FY18 FINANCIAL RESULTS

April 17, 2019

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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.

FY18 Executive Summary

- The OVS Group has increased its market share in 2018 thanks to the vitality of both its brands
- However, a difficult market environment, highly unfavourable weather conditions and some one-off aspects of the termination of the commercial agreement with the former Sempione Fashion Group have weighed on the company operating and financial performance
- Focus on improving efficiency, increasing cash generation and inventory reductions throughout 2H 2018 are already producing tangible results, as demonstrated by the €64.7m cash flow generation in Q4 2018
- Strong mark-downs in August and January have weighed on profitability but have been instrumental to bring inventory down, creating a better qualitative stock mix and generating cash. Moreover, these actions constitute a pre-condition for a more favourable second half of 2019
- 2019 to set the foundations for a sustainable recovery in OVS profitability:
    i. Continue consolidation of the domestic market, via targeted new openings and refurbishments. UPIM brand provides an attractive opportunity for higher penetration and market share growth
    ii. Intensity of mark-downs to progressively ease over the upcoming quarters
    iii. Focus on improving operations and ongoing digitalisation: new BoD appointment, Massimilano Magrini, to bring highly valuable digital competences
- We welcome our new shareholder Tamburi Investment Partners, and we strongly believe that the competences and experience brought by the renewed Board of Directors will allow an acceleration in the implementation of the Group's strategic plans

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FY18 Highlights

Total Net Sales excluding the sell-in to the former Sempione Fashion Group amounted to €1,391.6m decreasing by -1.7% compared to last year. The decline is mostly attributable to the like-for-like performance of the Fall/Winter season during the months of September, October and November, characterized by summer temperatures. Full year like-for-like performance was about -5% in a market that declined even more.

€144.2m

Adjusted EBITDA

Adjusted EBITDA reduction was entirely generated in the second half as a consequence of lower sales and increased markdowns in order to accelerate stock clearance and improve cash generation. As a result, adjusted FY18 EBITDA amounted to €144.2m.

Adjusted net income amounted to €55.2m, in line with the decrease experienced at EBITDA level.

Adjusted Net Debt was €375.8m, net of the positive impact of the mark-to-market of €10.8m. Compared to one year ago, adjusted net debt is €57.8m higher. Cash generation in the fourth quarter was €64.7m, (+€44.8m vs. the fourth quarter of 2017, when cash generated was €16.9m). As of today, the improvement at net debt level is continuing.

€375.8m

Adjusted net debt

Over the year, the network of Full Format DOS expanded at a lower rate compared to the past (only 14 in Italy). On top of this, more than 100 small franchising mainly dedicated to kids have been opened and about 40 stores have been refurbished.

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Key Income Statement Items
Despite a weak second half, high cash generation in the fourth quarter

€ mln	31.01.2019 Reported	31.01.2019 Adjusted	31.01.2018 Reported	31.01.2018 Adjusted	Chg. (Adjusted)	Chg. % (Adjusted)
Net Sales	1,457.2	1,457.2	1,525.7	1,525.7	(68.5)	(4.5%)
Net Sales*	**1,391.6**	**1,391.6**	**1,415.1**	**1,415.1**	**(23.4)**	**(1.7%)**
Gross Margin	789.7	791.6	824.3	828.8	(37.2)	(4.5%)
GM%	56.7%	56.9%	58.2%	58.6%		(169ppt)
EBITDA	74.4	144.2	174.8	196.5	(52.3)	(26.6%)
EBITDA%	5.3%	10.4%	12.3%	13.9%		(352ppt)
EBIT	7.2	85.6	112.0	142.4	(56.7)	(39.8%)
EBIT%	0.5%	6.2%	7.9%	10.1%		(391ppt)
PBT	32.8	67.9	9.5	133.6	(65.7)	(49.1%)
Net Income	25.3	55.2	5.1	106.5	(51.3)	(48.2%)
Net Financial Position	364.9	375.8	377.8	317.9	57.8	
Market Share	8.0%		7.8%			+12ppt

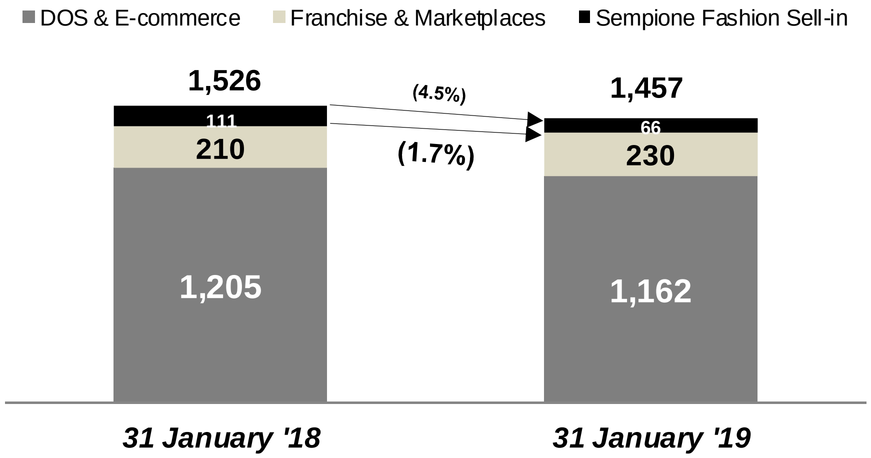
- **Net Sales** (excluding the sell-in to Sempione Fashion AG) decreased by 1.7% in FY18, reflecting a negative like-for-like performance of about -5%. As anticipated in our previous release, the third quarter and the beginning of the fourth one, have been affected by a decrease in traffic mainly due to the exceptional last year mild temperatures that penalized the whole apparel market. From December sales went back to normal, but the positive trend has not offset the gap generated in the previous months. Nevertheless, OVS market share continued to increase, confirming its role as market leader and over-performing main competitors.
- **Adjusted EBITDA** was €144.2m (10.4% on net sales), down by €52.3m compared to last year. While the 1H18 EBITDA was in line with the previous year, the decrease took place in the second half as a result of (i) a very weak top line in September, characterized by a difficult comparison with the performance of September 2017, (ii) a missed expected rebound during the month of October, followed by (iii) a still weak November until the Black Friday period, when temperatures went back to normal seasonal average. Given the extraordinary conditions, OVS was forced to put in place increased promotional activities to reduce stock which was also hit by the extraordinary merchandising inherited by the relations with the former retailer Sempione Fashion. The loss of EBITDA is due almost entirely to the OVS brand, which is more sensitive to the changes in weather as kids' sales penetration is higher, and the "back-to-school" period is key to reach the normal profitability at Group level; Upim benefitted from the perfumery and home sector which are typically less influenced by the weather.
- **Net Debt** closed at €375.8m, underlying a cash generation of €64.7m in the fourth quarter only, reducing the gap vs. last year from €105.6m at the 31st October 2018 to €57.8m at year end.
- The main part of the adjustments refers to the write down of assets related to the past relations with the former Swiss Retailer Sempione Fashion (see overleaf for further details on the adjustments).

(*) Excluding the sell-in to the former Sempione Fashion Group.

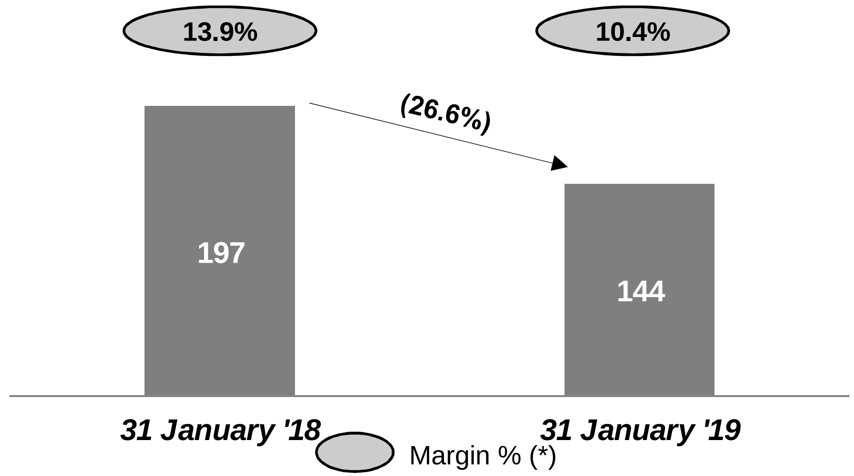
Aggregate Sales and EBITDA Performance in FY18

Aggregate Performance

Net Sales (€mln)



EBITDA (€mln)



Performance By Brand

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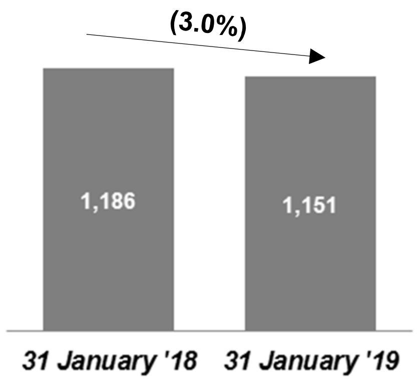
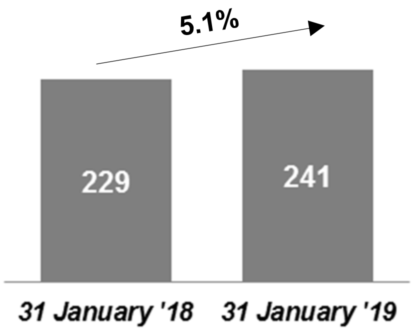


upim



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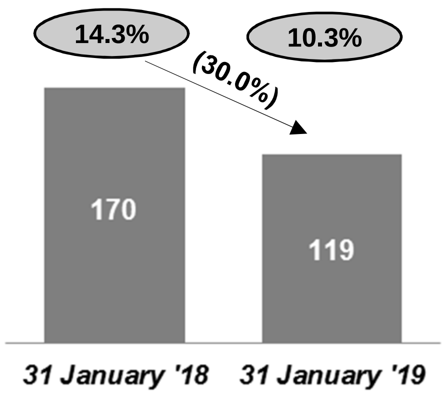
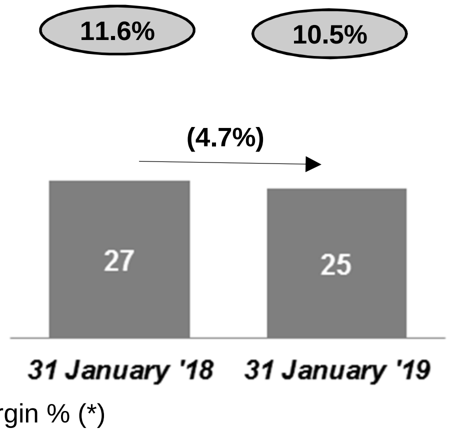


upim



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

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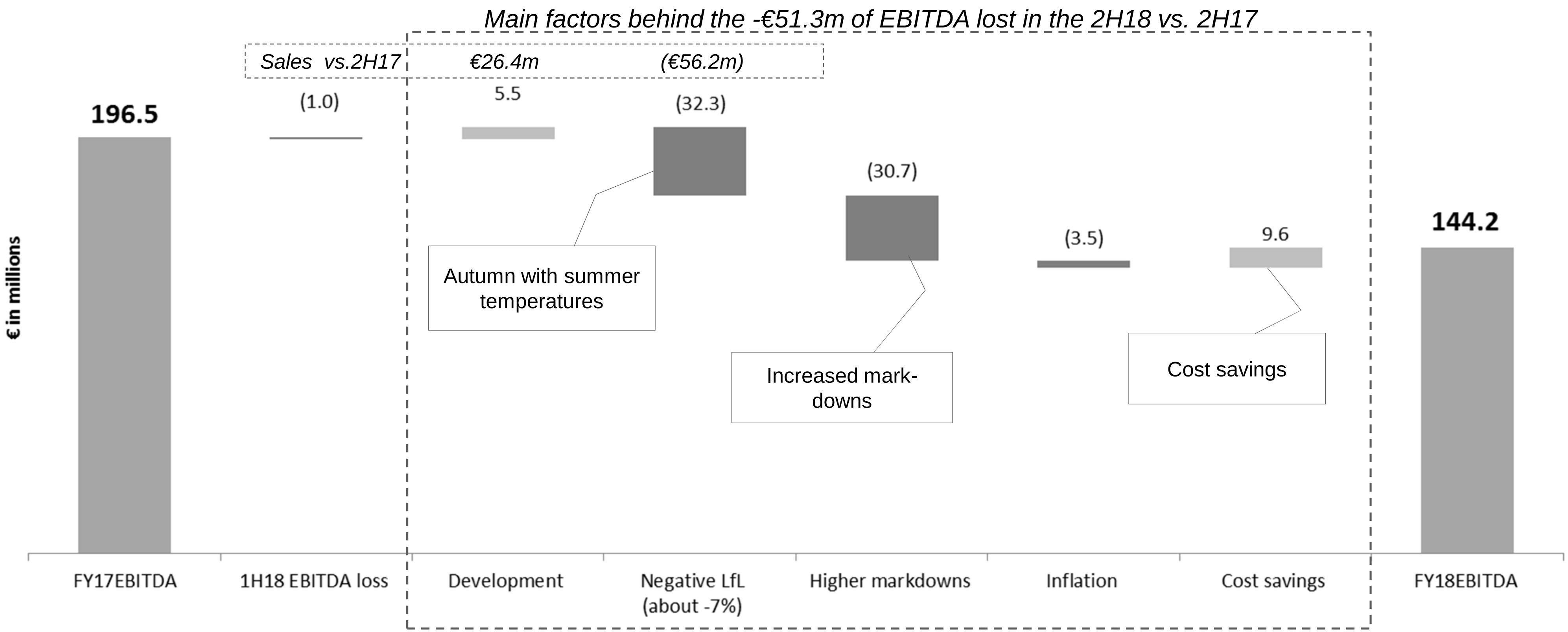
FY17-18 EBITDA Bridge



Adjusted FY18EBITDA of €144.2m was down by €52.3m compared to the previous year. The FY18 EBITDA generation can be divided into two main phases: the first half characterized by an EBITDA substantially in line with the one of the previous year, thanks to cost saving initiatives and a solid gross margin, despite a market that was decreasing in line with the general market contraction experienced over the last years; the second half was significantly influenced by (i) an impressive drop of the market, mainly due to mild weather, with the F/W season that started only in conjunction with the Black Friday period and (ii) the mark-down activities required by both the second half lower sales and, the over stock that generally impacted the whole industry. OVS has been even more impacted by this phenomenon, due to the goods bought but never delivered to the former Swiss client. This affected both top line and EBITDA margin (the incidence on net sales went from 13.9% to 10.4%).

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31Jan19 Consolidated Trade Working Capital

€mln	31 January '19	31 January '18	*Change Jan19-Jan18*
Trade Receivables	98.4	113.0	(14.5)
Inventory	411.0	387.9	23.0
Trade Payables	(351.0)	(403.4)	52.4
Trade Working Capital	**158.4**	**97.5**	**60.9**

- Trade working capital was €60.9m higher compared to the one at 31Jan18.
- The cash absorption at working capital level has been mainly driven by the past relations with the Swiss Retailer and in particular:

- Trade receivables decreased mainly as a consequence of the provisions for doubtful accounts booked during 2018 and amounting to €52.3m.Trade receivables related to OVS business only grew because of the growth of franchising sales.
- Inventory recovery is well underway. The level of stock at the end of the first, second and third quarter has been equal or higher by €50m or more compared to one year ago. Despite the improvements achieved in terms of operations, third quarter was impacted by the last portion of merchandising bought and never delivered to the former Swiss customer and by a F/W season that didn’t start, heavily impacting top line and stock rotation. Changed operations, including the new procurement process, as well as the lower orders placed to suppliers, started to be visible in the fourth quarter: inventory level increase vs. last year diminished to €23m at year end compared to one year ago. The company is putting in place all the actions in order to continue this trajectory: buying less, buying later and buying better, aiming to increase the sell-through.
- Trade payables decreased (-€52.4m) as all the merchandising bought for the ex Swiss customer has been paid to suppliers during the first nine months of the year, and also as a result of the lower intake of new goods in the second half of 2018.

- The TWC recovery started in line with the expectations during the fourth quarter of the year, as the level of inventory improved also thanks to higher mark-downs made. This improved cash generation, which has been able to compensate the lower EBITDA generated over the same period.

Capex

2018 Capex breakdown (*€ mln)*

Refurbishment (€27.7m), maintenance (€4.6m) and other commercial projects (€3.9m) and other projects on the existing network (€6.7m)

(c. 53.3% of total)

New openings

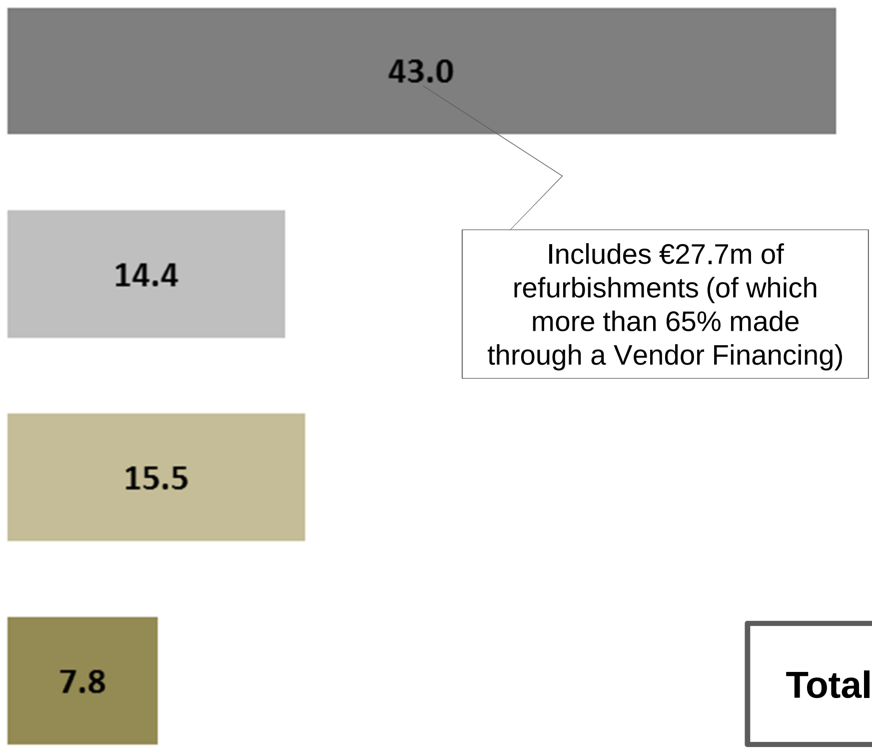
(c. 17.9% of total)

IT and special projects

(c. 19.2% of total)

Logistics and others

(c. 9.7% of total)



Total €80.7m

Capex_Refurbishments

2018 Refurbished store in Milan

- In year 2018, 46 stores have been refurbished
- The average cost amounted to €500 per square meter.
- Results have been satisfactory, with a sales increase of about 10% during the first months of FY19 compared to the same period of last year.

2019 Refurbished store in Vicenza

- On the back of the good results achieved, additional 20 stores have been refurbished during the first quarter of FY19.
- Thanks to the improvement made by our store designers, the average cost only amounted to about €200 per square meter.
- The first preliminary results, during the month of March, are aligned with the ones performed by the other refurbishments.

Net Debt and Leverage

€ mln	31st January 2019	31st January 2018
Net Debt	364.9	377.8
Net Debt Excluding MtM (*)	375.8	317.9
EBITDA LTM Adjusted	144.2	196.5
Leverage on EBITDA (**)	2.6x	1.6x
Average Leverage on EBITDA (***)	2,97x	1,73x

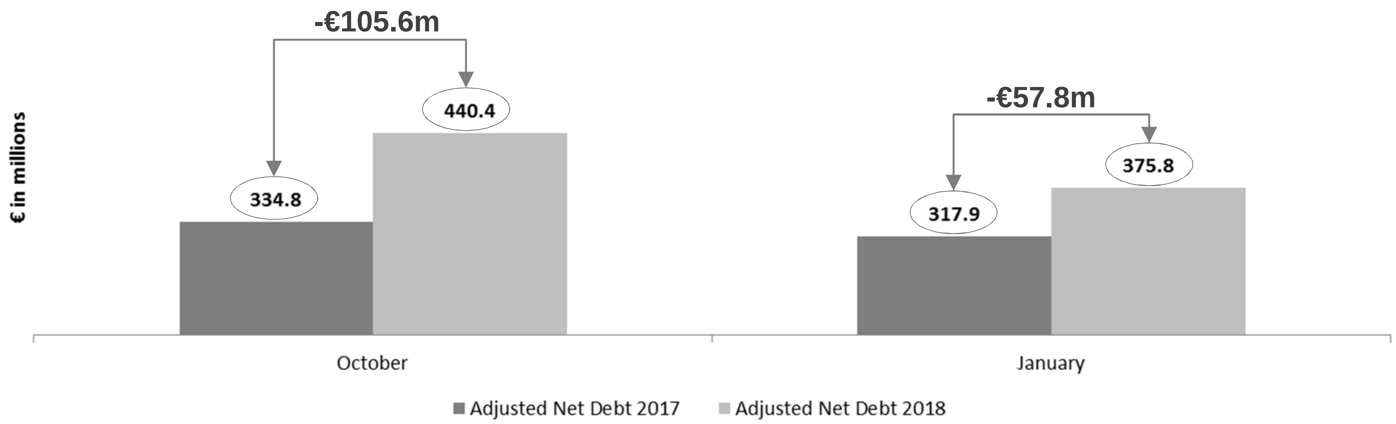
(*) Net Debt at 31st January excluding the MtM impact of €10.8m.

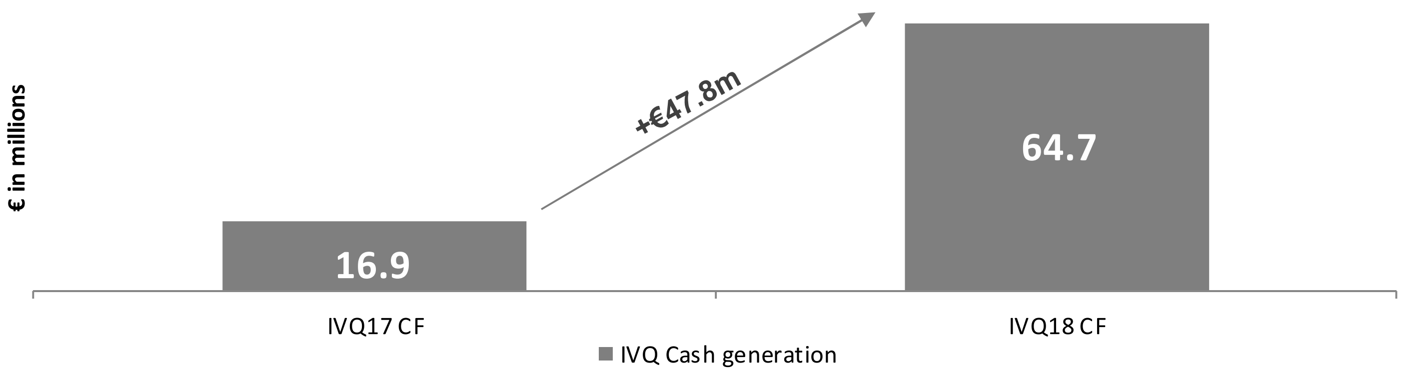
(**) Calculated on Net Debt at 31st January excluding the MtM.

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

- As of 31st January 2019 net debt excluding the mark-to-market impact was equal to €375.8m, improving significantly compared to the 31st October 2018 (see next page). The amount excludes the asset of +€10.8m related to the mark-to-market effect. Reported Net Debt amounted to €364.9m, down by €12.9m vs. the previous year.
- The ratio of the average net financial position to EBITDA at year-end, excluding the mark-to-market effect, was 2.97x.
- Due to the increased average leverage on EBITDA ratio during the FY19, the interest rate on debt will be 3.0% + Euribor 3m, vs. the previous 2.5% + Euribor 3m.

IVQ18 Net Debt & Cash Flow Evolution





Net Debt recovery is underway: IVQ strong cash generation of €64.7m, allowed the Group to decrease the gap vs. last year from €105.6m reported at the end of the third quarter, to €57.8m at year- end. Once looking at the underlying reasons, this is also the result of: (i) TWC improvements and (ii) no more cash impacts arising from the relations with the former Sempione Fashion Group. At the time of writing, Net debt recovery is improving even further.

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Consolidated Cash Flow Statement

€mln	FY2018	FY2017
EBITDA Adjusted	**144.2**	**196.5**
Adjustments	(69.8)	(21.7)
Change in Net Operating Working Capital	(60.9)	(49.3)
Other changes in Working Capital	21.6	9.9
Capex, net of proceeds from HQ disposal	(60.9)	(68.0)
Operating Cash Flow	**(25.8)**	**67.3**
Financial charges	(14.9)	(14.2)
Corporate taxes	(17.1)	(48.3)
Dividends	0.0	(34.1)
Depreciation Fin Receiv Sempione Retail AG	0.0	(5.5)
Net Cash Flow excl derivatives MtM and amortised costs	**(57.8)**	**(34.7)**
MtM derivatives, amortized cost and exchange differences	70.6	(77.3)
Net cash flow	**12.8**	**(112.0)**

Operating cash flow has been mainly impacted by the decline in EBITDA and by costs related to the relations with the former Sempione Fashion Group. As of today the trade working capital level reflects a phase of gradual recovery which will be further sustained during FY19 through specific actions already put in place. Of the € 60.9 million of net investments for the year, approximately €18m relates to the refurbishments made through a vendor financing, with a repayment term in line with the growth of EBITDA generated by those stores.

The FY18 Cash flow has been impacted by the extraordinary costs linked to the relations with the former customer Sempione Fashion. The cash impact of those costs occurred mainly in the first nine months of FY18 and no more financial impacts will arise in 2019.

Notes:

For further details on the adjustments at EBITDA level, please see Appendix.

Outlook

- 2019 will be a year of recovery: whilst the Italian market backdrop remains challenging, a normalization of weather conditions should provide support, in particular for the second half of the year.
- We expect an overall increase in net sales as a combination of (i) a modestly negative Like-for-like due to the lower level of merchandising planned and the (ii) positive effect of the network expansion (both in Italy and abroad) and the online channel growth.
- Margins are expected to progressively improve over the course of the year. First half of FY19 EBITDA generation will be lower compared to last year (when EBITDA was in line with the one of 1H17). On the other side, the second half of the year is expected to increase thanks to internal factors like lower mark-downs and cost saving initiatives already undergoing, and external factors like a more favourable start of fall/winter season. Those conditions lay the basis for the expectation of a partial recovery of FY19 EBITDA compared to the one of 2018.
- OVS' cash generation should continue to improve.

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Consolidated Profit and Loss and related adjustments (1 of 2)

€ mln	31.01.2019 Reported	o/w: non recurring	o/w: forex reclassification	o/w: non recurring; Stock Option; Derivatives; PPA	Adjustments, Normalizations & Reclass.	31.01.2019 Adjusted	31.01.2018 Reported	o/w: non recurring	o/w: forex reclassification	o/w: non recurring; Stock Option; Derivatives; PPA	Adjustments, Normalizations & Reclass.	31.01.2018 Adjusted
Net Sales	1,457.2					1,457.2	1,525.7					1,525.7
Net Sales*	**1,391.6**					**1,391.6**	**1,415.1**					**1,415.1**
Purchases of consumables	667.5	11.5	(9.5)		2.0	665.5	701.4		4.6		4.6	696.8
Gross Margin	**789.7**	**(11.5)**	**9.5**		**(2.0)**	**791.6**	**824.3**		**(4.6)**		(4.6)	**828.8**
GM%	*56.7%*					*56.9%*	*58.2%*					*58.6%*
Personnel costs	292.6	2.7		0.3	3.0	289.6	293.0	0.6		3.0	3.5	289.5
Costs for services	197.9	3.2			3.2	194.8	191.8	0.0			0.0	191.7
Rent costs	132.7	(0.9)			(0.9)	133.6	125.3	0.1			0.1	125.2
Provisions	28.0	23.9			23.9	4.2	15.2	13.5			13.5	1.7
Other operating costs	63.9	38.7			38.7	25.3	24.2	0.0			0.0	24.2
Total operating costs	715.2	67.5		0.3	67.8	647.4	649.5	14.2		3.0	17.2	632.3
EBITDA	**74.4**	**(79.0)**	**9.5**	**(0.3)**	**(69.8)**	**144.2**	**174.8**	**(14.2)**	**(4.6)**	**(3.0)**	**(21.7)**	**196.5**
EBITDA%	*5.3%*					*10.4%*	*12.3%*					*13.9%*
Depreciation & Amortization	67.2	0.0		8.6	8.6	58.6	62.7			8.6	8.6	54.1
EBIT	**7.2**	**(79.0)**	**9.5**	**(8.9)**	**(78.4)**	**85.6**	**112.0**	**(14.2)**	**(4.6)**	**(11.6)**	**(30.3)**	**142.4**
EBIT%	*0.5%*					*6.2%*	*7.9%*					*10.1%*
Net financial (income)/charges	(25.6)	(0.1)	(9.5)	53.0	43.3	17.7	102.5	(21.1)	4.6	(77.3)	(93.7)	8.8
PBT	**32.8**	**(79.2)**	**0.0**	**44.1**	**(35.1)**	**67.9**	**9.5**	**(35.3)**	**0.0**	**(88.8)**	**(124.1)**	**133.6**
Taxes	7.5	19.0		(13.7)	5.3	12.8	4.5	0.2		22.5	22.7	27.1
Net Income	**25.3**	**(60.2)**	**0.0**	**30.4**	**(29.8)**	**55.2**	**5.1**	**(35.1)**	**0.0**	**(66.3)**	**(101.4)**	**106.5**

See next page for further details on the FY18 adjusted and normalized elements.

(*) Excluding the sell-in to the former Sempione Fashion Group.

Consolidated Profit and Loss and related adjustments (2 of 2)

The following adjustments regarded as one-offs were carried out in 2018, with no impact on cash and/or not representative of the normal course of business operations. Specifically, at the EBITDA level, (i) €79.0 million represents non-recurring expenses, mainly attributable to the end of relations with the former Group Sempione Fashion, the cash impact of which came to an end in 2018; (ii) €9.5 million are financial costs reclassified to the gross margin, in order to reflect the actual impact of EUR/USD hedging on goods sold in the year; and (iii) €0.3 million represents costs relating to stock options that have no cash impact. At the EBIT level, this was in addition to €8.6 million in non-cash expenses for depreciation and amortisation relating to purchase price allocation, and at the level of the net result for the year, adjusted income of €53 million, mainly relating to foreign exchange differences arising from the valuation of items in foreign currency, including with respect to forward derivatives and realised foreign exchange differences. Lastly, the tax effect of the above income statement adjustments was estimated at €5.3 million.

Analyzing the adjustments at EBITDA level only, in 2018, non-recurring items affected Group EBITDA by €79.0 million (€14.2 million on EBITDA in the previous year); of this amount, €56.6 million arose in the first half of 2018, mainly as a result of the end of the activities of the former Swiss Group, while the remaining €22.4 million arose in the second half of the year. An analysis of the components of non-recurring and non-operating expenses shows the impact of the end of the Sempione Fashion Group's activities.

The OVS Group wrote-down assets, considering as non-recurring both the necessary write-downs and some costs associated with managing this particular event, which, as a whole, at the EBITDA level, affected the company's accounting results by €74.7 million in 2018, in addition to the €13.5 million already accrued and adjusted in 2017. In detail, these expenses were related to: (i) asset write-downs of €66.7 million relating to receivables from the former Sempione Fashion Group and goods at the companies of the former Sempione Group (Austria, Switzerland, Germany, Slovenia and Hungary); (ii) €4.4 million relating to one-off costs, mainly legal expenses; and (iii) €3.6 million for logistics costs necessary to recover part of the inventory owned by OVS SpA that had been sent to Switzerland.

With reference to the evolution of these costs in the second half of 2018, it should be noted that the increase of €18.3 million was due to: (i) the write-down of a further €9.3 million in receivables from the company Charles Vögele Deutschland Gmbh (after this provision, the nominal receivable of €24.3 million from the German company of the former Sempione Fashion Group was fully written down - it should be noted that with respect to Charles Voegele Deutschland GmbH, which is now owned by a European operator and has changed its name to Vidrea Deutschland GmbH, on 16 April 2019 it was announced that its bankruptcy had been declared by the Court of Hechingen); (ii) €4.0 million in further write-downs of a receivable, mainly for non-recoverable VAT due to the decision to close the operations in Austria, (iii) €3.0 million in write-downs of assets relating to goods originally bought for the stores of the Sempione Fashion Group, but retained in Italy and sold within our network, with appropriate promotional actions, and (iv) logistics and further legal costs of €2.0 million. Following the above write-downs, total assets in the financial statements relating to the former Sempione Fashion Group amounted to just €0.3 million and only concerned Charles Voegele Hungaria.

Other non-recurring and non-operating expenses occurring in 2018 included €1.4 million for losses and costs associated with the sale of the property used as headquarter, and €2.9 million for other non-recurring costs, mainly relating to transactions with former employees, and costs incurred during some periods of store closure due to refurbishment works.

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Consolidated Balance Sheet Statement

€mln	31 January '19	31 January '18	Chg.
Trade Receivables	98.4	113.0	(14.5)
Inventory	411.0	387.9	23.0
Trade Payables	(351.0)	(403.4)	52.4
Net Operating Working Capital	**158.4**	**97.5**	**60.9**
Other assets/(liabilities)	(86.3)	(51.2)	(35.1)
Net Working Capital	**72.1**	**46.3**	**25.8**
Tangible and Intangible Assets	1,359.5	1,365.8	(6.3)
Net deferred taxes	(124.4)	(134.3)	9.9
Other long term assets/(liabilities)	(31.4)	(14.7)	(16.7)
Pension funds and other provisions	(43.2)	(43.7)	0.5
Net Capital Employed	**1,232.6**	**1,219.5**	**13.1**
Net Equity	867.7	841.7	26.0
Net Financial Debt (*)	364.9	377.8	(12.9)
Total source of financing	**1,232.6**	**1,219.5**	**13.1**

(*) It includes +€10.8m of asset recorded through the recognition of the mark-to-market value at the 31st January 2019.

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Network Update as of 31Jan19

		Dos Stores	Franchising Stores	Total Stores
OVS Full Format	**As of 31st January 2018**	**546**	**198**	**744**
	Net Openings	*7*	*25*	*32*
	As of 31st January 2019	**553**	**223**	**776**
OVS KIDS	**As of 31st January 2018**	**52**	**343**	**395**
	Net Openings	*2*	*61*	*63*
	As of 31st January 2019	**54**	**404**	**458**
UPIM Full Format	**As of 31st January 2018**	**116**	**94**	**210**
	Net Openings	*9*	*4*	*13*
	As of 31st January 2019	**125**	**98**	**223**
BLUKIDS	**As of 31st January 2018**	**30**	**245**	**275**
	Net Openings	*-1*	*9*	*8*
	As of 31st January 2019	**29**	**254**	**283**
OTHER FORMATS	**As of 31st January 2018**	**0**	**0**	**0**
	Net Openings	*2*	*5*	*7*
	As of 31st January 2019	**2**	**5**	**7**
TOTAL	**As of 31st January 2018**	**744**	**880**	**1624**
	Net Openings	***19***	***104***	***123***
	As of 31st January 2019	**763**	**984**	**1747**

OVS

Applying IFRS 16 at the transition date (February 1st, 2019)

On January 2016 the IASB published IFRS 16 – Leases to replace IAS 17 and the interpretations IFRIC 4, SIC-15 and SIC-27.

The new standard provides a new definition of a lease and introduces criteria based on the control (right of use) of an asset in order to distinguish between lease contracts and service provision contracts.

The standard establishes a single model for the recognition and measurement of lease contracts for the lessee, which states that leased assets, including those under operating leases, must be recognized under assets with a related liability corresponding to the obligation to make lease payments.

OVS completed a preliminary assessment of the potential impacts of applying the new standard at the transition date (February 1st, 2019). This process was broken down into various stages, including a complete mapping of the contracts that could potentially include a lease and the analysis of these contracts in order to ensure that they include the main significant provisions for IFRS 16 purposes.

OVS chose to apply this standard retrospectively. However, it has recorded the accumulated effect of applying the standard on shareholders' equity at February 1st, 2019, in accordance with IFRS 16, paragraphs C5 option b). In particular, in relation to lease contracts that were previously classified as operating leases, OVS will record:

- financial liability, equal to the current value of future residual payments at the transition date, discounted using the incremental borrowing rate applicable at the transition date for each contract;
- right-to-use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses and accrued expenses and deferred income referring to the lease and recorded in the balance sheet at the closing date of these financial statements (31 January 2019);
- starting from FY19 the fixed rental expenses charge will be replaced in the income statement with depreciation of the right of use asset and financial charges (interests on lease liability). Variable rental expenses will remain in the rental expenses line.

The majority of OVS' lease contracts refer to direct operated stores (DOS). The methods used to calculate the financial liabilities and rights of use are based on the analysis of the contractual terms and conditions of each lease, including any renewal option.

As of today the Group has estimated that adopting IFRS 16 at the date of transition, February 1st, 2019, will result in *an increase of fixed assets of approximately Euro 910 million and lease liability of approximately Euro 900 million*.

Assuming that there are no variations to the number of DOS in the network at February 1st, 2019, the impact on 2019 Income Statement is currently estimated to be not material with regard to EBIT and EBT margin, while *EBITDA margin could increase in the range of +9/+11 percentage points.*

OVS will provide further information regarding the 1Q2019 results, the first to be released under IFRS 16.