



Independent auditor's report

in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the shareholders of OVS SpA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of OVS Group (the Group), which comprise the consolidated statement of financial position as of 31 January 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 January 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38 of 28 February 2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of this report. We are independent of OVS SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key audit matters

Evaluation over the recoverability of the balances of 'Goodwill' and 'Intangible assets'

Notes 8 and 9 to the consolidated financial statements

The consolidated financial statements of OVS Group as of 31 January 2018 include goodwill for Euro 452,541 thousand and intangible assets for Euro 636,639 thousand, whereof indefinite-lived intangible assets for Euro 390,799 thousand and intangible assets with definite lives for Euro 245,840 thousand.

Goodwill relates entirely to the OVS division. Indefinite-lived intangible assets include the OVS and UPIM brands, carried at Euro 377,492 thousand and Euro 13,307 thousand, respectively. The above amounts originated from the recognition of business combinations carried out in previous years.

In accordance with the applicable financial reporting standards, management of OVS Group tests goodwill and indefinite-lived intangible assets for impairment at least annually, based on estimates of their values in use obtained by discounting the future cash flows estimated for the next three years and the terminal value ("impairment test"). The inputs used for the impairment test are derived from the most recent business plan developed by management consistently with the 2018 budget approved by the board of directors. Intangible assets with definite lives and tangible assets are tested only if specific indicators of impairment are identified.

We assumed the measurement of goodwill and indefinite-lived intangible assets significant items in consideration of the magnitude of the balances involved and the elements of estimation and uncertainty intrinsic to evaluation of their recoverability performed by management. The key uncertainties and estimates relate to the correct definition and identification of the cash generating units, the estimation of the future cash

Auditing procedures performed in response to key audit matters

We obtained the valuation models and documentary evidence used by management and approved by the board of directors of OVS SpA to determine the assets' recoverable amounts.

Also with the support of valuation experts belonging to the PwC network, we analysed the methodological approach used by management to determine the assets' recoverable amounts and we verified the mathematical accuracy of the valuation models used.

We analysed the reasonableness of OVS Group management's assumptions about the cash generating units identification and the process of allocation to the latter of goodwill and indefinite-lived intangible assets, by verifying their consistency with the Group's structure and operating segments.

We analysed the business plans of each cash generating unit identified, prepared and used by OVS Group management to assess the recoverability of goodwill and indefinite-lived intangible assets, by verifying the consistency of the figures for the year 2018 with the budget approved by the board of directors on 22 March 2018, and through a critical assessment of the reasonableness of the cash flows estimated by management for subsequent years.

In fact, we assessed the appropriateness of the main assumptions used with reference to the estimated future cash flows in light of the past performance of OVS Group, by comparing the growth rates used by management with external sources and other information normally available to analysts.

We verified the method of calculation used by management to estimate the enterprise weighted average cost of capital used to discount the estimated future cash flows.

Key audit matters

flows and the discount rate to be applied to the estimated future cash flows.

Measurement of the equity investment in Sempione Retail AG and of financial receivable from the same company, as well as of trade receivables from entities of the Sempione Retail Group

Notes 2, 4 and 10 to the consolidated financial statements

As a consequence of the losses matured during fiscal year 2017 by the entities of Sempione Retail Group, which resulted in negative equity, OVS Group management wrote off in full the investment in the associated company Sempione Retail AG for an amount of Euro 8,284 thousand and the financial receivable from the same entity amounting to Euro 12,781 thousand.

Moreover, with reference to reasonable estimates of the recoverability of trade receivables as of 31 January 2018 from certain entities of the Sempione Retail Group, management of OVS SpA wrote down the receivables by Euro 14,500 thousand.

We assumed the equity investment in Sempione Retail AG, the financial receivable and the trade receivables from entities of Sempione Retail Group significant items in consideration of the balances involved and the elements of estimation and uncertainty intrinsic to valuations of their recoverability performed by management.

The key uncertainties and estimates relate to the solvency of entities of the Sempione Retail Group and the impact of transactions subsequent to the reporting date on the measurement of the trade receivables.

Auditing procedures performed in response to key audit matters

Finally, our tests included an analysis of the notes to the consolidated financial statements to assess the adequacy and completeness of the disclosures provided.

We obtained from OVS Group management the consolidated financial statements of Sempione Retail Group as of 31 December 2017 as well a management report of the latter with performance of the group through 31 January 2018.

We obtained and examined the analysis performed by OVS Group management about the measurement of the equity investment in Sempione Retail AG and the financial receivable from the latter.

We obtained from OVS Group management details of the accounts receivable from entities of the Sempione Retail Group as of 31 January 2018.

We obtained and examined the analysis performed by OVS Group management about the recoverability of such trade receivables, through an analysis and critical assessment of the supporting evidence.

We analysed the impacts on the recoverability of the trade receivables of transactions occurring subsequent to the reporting date, and we obtained documentary evidence from OVS Group management supporting their assessment, which we examined.

Finally, our procedures included an analysis of the notes to the consolidated financial statements to assess the adequacy and completeness of the disclosures provided.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38 of 28 February 2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate OVS SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to



continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional disclosures required by article 10 of Regulation (EU) n° 537/2014

On 23 July 2014 the shareholders of OVS SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 January 2015 to 31 January 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.



Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree n° 39 of 27 January 2010 and article 123-bis, paragraph 4, of Legislative Decree n° 58 of 24 February 1998

Management of OVS SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the OVS Group as of 31 January 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58 of 24 February 1998, with the consolidated financial statements of the OVS Group as of 31 January 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of the OVS Group as of 31 January 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39 of 27 January 2010, issued on the basis of our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's regulation implementing Legislative Decree n° 254 of 30 December 2016

Management of OVS SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree n° 254 of 30 December 2016.
We have verified that management approved the non-financial statement.



Pursuant to article 3, paragraph 10, of Legislative Decree n° 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Treviso, 10 May 2018

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers