1H19 FINANCIAL RESULTS

September 19, 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.

1H19 Highlights

Domestic market decreased by -3.7%, mainly driven by the negative months of April and May (-9.4% and -10.9% respectively). Company market share still growing to 8%.

Net Sales at €650.6m, reflecting (i) the lower purchases made in order to support the inventory reduction and (ii) the adverse weather in the months of April and May. Like-For-Like at -4%.

Adjusted EBITDA at €62.5m, in line with our expectations and below the first half of 2018 (when it was equal to the 1H17, a year in which the FY EBITDA closed at €196.5m), due to the effect of the second and final planned phase of extraordinary promotional activities, aimed to continue the improve of stock levels and net debt.

Cash flow improvement continues: 2Q19 cash generation amounted to €32m and in the first half of the year cash flow was €72m better than last year. As a result, July Net Debt amounted to €413.6m, €14m lower than a year ago.

Credit Facilities have been extended to March 2023.

8.0%

Italian Market Share

€62.5m

Adjusted EBITDA

€413.6m

Adjusted Net Debt

Source: Sita Ricerca for market share

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Key Income Statement Items
Economic results in line with forecasts. Excellent cash generation.

- 1H19 **Net Sales** amounted to **€650.6m**, down by 2.4% compared to the same period of last year, reflecting (i) a very negative domestic market in the months of April and May, and (ii) the fact that OVS brand lowered purchase volumes which led to successfully decrease the level of inventory but on the other hand inevitably led to lower sales.

- **Adjusted EBITDA** was equal to €62.5m (last year amounted to €81.1m). OVS brand EBITDA was the one impacted by the last part of promotional activities started in the second half of 2018, only partially offset by cost reductions. July was the last month where these extraordinary promotional activities took place, and the expected margin recovery starting from the second semester of 2019 is already well underway. Upim adjusted EBITDA was fairly stable compared to one year ago, reflecting the tough market conditions of April and May compensated by cost saving initiatives.

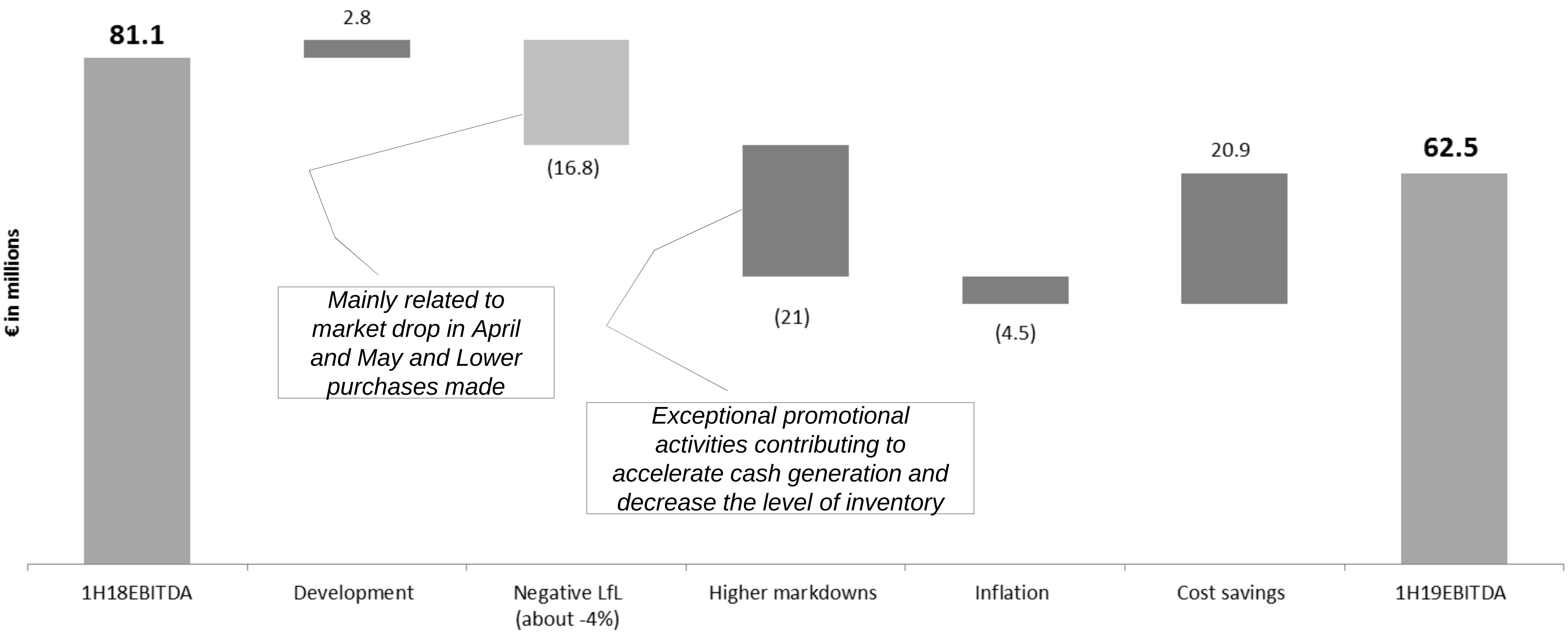
- **Adjusted Net debt at €413.6m**, €14m lower than a year ago: the focus on cash generation continued. The €31.8m of cash generation in the second quarter was the highest since the IPO. Overall in the first half of 2019, cash flow was €72m higher than 1H18.

€ mln	31.07.2019 Reported	31.07.2019 Adjusted	31.07.2018 Reported	31.07.2018 Adjusted	*Chg. (Adjusted)*	*Chg. % (Adjusted)*
Net Sales	650.6	650.6	720.1	720.1	(69.5)	(9.7%)
Net Sales*	**650.6**	**650.6**	**666.4**	**666.4**	**(15.7)**	**(2.4%)**
Gross Margin	364.6	**374.8**	392.8	**405.4**	(30.5)	(7.5%)
GM%	56.0%	57.6%	58.9%	60.8%		(322ppt)
EBITDA	137.3	**62.5**	22.6	**81.1**	(18.6)	(22.9%)
EBITDA%	21.1%	9.6%	3.4%	12.2%		(256ppt)
EBIT	30.6	**34.2**	(8.6)	**54.2**	(20.0)	(36.9%)
EBIT%	4.7%	5.3%	-1.3%	8.1%		(288ppt)
PBT	10.8	**25.2**	13.4	**46.3**	(21.1)	(45.5%)
Net Income	5.3	**16.8**	5.1	**32.8**	(15.9)	(48.6%)
Net Financial Position	1,266.7	**413.6**	432.2	**427.6**	(14.0)	(3.3%)
Market Share	**8.0%**		**8.0%**			+3ppt

The main differences between Reported and Adjusted numbers in 1H19 are mainly due to the IFRS16 accounting principle, which is applied for the first time in the half year report. In particular, this principle has a positive impact of €87.3m at EBITDA level and a negative impact of €868.3m at net debt level. See overleaf for further details.

(*) In 2018, excluding the sell-in to Sempione Fashion AG

1H19 EBITDA Evolution



Adjusted 1H19EBITDA of €62.5m was down by €18.6m compared to the previous year. As it happened in the second half of last year (but reflecting a significantly lower impact than the one reported in the second half of 2018), EBITDA generation has been impacted by:

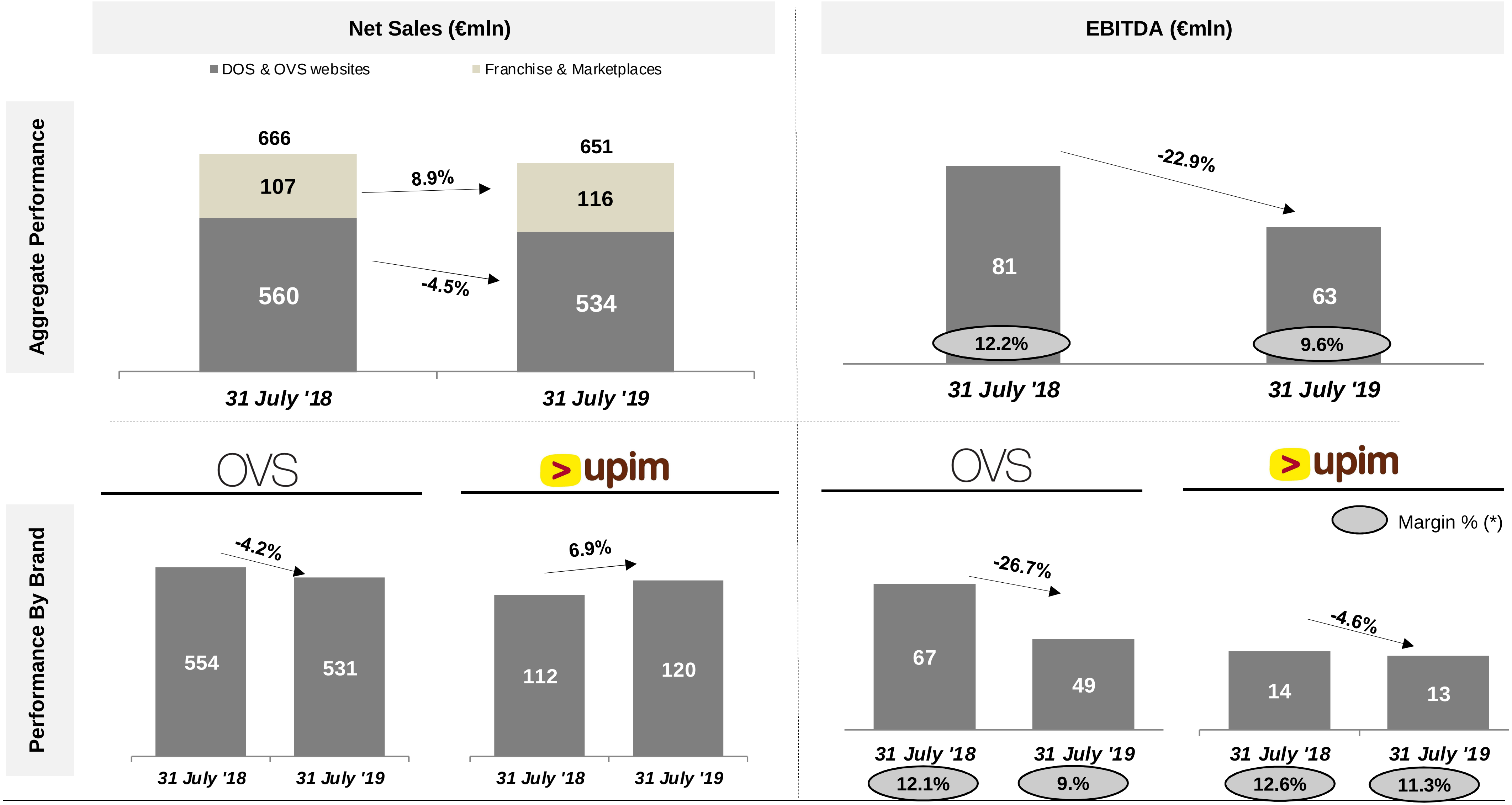
(i) the last part of the extraordinary mark-down activities required in order to recover an adequate level of inventory and accelerate cash generation;

(ii) lower sales as a consequence of lower intake.

In the second half extraordinary mark-downs are not planned to take place anymore, and a good recovery is reasonably expected compared to last year.

(*) 2018 EBITDA margin calculated excluding the sell-in to the former Sempione Fashion AG.

Sales and EBITDA Performance in 1H19



(*) 2018 EBITDA margin calculated excluding the sell-in to the former Sempione Fashion AG.

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31Jul19 Consolidated Trade Working Capital

€mln	31Jul19	31Jul18	Change Jul19-Jul18	Change Jul19-Jan19	Change Jul18-Jan18
Trade Receivables	100.6	126.9	(26.3)	2.2	13.9
Inventory	411.2	423.3	(12.1)	0.2	35.4
Trade Payables	(312.9)	(392.4)	79.5	38.1	11.0
Trade Working Capital	**198.9**	**157.8**	**41.1**	**40.5**	**60.3**

Note: 31Jul19 does not reflect the impacts related to the IFRS16

First half increase in working capital vs. January of the same year reflects the normal seasonality of the business, but 1H19 increase has been lower than in the past (in the last three years it increased by about €60m vs. the actual €40m). Analyzing it by each single component:

- Compared to 1H18, **trade receivables** decreased by €26.3m, reflecting the absence of amounts to be collected from companies linked to the ex Swiss client and the improved DSO towards franchisees partners.

- The level of **inventory** decreased by €12.1m compared to 1H18, mainly as a result of extraordinary promotional activities put in place over the last twelve months. The recovery should be even more impressive considering that the Group has reported the inventory peak at the end of the third quarter of 2018. Due to the seasonality of the business, at the end of the first half of the year, inventory level has always been higher than the one at the end of January. This is due to the Fall/Winter merchandising purchased and still not sold and a portion of Spring/Summer collection that can not benefit from August sales. In the last three years this resulted in an inventory increase of about €30m. Such trend was completely different during the first half of this year: 1H19 inventory level was flat vs. the one at Jan19. It is worth mentioning that this level of inventory has been achieved even in presence of the weak months of April and May.

- **Trade payables** decreased by €38.1m mainly as a result of lower intake. Even if lower trade payables meant an higher Trade Working Capital compared to the one of last year, it will result in a lower cash out going further.

Capex – In line with the strategy implemented, 1H19 capex were €12m lower compared to 1H18 (€32m). The lower investments vs. last year will continue also in 2H19.

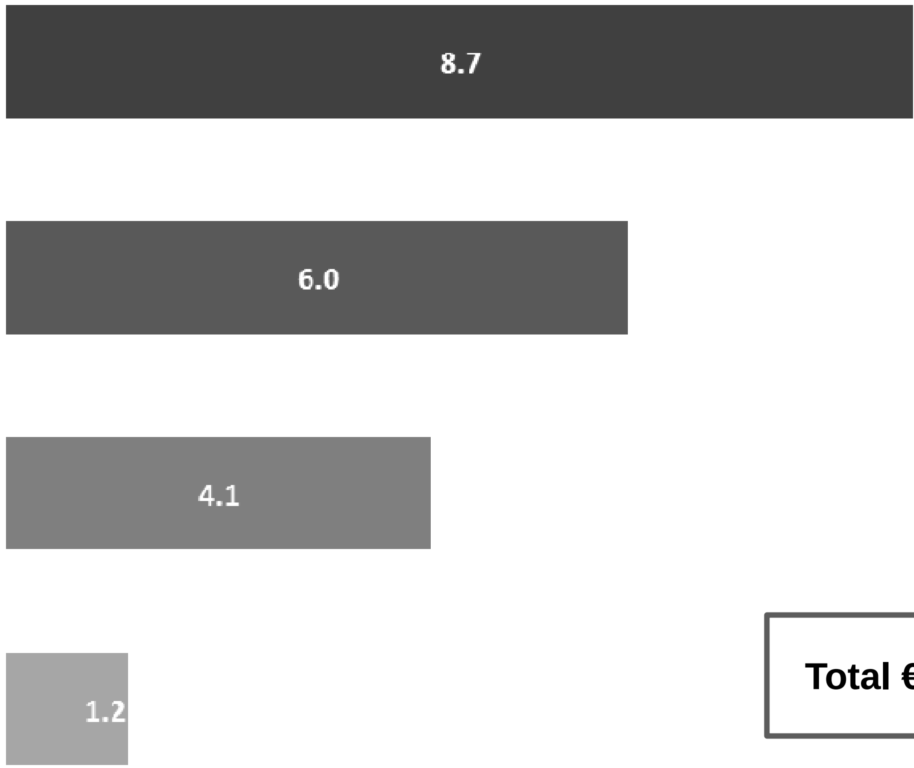
1H2019 Capex breakdown (*€ mln)*

Refurbishments (c. 43.7%): investments related to the existing network continued in the 1H19

It & Digital Transformation (c. 30% of total): Digital investments continue to represent an important part of the Group investments

New Openings (c. 20.5%): Lower compared to 1H18, given the focus on accelerating cash generation.

Capex for the maintenance of the **headquarter building, logistics** and others (c. 5.8%)



Total €19.9m

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Net Debt and Leverage

€ mln	31 July 2019	31 July 2018
Net Debt excluding MtM & IFRS16	413.6	427.6
Leverage on EBITDA (*) ***Adjusted Net Debt/EBITDA Adjusted LTM***	3.3x	2.2x
Leverage on EBITDA (**) **Adj. Average last 12 months Net Debt/EBITDA Adjusted LTM**	3.4x	2.0x

Notes:

(*) calculated on Net Debt at 31st July excluding the MtM and the IFRS16

(**) calculated on the average last 12 months Net Debt excluding the MtM and the IFRS16

- 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 €413.6m, €14m lower compared to one year ago. As anticipated, the recovery of the Net Debt continues: the cash flow over the last half year improved by €72m and the cash generation of the last quarter amounted to almost €32m, being the highest since the IPO.
- The ratio between the last twelve months average Net Financial Position and adjusted EBITDA is equal to 3.4x. The increase in the ratio is entirely due to (i) the decrease of the last twelve months EBITDA, materially impacted by non-recurring markdowns and (ii) the average last twelve months net financial positions, which have been affected by the peak of debt due to the increase in working capital linked to the past commercial relations with the former Swiss client. This peak in leverage is already going progressively down at the time of writing due to the lower level of Net Debt reported month by month: this will result in a consistent decrease of the ratio by the end of the year.
- Due to the increased average leverage on EBITDA ratio, the interest rate on debt will be 3.5% + Euribor 3m, vs. the previous 3.0% + Euribor 3m.

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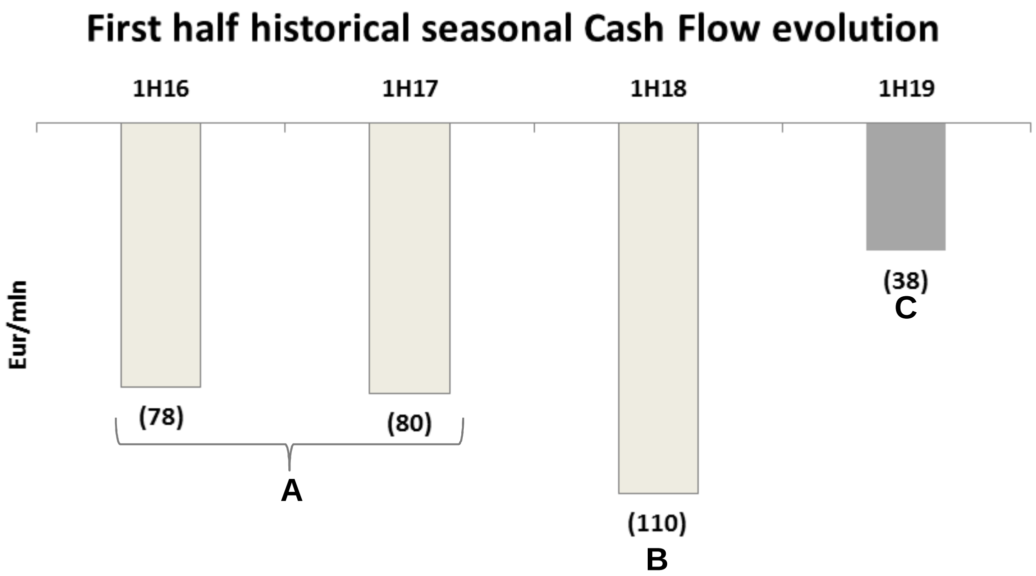
Consolidated Cash Flow Statement

€mln	31 July '19	31 July '18
EBITDA Adjusted	**62.5**	**81.1**
Adjustments[1]	(2.3)	(58.5)
Change in Trade Working Capital	(40.5)	(60.3)
Other changes in Working Capital	(19.5)	(11.3)
Capex	(19.9)	(32.3)
Operating Cash Flow	**(19.6)**	**(81.4)**
Financial charges	(8.1)	(7.6)
Others	(10.1)	(20.7)
Net Cash Flow excl derivatives MtM and IFRS 16	**(37.8)**	**(109.7)**



- 1H19 Operating cash flow was almost €62m better than last year (from €81.4m to €19.6m): this was the result of the lower cash absorption at trade working capital level (about €20m), lower capex (for about €12m) and the absence of cash assets' depreciations related to the former Swiss Retailer (mainly Trade Receivables and Inventory included in last year adjustments).
- The company is cash absorbing in the first half of the year due to the seasonality of the business: for this reason the company had historically absorbed about €80m in the first half of the year (see **A**); last year, the cash absorption has been even higher mainly due to the extraordinary impacts related to the commercial agreement with the Swiss retailer (see **B).** 1H19 showed an impressive improvement (see **C**), reporting a cash flow that has been about €40m better than 1H16 and 1H17, and about €72m better than last year.

Notes: 1.Relates to adjustments at EBITDA level. Please see Appendix for further details

Outlook

- Pressure on markdowns ended in August, and 2H19 Gross Margin recovery is well underway and in line with expectations. September started well, with net sales and gross margin benefitting from good like-for-like performances. Cost savings are proceeding in line with expectations, thus further reducing the break-even point of the Company.
- After growing by 23 stores during the first half of the year, the network continued to expand: during the month of August the network increased by 4 stores, of which 1 DOS.
- A new OVS communication campaign is going to start in September covering all media channels and it will allow customers to appreciate even more the new direction on the product. At the same time, the newly opened and renovated stores, thanks to the presence of the new natural elements, such as floral and wood hints in design, will ensure an even more comfortable environment and engaging customer experience.
- The Upim brand has shown its full attitude to develop both in urban centers and in the suburbs. The results demonstrated so far even in small urban areas and in hypermarkets foreshadow a growth of the brand. In particular, the excellent performances achieved in the first hypermarkets have determined an escalation in contacts also with other Groups interested in experimenting this new B2B commercial agreements.

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Consolidated Profit and Loss and related adjustments

€ mln	31.07.2019 Reported	of which IFRS 16 Impact	of which Adjustments, Normalizations & Reclass.	31.07.2019 Adjusted	31.07.2018 Reported	of which Adjustments, Normalizations & Reclass.	31.07.2018 Adjusted	Chg. (Reported)	Chg. % (Reported)
Net Sales	650.6			650.6	720.1		720.1	(69.5)	(9.7%)
*Net Sales**	**650.6**			**650.6**	**666.4**		**666.4**	**(15.7)**	**(2.4%)**
Gross Margin	364.6	0.0	(10.2)	374.8	392.8	(12.6)	405.4	(30.5)	(7.5%)
GM%	56.0%			57.6%	58.9%		60.8%		(322ppt)
EBITDA	137.3	87.3	(12.5)	62.5	22.6	(58.5)	81.1	(18.6)	(22.9%)
EBITDA%	21.1%			9.6%	3.4%		12.2%		(256ppt)
EBIT	30.6	13.2	(16.8)	34.2	(8.6)	(62.8)	54.2	(20.0)	(36.9%)
EBIT%	4.7%			5.3%	-1.3%		8.1%		(288ppt)
PBT	10.8	(12.2)	(2.2)	25.2	13.4	(32.9)	46.3	(21.1)	(45.5%)
Net Income	5.3	(8.8)	(2.7)	16.8	5.1	(27.6)	32.8	(15.9)	(48.6%)
Net Financial Position	1,266.7	868.3	(15.2)	413.6	432.2	4.6	427.6	(14.0)	(3.3%)
Market Share	8.0%				8.0%				+3ppt

The table shows the results adjusted to represent the Group's operating performance net of the effects deriving from the adoption of the new IFRS 16 accounting standard as of 1 February 2019, as well as non-recurring events unrelated to the core business.

In particular, in the first half of 2019 the results were adjusted mainly to strip out the impacts related to IFRS 16, and specifically: (i) €87.3 million on EBITDA to reflect higher rental costs, (ii) €13.2 million on EBIT due to the lower depreciation and amortization of €74.1 million, and (iii) €8.8 million on the reported result for the period due to the lower financial expenses of €25.4 million. Lastly, (iv) the net financial position was adjusted for €868.3 million less liabilities.

EBITDA in the first half of 2019 was also adjusted as follows: (i) €10.2 million in net foreign exchange gains for forward hedging on purchases of goods in foreign currency sold in the period, (ii) €1.0 million in one-off costs; and (iii) €1.3 million in costs relating to stock option plans (non-cash costs).

Other adjustments that impacted EBIT and profit before tax concerned: (i) costs of €4.3 million related to the amortization of intangible assets relating to purchase price allocation, and (ii) adjusted income of €14.6 million, mainly relating to foreign exchange differences arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realized foreign exchange differences.

Lastly, the Adjusted result for the period reflected taxes recalculated following the aforementioned adjustments, entailing an increase in expenses of €2.9 million.

Note: In order to provide a clearer picture of the organic business and render it comparable with the previous year, the 2018 net sales underlying the calculation of the financial KPIs (*) were net of sales under the service contract with the Swiss client.

Consolidated Balance Sheet Statement

€mln	31 July '19 - Reported	31 July '19 - Exc.IFRS 16	31 January '19	Chg. Vs exc.IFRS 16
Trade Receivables	100.6	100.6	98.4	2.2
Inventory	411.2	411.2	411.0	0.3
Trade Payables	(312.3)	(312.9)	(351.0)	38.0
Trade Working Capital	**199.5**	**198.9**	**158.4**	**40.5**
Other assets/(liabilities)	(92.2)	(71.8)	(86.3)	14.5
Net Working Capital	**107.3**	**127.1**	**72.1**	**54.9**
Tangible and Intangible Assets	2,214.3	1,346.8	1,359.5	(12.7)
Net deferred taxes	(123.1)	(125.6)	(124.4)	(1.2)
Other long term assets/(liabilities)	(12.2)	(24.0)	(31.4)	7.5
Pension funds and other provisions	(44.3)	(44.3)	(43.2)	(1.1)
Net Capital Employed	**2,142.0**	**1,280.0**	**1,232.6**	**47.4**
Net Equity	875.3	881.6	867.7	13.9
Net Financial Debt	1,266.7	398.4	364.9	33.5
Total source of financing	**2,142.0**	**1,280.0**	**1,232.6**	**47.4**

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Main terms of the Amendment and Restatement of the Financial Package

Today the agreement modifying the existing loan agreement (the "Amendment and Restatement Agreement") was signed by OVS SpA and all the lending banks.

The amendments primarily concern: the extension of the termination date of the financial package from 2 March 2020 to 2 March 2023; the amount of the credit lines that goes from Euro 475 million to Euro 450 million, as proposed by OVS; the tranching of the Facility B in two tranches, one amounting to Euro 250 million, terminating on 2 March 2023, and the other for an amount equal to Euro 100 million, which shall be repaid in six half-yearly equal installments, the first one due on 28 February 2020. Moreover, some mechanisms for prepayment in case of excess cash ("cash sweep") and aiming to regulate dividends distribution.

The amending agreement is subject to the usual conditions precedent which will be met over the next few weeks.