deriving from mark-to-market accounting (registered as a cost in 2017) which was enough to offset the one-off costs relating 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 benefiting from the positive full-year impacts expected to arise from some tax benefits.

STATEMENT OF CASH FLOW SUMMARY

| €mln | 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 (totalling €50.4 million). Excluding this effect, the negative flow of €31 million reflects (i) the normal seasonality of the business, (ii) the residual peak in inventory due to the merchandise purchased for Sempione Fashion AG, and (iii) the increase in the franchising business, which inevitably entails an increase in trade receivables. Net cash flow after accounting for derivatives improved by €88.4 million.

The second quarter of 2018 saw an initial improvement of the cash flow management. A detailed action plan is being implemented aimed at reducing the level of inventory, which should lead us in the coming quarters to an improved cash generation deriving from the reduction of working capital.



Kylie & Kendall for OVS

Note:

1. For further details, please see the Appendix.

OVS

NET FINANCIAL POSITION

| € mln | 31 st July 2018 | 31 st July 2017 |
|-------------------------------------------------------|----------------------------|----------------------------|
| Net Debt | 432.2 | 408.5 |
| Net Debt MtM of Derivatives Excluded (*) | 427.6 | 363.3 |
| Adjusted EBITDA LTM | 195.5 | 193.7 |
| Leverage on EBITDA MtM of Derivatives Excluded (*) | 2.2x | 1.9x |



OVS Store in Phuket, Thailand

(*) Net debt does not include the impact arising from the valuation at fair value of the mark-to-market, equal at 31st July 2018 to -€4.5m.

At 31 July 2018, the Group's **net financial position** was €427.6 million net of the mark-to-market effect (-€4.5 million). 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%).

BALANCE SHEET SUMMARY

| € 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 |

The company's **net invested capital** increased by €64.4 million to €1,284 million (+5.2%) compared with January 2018, mainly due to the increase in working capital.



Further information

Sempione Retail AG

Sempione Retail AG, in which OVS SpA holds a minority stake of 35% and that owns the 85% of Sempione Fashion AG (company that has filed for bankruptcy on the 30th of July and that has been declared so on the 2nd of August), after having fully written down the asset within its balance sheet, it is unable to continue its business as a going concern and, according to Swiss law, it will soon enter in a not in bonis enforced liquidation procedure. Considering that OVS SpA has already written down all the assets that refers to Sempione Retail, no further impact at profit and loss and balance sheet level are expected from this probable event.

Share buy-back: OVS launches share buy-back programme

OVS S.p.A., implementing the resolution passed by the Shareholders' Meeting of 31 May 2018 which authorized the Board of Directors to purchase shares not exceeding 10% of the share capital for a period of 18 months from the Shareholders' Meeting resolution, has resolved to begin implementing the mentioned buy-back programme as of today by conferring the relative powers for its launch.

To implement the first part of the programme, OVS will enter into an agreement with a top-tier intermediary for the provision of investment services, in the manner and for the duration deemed most appropriate. The mandated intermediary may then purchase shares of OVS S.p.A. fully independently, in accordance with the contractually pre-established parameters and criteria and with the requirements of the applicable regulations and the Shareholders' Meeting resolution.

Any purchases will be made on the MTA market, pursuant to Article 144-bis, paragraph 1, letter b) of Consob Regulation 11971/1999 and the other applicable provisions, in order to ensure compliance with the principle of equal treatment of shareholders pursuant to Article 132 of the Italian Consolidated Finance Act (T.U.F.), and according to the operational procedures established in the rules of organisation and management of Borsa Italiana S.p.A. OVS will provide the market, in accordance with the provisions in force, with details of any purchase transactions carried out.

As of today, neither OVS, nor any of its subsidiaries, hold treasury shares.



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 19th September 2018 and, on the same date, the same body authorised its publication.

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

On Thursday, 20th September 2018 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 2018 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 859#. 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 2018

The Half-year Financial Report at 31 July 2018, 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" centralized 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 2018

11th December 2018

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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.



Appendix

| € 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.

It should be noted that, with regard to the asset write-downs of €50.4 million relating to Swiss retailer Sempione Fashion AG, the costs had already been provisioned in the first quarter of 2018 and these have been confirmed. 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.