1Q19 FINANCIAL RESULTS

June 19, 2019

OVS

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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.

1Q19 Highlights

Market share increased at 8% (+15bps vs. Apr 2018).

Net Sales amounted to €317.5m, stable vs. 1Q18.

The network expanded by 16 stores, of which 3 Full Format DOS in Italy.

In line with our expectations, adjusted EBITDA reached €25.1m, €5.0m lower than 1Q18, mainly as a consequence of the implementation of the markdown strategy started in the 2H18 in order to recovery the inventory peak experienced in the third quarter of last year and to improve cash generation. Despite this non-recurring markdown, and negative weather in April, effective cost control activities largely offset the lower gross margin.

Adjusted PBT was €7.6m, reflecting the EBITDA decrease vs. 1Q18.

Cash flow improvement continues: 1Q19 cash flow was €36m better than last year. As a result, the gap in indebtedness compared to the same period of the previous year fell from €105.6m in October 2018 to the current €21.9m.

8%
Italian market share

€25.1m
Adjusted EBITDA

€445.4m
Net Debt

Source: Sita Ricerca for market share and market trends

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Key Income Statement Items
Results in line with expectations and continuous improvement at cash flow level

- **Net Sales** amounted to €317.5m, down by €2.9m (or -0.9%) compared to the same period of last year despite a market that was once again hit by the delay of the start of the Spring/Summer Season (reference market in April was down by -9.4%).

- **Adjusted EBITDA** reached €25.1m. This result is in line with our expectations, based on a first part of the current year characterized by the non-recurrent final phase of promotional activities dedicated to stock level normalization, while in the second part of the year markdowns are expected to go back to normal levels (also in light of the lower level of stock). Contribution will come also from cost control activities.

€ mln	30.04.2019	30.04.2019 Adjusted	30.04.2018	30.04.2018 Adjusted	*Chg. (Adjusted)*	*Chg. % (Adjusted)*
Net Sales	317.5	317.5	353.0	353.0	*(35.5)*	*(10.1%)*
Net Sales*	**317.5**	**317.5**	**320.5**	**320.5**	***(2.9)***	***(0.9%)***
EBITDA	**62.0**	**25.1**	**(24.5)**	**30.1**	*(5.0)*	*(16.5%)*
EBITDA%	*19.5%*	*7.9%*	*-7.7%*	*9.4%*		*(148ppt)*
EBIT	**9.2**	**11.3**	**(39.9)**	**16.9**	*(5.6)*	*(33.2%)*
EBIT%	*2.9%*	*3.5%*	*-12.4%*	*5.3%*		*(172ppt)*
PBT	**2.1**	**7.6**	**(26.1)**	**13.2**	*(5.6)*	*(42.5%)*
Net Financial Position	**1,324.2**	**445.4**	**451.2**	**423.5**	**21.9**	**5.2%**
Market Share	**8.0%**		**7.9%**			*+15ppt*

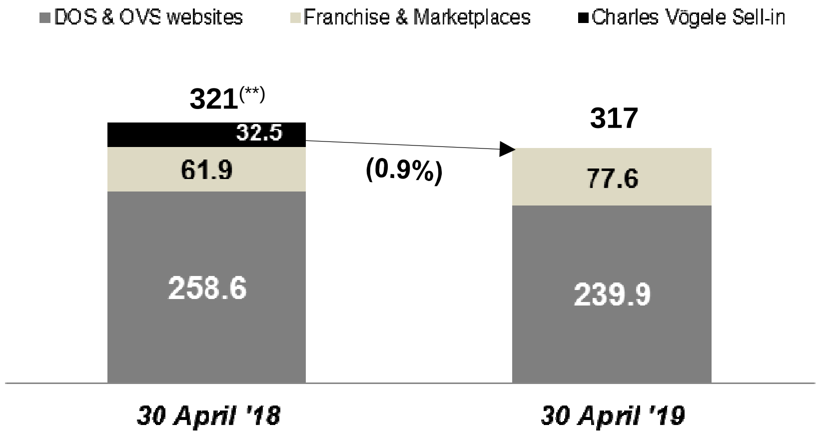
- Mainly thanks to the aforementioned strategy and lower intake, **Net Debt** amounted to €445.4m, thus reducing to €21.9m the gap vs. the previous year. **Cash flow** over the last two quarters was **€83.6m** higher than the same period of last year (out of which about €36m in the first quarter of 2019).
- The **IFRS16** accounting principle, which is applied for the first time in this quarterly report, has a positive impact of €43.3m at EBITDA level and a negative impact of €896.1m on the net financial position (see overleaf for further details). This accounting standard, aiming at recognizing the right of use of a leased asset, doesn't reflect the value of break-up clauses in favor of OVS, present in almost all the contracts. In fact, out of the total amount of liabilities amounting to €896,1m, only about **€116m** refer to liabilities for rents due before the dates of break-up options.

(*) Excluding the sell-in to Sempione Fashion AG

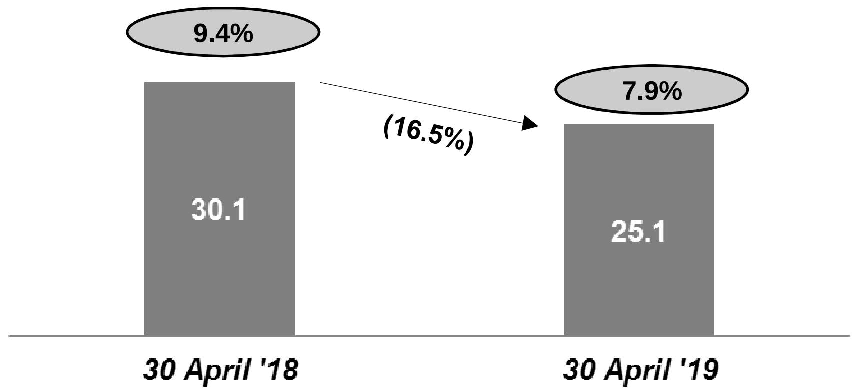
Aggregate Sales and EBITDA Performance in 1Q19

Aggregate Performance

Net Sales (€mln)



EBITDA (€mln)



Performance By Brand

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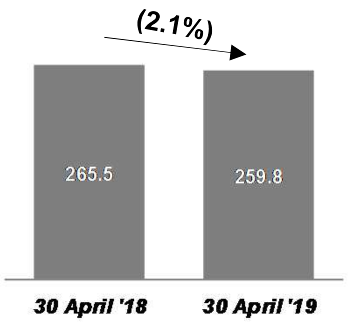

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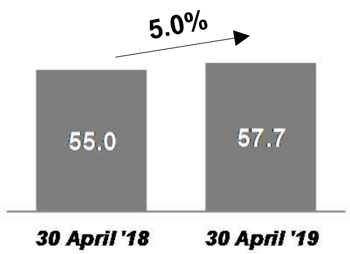

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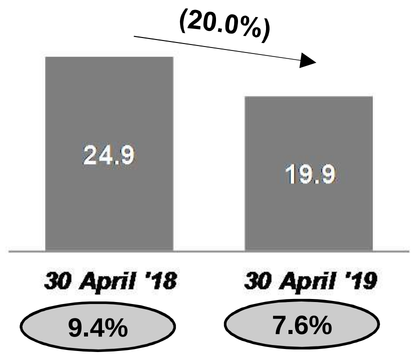

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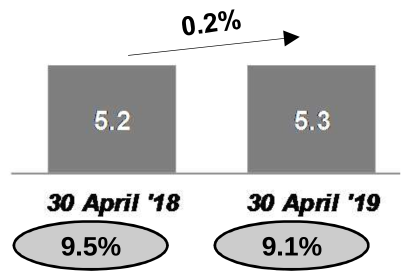
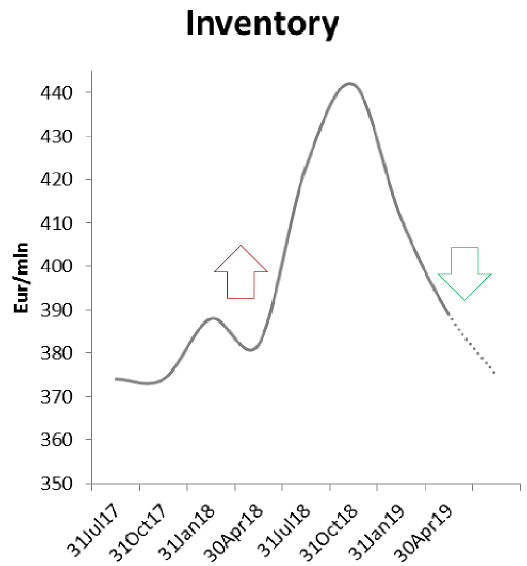


Margin % (*)

(*) EBITDA margin calculated excluding the sell-in to Sempione Fashion AG
(**) Excluding the sell-in to Sempione Fashion AG

30Apr19 Consolidated Trade Working Capital

€mln	30Apr19	30Apr18
Trade Receivables	130.8	111.3
Inventory	388.9	382.1
Trade Payables (*)	(300.3)	(358.2)
Trade Working Capital	**219.3**	**135.2**



The trade working capital structure shows the recovery at inventory level, which after the peak reached in the 3Q of 2018, it went down almost to the same level of one year ago. Looking at the single components:

- Compared to 1Q18, **trade receivables** increased by €19.5m, driven by the growth of the franchise network.
- **Inventory** almost reached the level of one year ago (at the 31st October 2018, it was €68.4m higher compared to one year ago). The strategy implemented which led to lower purchases of goods, also thanks to greater flexibility in-season, will allow the Group to continue in this direction.
- **Trade payables** decreased by about €57.9m mainly as a result of lower intake. This will result in lower cash out going further compared to one year ago, when the second and third quarter were significantly impacted by merchandising payments also related to the merchandising bought for the former client Sempione and in part never delivered.

(*) Trade Working Capital does not reflect the new IFRS16 accounting principle: in particular, within Trade Payables, €14m refer to payables to landlords and they are therefore reclassified within the reported Net Debt.

Capex: lower investments dedicated to new openings. In March, additional 20 stores have been refurbished at a lower capex per sqm compared to the past

1Q2019 Capex breakdown (*€ mln)*

New openings (c. 14% of total)

OVS Full Refurbishments–new project (c. 44% of total)

General Refurbishments & maintenance (c. 20% of total)

IT and Digital Transformation (c. 19% of total)

Building HQ and corporate sustainability (c. 3%)

1Q19 total capex amounted to **€9.4m** (vs. €18.6m of the 1Q18).

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Net Debt and Leverage

€ mln	30 April 2019	30 April 2018
Net Debt excluding MtM & IFRS16	445.4	423.5
Leverage on EBITDA (*) *Adjusted Net Debt/EBITDA Adjusted LTM*	3.2x	2.1x
Leverage on EBITDA (**) **Adj. Average last 12 months Net Debt/EBITDA Adjusted LTM**	3.1x	1.8x

Notes:

(*) calculated on Net Debt at 30th April excluding the MtM and the IFRS16

(**) calculated on the average last 12 months Net Deb excluding the MtM and the IFRS16 below the FCAgreement

- The Group's Net Debt adjusted for the impact of the mark-to-market and the impact of the first application of the IFRS 16, is equal to €445.4m, while the ratio between the last twelve months average Net Financial Position and adjusted EBITDA is equal to 3.1x. The increase in ratio is almost entirely due to the decrease of EBITDA in the second half of 2018, materially impacted by non-recurring markdowns.
- As anticipated, the recovery of the Net Debt continues: after reporting a level of debt of €105.6m higher than the previous year at the end of the third quarter of 2018, the gap has now reduced to about €22m thanks to the better cash flow that improved by €36m in the 1Q19 only.
- As anticipated in the FY18 Results, due to the increased average leverage on EBITDA ratio, the interest rate on debt will be 3.0% + Euribor 3m, vs. the previous 2.5% + Euribor 3m.

Consolidated Cash Flow Statement

€mln	1Q19	1Q18
EBITDA Adjusted	**25.1**	**30.1**
Change in Trade Working Capital	(60.9)	(88.1)
Change in other Assets (liabilities)	(17.4)	(14.9)
Capex	(9.4)	(18.6)
Others	(6.4)	(4.2)
Operating Cash Flow	**(69.0)**	**(95.7)**
Other non operating items	(0.6)	(9.9)
Net Cash Flow excl derivatives MtM and amortised costs	**(69.6)**	**(105.6)**

	Eur/mln
31Oct18 Net Debt	440.4
30Apr19 Net Debt	445.4
Actual last 2 Quarters cash generation/(absorption)	*(5.0)*
31Oct17 Net Debt	334.8
30Apr18 Net Debt	423.5
One year ago last 2 Quarters cash generation/(absorption)	*(88.7)*

CF Improvement +83.6m

1Q19 cash flow was €36m better compared to 1Q18. This was mainly the result of (i) lower trade working capital absorption (+€27.2m) mainly driven by inventory reduction and, (ii) lower capex (+€9.2m).

Over the last two quarters, the company improved the cash flow by €83.6m vs. the same period of the previous year, and this trend is expected to continue.

(*) 1Q18 figures Include the extraordinary impact of Trade Receivables depreciation and Inventory write-off

Outlook

- After a good start of 2019, April and May were both impacted by heavily unfavorable weather temperatures (the reference market declined by -9.4% and by -10.9% in April and May respectively). June temperatures went back to normal and consumer reaction was impressive: this testifies once again the nature of our business, which is driven not by volatile fashion trends but by the real needs of families that, despite subject to fluctuations (e.g. weather), are resilient in the medium term.

- Since the beginning of the year, the network has expanded by 30 stores (mainly in franchising), of which 20 in foreign countries.

- The good performance of the new shop-in-shops opened in some hypermarkets is worthy of mention. We expect to develop this form of B2B through other openings in the second half of the year, not only with Panorama and Finiper, but also with other Food Retailers. These agreements, coupled with the increased flexibility in sourcing will represent an important element to stabilize company’s top line and profitability.

- During this first quarter our digital transformation process continued to progress: as an example, strong development was given to the "OVS ID" project, which gives a digital identity to our customers. We have reached 810,000 digital cards, and about half of which refer to new registered customers. This 800k represents 30% of the total amount of OVS' loyal active customers and it will enable us to better profile our customers and personalize our digital communication.

- After a first half of the current year characterized by higher and non-recurring markdowns vs. the previous year, the second half is expected with a higher gross margin vs. 2H18 driven by lower promotional activities also in light of the improved ageing of merchandising and lower stock level. At the same time the company will continue to work on costs reduction and working capital management.

- After the Shareholders Meetig held in May, the process of refinancing started again in line with the time schedule shared between OVS, its Advisor and the Banks.

Appendix

Consolidated Profit and Loss and related adjustments

€ mln	30.04.2019	Adjustments, Normalizations & Reclass.	IFRS16	30.04.2019 Adjusted	30.04.2018	Adjustments, Normalizations & Reclass.	30.04.2018 Adjusted	Chg. (Adjusted)	Chg. % (Adjusted)
Net Sales	317.5			317.5	353.0		353.0	(35.5)	(10.1%)
Net Sales*	**317.5**			**317.5**	**320.5**		**320.5**	**(2.9)**	**(0.9%)**
EBITDA	**62.0**	6.4	(43.3)	**25.1**	**(24.5)**	34.6	**30.1**	**(5.0)**	**(16.5%)**
EBITDA%	19.5%			7.9%	-7.7%		9.4%		(148ppt)
EBIT	**9.2**	8.5	(6.5)	**11.3**	**(39.9)**	36.8	**16.9**	**(5.6)**	**(33.2%)**
EBIT%	2.9%			3.5%	-12.4%		5.3%		(172ppt)
PBT	**2.1**	(0.6)	6.1	**7.6**	**(26.1)**	54.3	**13.2**	**(5.6)**	**(42.5%)**
Net Financial Position	**1,324.2**	17.4	(896.1)	**445.4**	**451.2**	(27.7)	**423.5**	**21.9**	**5.2%**
Market Share	**8.0%**				**7.9%**				+15ppt

Excluding the IFRS16 impact (see overleaf), the following normalizations and adjustments were carried out in 1Q19, with no impact on cash and/or not representative of the normal course of business operations. Specifically, the EBITDA reflects (i) €4.7m of financial incomes reclassified within the Gross Margin, in order to reflect the actual impact of EUR/USD hedging on goods sold in the quarter; (ii) €0.8m of lower personnel costs referring to the stock option plan with no cash impact, and (iii) €0.8m of other non-recurring costs.
In addition, adjusted PBT reflects €2.1m of lower non-cash expenses for D&A relating to the "purchase price allocation" and €9.1m of lower financial incomes for foreign exchange differences arising from the valuation of items in foreign currency, including with respect to forward derivatives and realized foreign exchange differences.

IFRS16 main Impacts

EBITDA

Eur/mln	1Q19
Adjusted EBITDA	25.1
IFRS16 impact	43.3
Other Adj/Reclass	(6.4)
Reported EBITDA	**62.0**

A.

EBIT

Eur/mln	1Q19
Adjusted EBIT	11.3
IFRS16 impact	6.5
Other Adj/Reclass	(8.5)
Reported EBIT	**9.2**

B.

PBT

Eur/mln	1Q19
Adjusted PBT	7.6
IFRS16 impact	(6.1)
Other Adj/Reclass	0.6
Reported PBT	**2.1**

C.

Net Debt

Eur/mln	30Apr19
Adjusted Net Debt	445.4
IFRS16 impact	896.1
Other Adj/Reclass	(17.4)
Reported Net Debt	**1,324.1**

D.

Starting from 1Q19, following the adoption of the new IFRS16 Leasing, reported results reflect significant impacts both at P&L and Balance Sheet level. This has no impact on the Group's cash and it is just a consequence of a different representation of a significant number of rental contracts, mainly referring to the directly operated stores.

In summary:

A. *1Q19 reported EBITDA was impacted by €43.3m of lower net costs for rentals;*

B. *1Q19 Reported EBIT was also impacted by €36.8m of higher costs related to higher D&A following the recognition of €887.8m of tangible fixed assets;*

C. *In addition, 1Q19 Reported PBT reflected €12.6m higher net financial expenses linked to lease liabilities recorded on or after 1stFeb19;*

D. *30Apr19 Reported Net Debt includes €896.1m of higher net financial liabilities. This accounting standard requires recognition as a net financial liability of all future rents to be paid, ignoring the value of the break-up clause in our favor, which characterizes about 99% of the existing contracts. Out of the €896.1m, about €780m represents a mere potential liability for the Company.*