OVS

Group results in line with expectations, despite a market that is still contracting

The Board of Directors meeting held in Milan on 19 June 2019 approved the results of the first quarter 2019 (1 February 2019 - 30 April 2019)

- ✓ **Market share at 8.0%** up 15 bps compared to the first quarter of 2018. The reference market contracted by **4.3%,** mainly due to weather conditions that caused a delay in the start of the spring-summer season.

- ✓ **Net sales** of **€317.5m**, were essentially stable compared to the same period of the previous year (-0.9%).

- ✓ **Adjusted EBITDA** stood at **€25.1 m** representing 7.9% of net sales. The decrease compared to the first quarter of 2018 (which was in line with 2017, when the EBITDA for the full year was €196.5m), is in line with expectations. The gap in profitability experienced in the 1Q19 compared to the previous year is lower compared to the one reported in the last two quarters of 2018.

- ✓ Adjusted **pre-tax profit (PBT)** was **€7.6m**, substantially in line with the fall in EBITDA.

- ✓ **Perimeter increased by 3 full-format DOS** in Italy and another 13 stores, mainly kids in franchising.

- ✓ **Adjusted net financial position** at **€445.4m.** The improvement in the financial profile is continuing thanks to a reduction in the level of stock: the gap in indebtedness compared to the same period of the previous year fell from €105.6m in October 2018, to €57.8 m at the end of January 2019, to the current €21.9 m. Following the release of the FY18 Results, discussion with Banks in relation to the Financial Package are proceeding well.

The **IFRS16** accounting standard, which is applied for the first time in this quarterly report, has a positive impact of €43.3 million on EBITDA and an impact of €896.1 m on the net financial position. 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.

CONSOLIDATED RESULTS

€ mln	30.04.2019 IFRS	30.04.2019 Adjusted	30.04.2018 IFRS	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*

Note: in order to provide a clearer representation of the organic business and render it comparable with the current year, the net sales underlying the calculation of the 2018 financial KPIs (*) have been stripped of the sales resulting from the service contract with the former Swiss client Sempione Fashion AG.See page 5 for further information on the accounting impact of the first-time adoption of IFRS 16.

Statement from the Chief Executive Officer Stefano Beraldo

In a context that is still difficult, our company was able to benefit from the implementation of many projects put in place.

The decision to reduce planned purchases, made possible thanks to timely "in-season" purchasing methods, was decisive for mitigating the effects of the difficult seasonal trend.

The reduction in costs, and in particular in rents, continued according to plan.

1Q19 profitability compared to the one of 1Q18 and 1Q17 is in line with our expectations and it is based on the first part of the current year still characterized by the final phase of promotional initiatives dedicated to the normalization of the level of stock and on a second part which will be characterized by lower markdowns.

Inventory has returned to the levels of the previous year, despite the presence of a wider network, and with a mix of goods characterized by more recent collections that will enable increased marketability and margins in the coming periods.

The net financial position, adjusted to exclude the impact of the first-time adoption of IFRS 16, was therefore characterized by lower cash absorption in the first quarter of this year relative to the previous year, thus further reducing the gap compared to a year ago (the cash flow in the first quarter was approximately €36m better than the same period last year).

Of particular interest for the Group's future prospects, including with reference to its "seasonally adjusted" value, is the strong performance of the new shop-in-shops which have opened in some large hypermarkets. We expect to develop this form of B2B through other openings with Panorama and Finiper in the second half of the year as well as with other groups.

During this initial period, the evolution of our digital transformation process continued: for example, the "OVS ID" project, which gives a digital identity to our clients, was strongly developed. We have reached 810,000 digital cards, out of which about half consists of newly-registered clients.

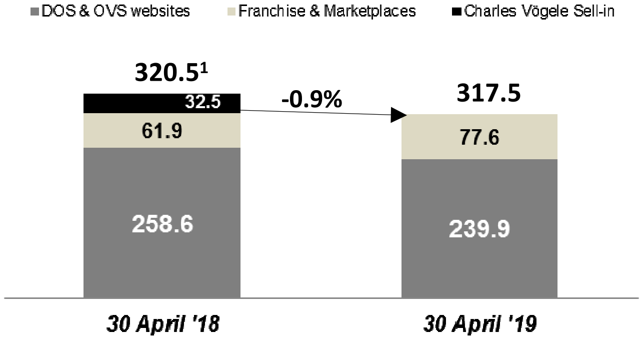
NET SALES

Total sales, compared with those net of the sell-in to the former Swiss client, remained essentially stable (down 0.9%), despite the fact that the reference market contracted by 4.3% in the period from February to April, and by 9.4% in April alone, as a result of temperatures which were significantly lower than the seasonal average.

The OVS brand experienced a fall in sales of 2.1%, mainly due to the effect of the kids segment, which is more sensitive to climatic trends. Upim, on the other hand, continued its growth, with sales up by 5%.

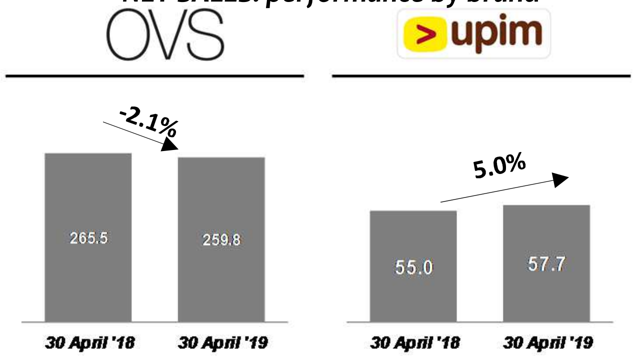
As a result of the increased openings in the last 12 months, the franchising network partially offset the contraction in sales of the direct network.

NET SALES: aggregate performance



1. Excluding sell-in to Sempione Fashion AG.

NET SALES: performance by brand[1]



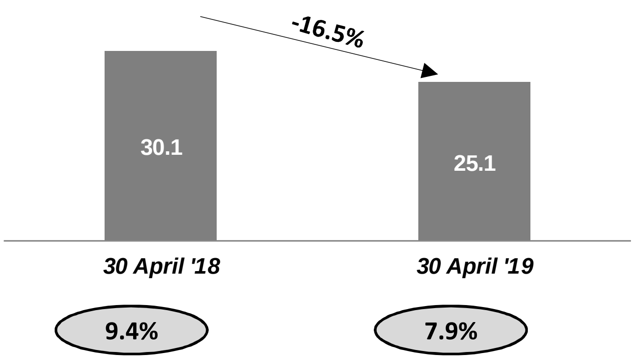
1. Excluding sell-in to Sempione Fashion AG.

EBITDA

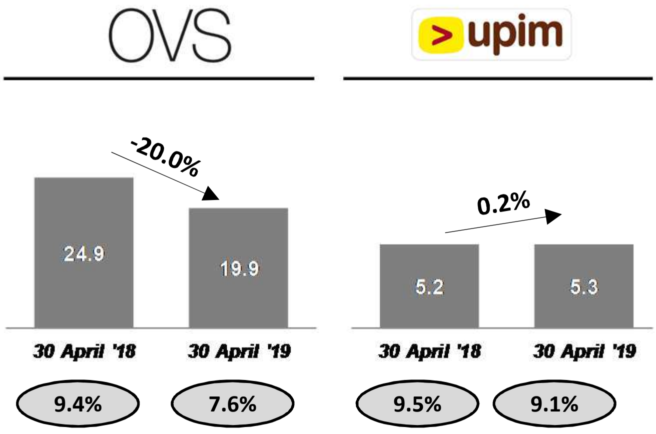
Adjusted EBITDA, which is representative of the Group's actual operating performance, amounted to €25.1 m, in line with expectations. The impact on profitability generated by increased promotional activities in view of the continuation of the de-stocking which began in mid-2018 was effectively offset by the actions taken on costs.

The gap in profitability experienced in the 1Q19 compared to the previous year is lower compared to the one reported in the last two quarters.

Adjusted EBITDA: aggregate performance[1]



Adjusted EBITDA: performance by brand[1]



Margin %

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

OPERATING PROFIT AND PRE-TAX PROFIT

Adjusted EBIT and pre-tax profit amounted to €11.3m and €7.6m respectively, mainly reflecting EBITDA performance. The reported results are significantly improving compared to the previous year.

NET FINANCIAL POSITION AND CASH FLOW

At 30 April 2019, the Group's net financial position adjusted for the impact of the mark-to-market and the impact of the first-time adoption of IFRS 16, stood at €445.4m, while the ratio of the average adjusted Net Financial Position to the Last twelve months adjusted EBITDA was 3.1x. This increase is almost entirely attributable to the fall in EBITDA in the second half of 2018 and will result in the application of a spot interest rate of 3.00% + Euribor 3M (previously 2.50% + Euribor 3M).

As anticipated, the recovery of the Group's net financial position continued. After reporting a level of indebtedness of €105.6m higher than the end of the third quarter of 2018, the net financial position reduced the gap to €57.8 m in January 2019 and, thanks to the lower absorption in the first quarter, this gap has further decreased to €21.9m.

The strategy followed, which has led to lower purchases of goods and greater in-season flexibility, combined with lower investments will enable the Group to continue in this direction.

€ 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

(*) Net debt does not include the impact arising from the valuation at fair value of the mark-to-market and the IFRS16 first adoption (see overleaf for further information). while the Adjusted EBITDA considered is the one reflecting the last twelve months of Company’s performance

(**) Net debt considered is the average last twelve month Net Debt not including the impact arising from the valuation at fair value of the mark-to-market and the IFRS16 first adoption while the Adjusted EBITDA considered is the one reflecting the last twelve months of Company’s performance

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Key consolidated economic and financial results _ Adjustments and IFRS16 impacts

€ mln	30.04.2019 IFRS	Adjustments, Normalizations & Reclass.	IFRS16	30.04.2019 Adjusted	30.04.2018 IFRS	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 sell-in to Sempione Fashion AG.

The table shows the results adjusted to represent the Group's operating performance, net of non-recurrent events not related to ordinary operations. Furthermore, this year, following the adoption of the new international accounting standard IFRS16 Leasing, the reported results reflect significant impacts on both the income statement and balance sheet, but without any impact on the Group's cash flow.

IFRS16

In particular, excluding this principle, adjusted EBITDA considers €43.3m in increased net rental costs (out of which €44.7 m are higher rental expenses and €1.4m are lower costs as a result of rental income). This impact is also visible at the adjusted EBIT level, from which, however, €36.8 m of depreciation must be adjusted as a result of the recognition under tangible fixed assets of the rights of use, which can be amortised over the term of the relevant contract. Finally, the adjusted PBT was affected by lower net financial charges of €12.6m related to leasing liabilities recorded from 1 February 2019.

At balance sheet level, the application of this accounting principle has had two main effects: an increase in fixed assets of €887.8 m and an increase in net financial debt of €896.1 m.

This accounting principle requires the entire amount of rent payments to be recorded as a debt, ignoring the value of the right of break-up clauses in our favour, which concern approximately 99% of the existing contracts. Therefore, of the total sum of €896.1 m, a portion of approximately €780m of the debt represents a mere and not certain liability to counterparties for rents due after the dates of the possible withdrawal.

Further Adjustments

Further adjustments to EBITDA in the first quarter of 2019 consist of: (i) €4.7 m of financial income reclassified to the gross margin, in order to reflect the actual impact of the EUR/USD hedge on goods sold in the quarter, (ii) other adjustment elements linked to the accounting treatment of stock option plans (non-cash charge of €0.8 m), and (iii) €0.8 m of other miscellaneous non-recurrent costs, including personnel layoff costs. In addition, there were €2.1 m of cost adjustments at EBIT level relating to the amortisation of intangible assets linked to the PPA ("Purchase Price Allocation") and €9.1 m of revenues adjusted at PBT level relating to exchange rate differences arising from the valuation of items in foreign currencies, including with respect to forward derivative instruments and realised exchange rate differences.

Implementation of the "2019 - 2022 Stock Option Plan" and exercise of the mandate to increase the share capital

In implementation of the resolutions adopted by the Shareholders' Meeting of May, 31st 2019, which, *inter alia*, approved the 2019-2022 Stock Option Plan (hereinafter the "Plan") and granted the Board of Directors, for a period of five years as the date of the shareholders' meeting resolution, the power to increase the share capital for cash, pursuant to Article 2443 of the Italian Civil Code, in tranches, with the exclusion of the option right pursuant to Article 2441, paragraph 8, of the Civil Code, for a total maximum nominal amount of €5,000.000.00, by issuing, including in several tranches, a maximum of 5,000,000 ordinary shares with no par value to the beneficiaries of the Plan, the Board of Directors today resolved to implement the Plan approved by the said Shareholders' Meeting and, subject to the approval of the Appointments and Remuneration Committee, to assign a total of 5,000,000 options each, valid for the subscription of OVS ordinary shares (in the ratio of 1 new ordinary share for every 1 option exercised) at the subscription price of €1.85 per share.

Each Beneficiary may exercise the options effectively accrued depending on the achievement of a condition of access to the Plan (gate €2.5 minimum per share) and a performance condition linked to a predefined value of three-year cumulative EBITDA (2019-2021) set at €550 million (applying the accounting principles in force at January 31, 2019).

As a result, the Board of Directors also resolved to implement the mandate pursuant to Article 2443 of the Civil Code, to increase the share capital, granted by the Shareholders' Meeting of May, 31st 2019 and, consequently, resolved a capital increase to service the 2019-2022 Stock Option Plan. In particular, the Board of Directors resolved to increase the share capital, against payment, to be carried out by the deadline of 30 June 2026, through the issue, possibly in several tranches, of a maximum of 5,000,000 new ordinary shares without indication of the par value, having the same characteristics as the ordinary shares in circulation at the date of issue, with a regular dividend entitlement, excluding option rights under Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the said Plan, at an exercise price of €1.85 per share.

For the characteristics of the Plan and for the characteristics of the mandate, see the reports of the Board of Directors and the information document pursuant to Article 84-bis of Consob Regulation no. 11971/1999, which are available in the Governance/Shareholders' Meeting/2019 section of the Company's website at www.ovscorporate.it.

The minutes of the meeting of the Board of Directors, in the part relating to the exercise of the mandate to increase the share capital, will be made available to the public in accordance with law, in the "Governance/Shareholders' Meeting" section of the company website at www.ovscorporate.it, and at the "1info" authorised storage mechanism at www.1info.it, and at the company's registered office.

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OTHER INFORMATION

Company information
OVS SpA is an Italian registered company (VAT no. 04240010274), with registered office in Venice-Mestre (Italy). The shares of OVS SpA have been listed on the Milan Electronic Stock Market since 2 March 2015.

Quarterly disclosure
OVS S.p.A. indicates that, as announced in the corporate events calendar and pursuant to Article 82-ter of the Regulation on Issuers, it has decided to publish, on a voluntary basis, an update of the main economic and financial performance indicators on a quarterly basis, with the aim of maintaining a timely and transparent dialogue with the financial community and the main stakeholders on the commercial dynamics of the Company.
The company's Financial Reporting Officer, Nicola Perin, hereby declares, as provided in Article 154-bis, paragraph 2, of Legislative Decree No. 58/1998, that the information contained in this press release corresponds to the documented results, books and accounting records.

Conference call for presentation of results
Tomorrow, 20 June 2019, at 15:00 local time (CET), there will be a conference call with analysts and investors, during which the main results of the quarter ended 30 April 2019 will be presented. The conference call may be joined by dialing +39 02 805 88 11 (from Italy), + 44 121 281 8003 (from UK), +1 718 7058794 (from USA), (for journalists +39 02 8058827).A presentation will be available and downloadable from the Investor Relations/Results and Presentations section of the company website at www.ovscorporate.it, and in the "1info" storage mechanism at www.1info.it. As of the day after the call, a recording of the conference call will also be available on the website.

Forthcoming events in the financial calendar

Half-yearly Financial Report as at 31 July 2019	**19 September 2019**
Interim report on operations for the third quarter of the year ended 31 October 2019	**11 December 2019**

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 the operating, economic and financial results of OVS. By their very nature, such forecasts have an element of risk and uncertainty, as they depend on the occurrence of future events and developments. Actual results may differ significantly from those announced in relation to a variety of factors.*