Third quarter adversely affected by an exceptionally mild Autumn

The Board of Directors met on the 12th of December 2018 in Venice and approved the results for the first nine months of 2018 (1 February 2018 - 31 October 2018)

The nine-month results were adversely affected for the second time this year by very unfavourable weather, which was once again the dominating factor in the third quarter of 2018, resulting in a very negative autumn/winter season for the entire European apparel market. Sales were negatively affected by exceptionally hot weather in September and October, which hampered the launch of the new season's collections. The exceptional context of the two main months of the third quarter resulted in a contraction of around 7% in the market in which OVS operates compared with the previous year, bringing the progressive contraction over nine months to around 6.7%.

- ✓ **Market share**, which now stands at 8%, gained another 16 bps compared with the start of the period, and 33 bps compared with October 2017, despite the fact that there were fewer store openings. This confirms that, even in a difficult market, the OVS brand is, on average, performing better than its competitors.
- ✓ **Net sales** (again excluding the sell-in to Sempione Fashion AG) were **€1,010.5 million**, down compared with the same period of the previous year (-1.4%) due to a negative like-for-like performance reflecting the market trend.
- ✓ **Adjusted EBITDA was €104.1 million**, or 10.3% of net sales, down €33.9 million when compared with the same period last year. This decrease is entirely attributable to a top-line contraction and to the mark-downs mainly carried out in August. Reported EBITDA was €41.7 million, mainly reflecting, compared with adjusted EBITDA, costs set aside in the first half-year for write-downs, provisions and charges relating to the Sempione Fashion AG Group.
- ✓ **Adjusted profit before tax** was **€51.2 million**, down €40.3 million compared with the same period a year earlier. **Reported profit before tax** was €36.8 million, up €2.3 million compared with the previous year.
- ✓ **The network grew by 13 full-format DOS** and 119 other stores, including 67 abroad.
- ✓ **Adjusted net financial debt** was **€440.4 million**. Reported net financial debt was €424.3 million. At the end of October, this figure was still showing the final effects of the non-operating absorption relating to Sempione Fashion, which was positive in the third quarter of 2017. The ratio of the average net financial position (adjusted for the MtM) in the last 12 months to Adjusted EBITDA is 2.5x.

CONSOLIDATED RESULTS

€ mln	31.10.2018 Reported	31.10.2018 Adjusted	31.10.2017 Reported	31.10.2017 Adjusted	*Chg. (Adjusted)*	*Chg. % (Adjusted)*
Net Sales	1,073.2	1,073.2	1,117.7	1,117.7	*(44.5)*	*(4.0%)*
Net Sales*	**1,010.5**	**1,010.5**	**1,024.8**	**1,024.8**	***(14.2)***	***(1.4%)***
EBITDA	41.7	**104.1**	135.8	**138.0**	*(33.9)*	*(24.5%)*
EBITDA%	*4.1%*	*10.3%*	*13.3%*	*13.5%*		*(316ppt)*
EBIT	(5.6)	**63.2**	90.4	**99.0**	*(35.7)*	*(36.1%)*
EBIT%	*(0.5%)*	*6.3%*	*8.8%*	*9.7%*		*(340ppt)*
PBT	36.8	**51.2**	34.5	**91.5**	*(40.3)*	*(44.0%)*
Net Financial Position	424.3	**440.4**	365.7	**334.8**	*105.6*	*31.5%*
Market Share	8.0%		7.7%			*+33ppt*

The new collection OVS Premium

Note: in order to give a clearer picture of the Company's performance, the data in this document have been normalised. In particular, the reported profit before taxes reflects €56.4 million in write-downs and costs relating to the Sempione Fashion AG Group, partially offset by assets deriving from the non-cash impact of the mark-to-market (€54.6 million). Net sales based on the calculation of the financial KPIs (*) exclude sales deriving from the commercial agreement with Sempione Fashion AG Group.

OVS

Statement from the Chief Executive Officer Stefano Beraldo

The further deterioration in the market, caused by extremely unfavourable weather conditions persisting into the second half of November, seriously affected the sales of our Company and those of the entire sector in the third quarter.

Profitability was further penalised by the need to respond to this situation and to tackle the excess stock resulting from the ongoing crisis in the sector, including through promotional initiatives. The quarter was also affected by the forgone turnover due to the closure of 32 stores during the restructuring period (the relevant investments were mostly funded through vendor financing), but the positive sales performance of the refurbished stores is living up to expectations.

The difficult weather conditions weighed down heavily on sales in the children's segment, which is typically very responsive to seasonal changes, particularly in the "back-to-school" period, which did not materialise this year because temperatures were still at summer levels at the start of the school year.

Rapid reaction times to the increasing unpredictability of market performance, the quick establishment of trends, accelerated by social media, growing sensitivity to price, accentuated by mass events such as Black Friday, the importance of a multi-channel approach and attention to environmental themes are becoming key factors that are influencing the market and on which we are basing our strategy. We are working to structure our purchasing processes according to maximum flexibility and speed to market. We are identifying new suppliers, and changing the way we work with many existing ones, in order to reduce lead times and increase sell-through.

Due to the adverse external factors, we have not yet been able to achieve our objectives in terms of reducing inventory, but the Company has been able, in view of the sales performance, to curb substantially the volumes actually purchased compared with the projected volumes. This remains a fundamental and primary objective for us, and we believe it will already be visible from the next season.

With regard to cost-cutting, a review was launched in March, the results of which can already be seen and will be even more pronounced over the coming year.

The strategy to move away from the capital intensive phase of recent years, in which growth and the related investments have been strong, towards a phase of more selective growth characterised by reduced investment and greater cash generation is well underway.

Statement from the Chief Executive Officer Stefano Beraldo

The improvement in working capital will be achieved not only through changes to the development model in terms of shorter lead times and increased responsiveness, but also by enhancing operations with an increased mix of our product range being managed by post-distribution, ensuring a more demand-responsive distribution model. Effectively, this should result in tangible improvements in terms of inventory rotation.

The evolution of digital activities to support the multi-channel approach will enable continued improvement in the one-to-one relationship between our customers and brand.

We believe that the unsatisfactory performance in the period is mainly attributable to weather conditions, but we also believe that our sector is undergoing a period of change. We believe that we are well equipped to ensure that, as in the period of economic crisis that began nearly ten years ago, our Company is the bellwether of our industry, and is therefore preferred by our customers, because it anticipates new needs, transforming changes into opportunities and ensuring adequate generation of profits and value.

Our stock market share price has been very adversely affected, we believe partly due to external factors, not least the downward pressure exerted by some investors. We remain committed to achieving our objectives and believe in the soundness of our strategy and positioning.

NET SALES

Total sales (excluding the sell-in to Sempione Fashion AG) decreased by €14.2 million (-1.4%), reflecting a performance that, in the third quarter, was affected by a sharp decrease in footfall due to the exceptionally mild temperatures in September and October, which had a negative effect on the entire market.

The OVS brand registered a decrease in sales compared with the first nine months of 2017. After the recovery in August post the shortfall in sales seen during the summer, due to the temporary closure of 32 DOS for restructuring, the September temperatures did not allow for a sales catch-up in the back-to-school period, as had been the case in 2017.

UPIM continued to grow, registering a 4.2% increase on the same period in the previous year, partly due to the impact of network development towards non-seasonal goods (e.g. homeware).

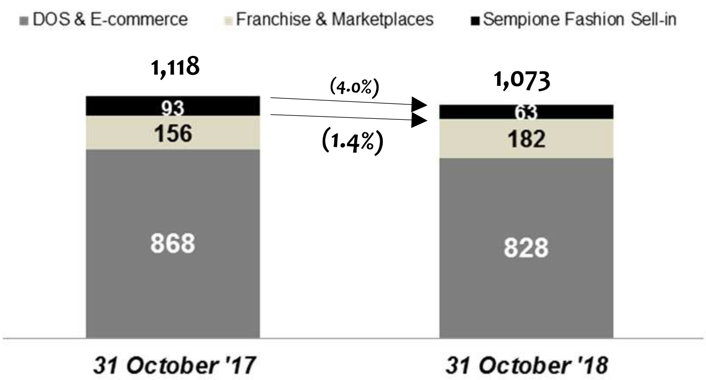
The e-commerce channel again registered rapid growth, bringing the overall growth figure to +73% at the end of October.

(1.4%)

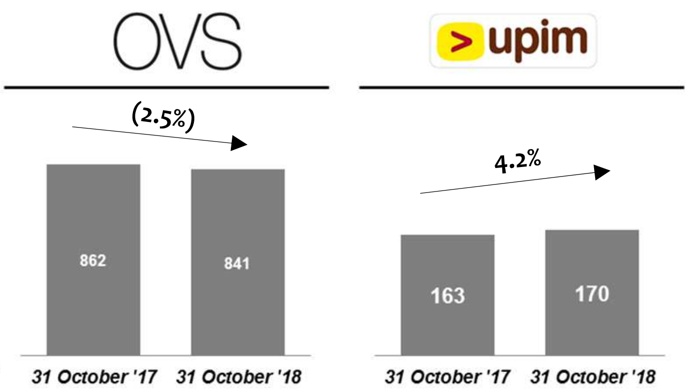
NET SALES

(Excluding the sell-in to Sempione Fashion AG)

NET SALES: aggregate performance



NET SALES: performance by brand[1]



1. Excluding sell-in to Sempione Fashion AG.

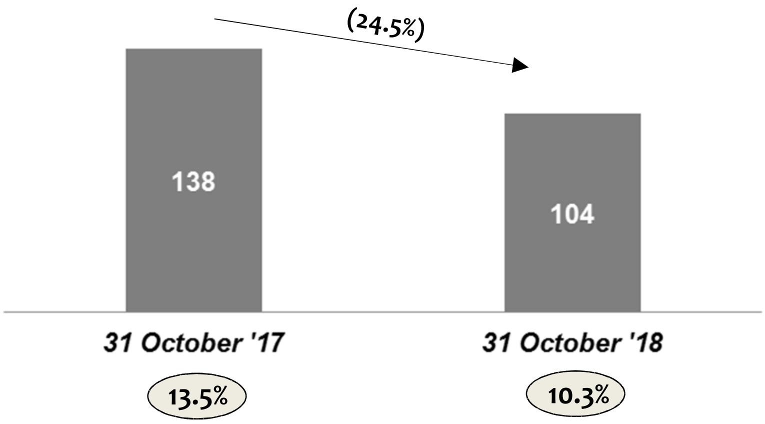
EBITDA

EBITDA was €104.1 million, representing 10.3% of net sales, down by €33.9 million compared with the first nine months of 2017. This decrease was the result of an increase in promotional activity in August, and a very weak top line both in September, which had the difficult comparison base of an excellent September 2017, and in October, which was much warmer than the already very warm October 2017.

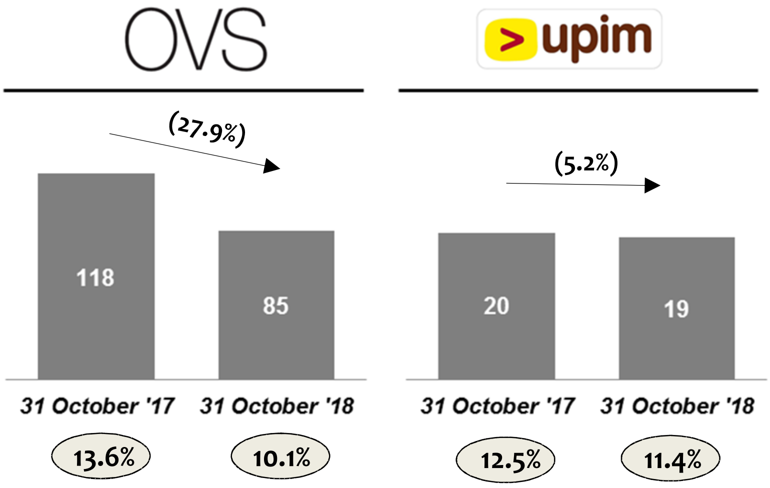
The decrease in EBITDA is almost entirely attributable to the OVS brand, which is more sensitive to weather because it includes a greater proportion of children's products; for UPIM the decrease was limited, partly due to the perfumery and homeware sector, which is typically less influenced by the weather.

Cost-cutting activities enabled the entire inflation effect to be offset over the nine months.

EBITDA: aggregate performance[1]



EBITDA: performance by brand[1]



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

Margin %

Rumford, OVS men upper casual collection

OPERATING INCOME AND PROFIT BEFORE TAXES

Adjusted operating income *and* ***adjusted profit before tax****, which came in at €63.2 million and €51.2 million respectively, reflect the EBITDA performance, decreasing by €35.7 million and €40.3 million respectively on the same period a year earlier.*

Reported profit before tax *came to €36.8 million, up slightly on the same period of the previous year due to the positive impact of mark-to-market accounting, which offset the write-downs of the first half of this year relating to past relations with Sempione Fashion AG (both impacts adjusted in the adjusted figures).*

NET FINANCIAL POSITION

€ mln	**31st October 2018**	**31st October 2017**
Net Debt	424.3	365.7
Net Debt **MtM of *Derivatives Excluded***	440.4	334.8
Adjusted EBITDA LTM	162.6	198.7

(*) Net debt does not include the impact arising from the valuation at fair value of the mark-to-market, equal at 31st October 2018 to +€16.0m.

At 31 October 2018, the Group's ***net financial debt*** *was €440.4 million, excluding the mark-to-market effect (+€16.0 million). Cash absorption in the last 12 months mainly relates to write-downs of commercial receivables and of goods purchased for Sempione Fashion AG that will be sold through OVS's network. The ratio of the average net financial position (adjusted for the MtM) in the last 12 months to Adjusted EBITDA is 2.5x. The current spot interest rate is 2.50% + Euribor 3M (currently around 0%).*

Performance and year-end outlook

As already highlighted, the results for the first nine months were affected by exceptional weather conditions that hit the market hard, causing a pronounced and unusual contraction in footfall at the stores.

These circumstances have persisted until now, and only in the week of Black Friday we were able to see positive signs, although these were not enough to counter the effects of the delayed start to the season.

In this context, we do not believe it will be possible to recover the performance lost in the third quarter by the end of the year. Furthermore, if there is no significant change in the trend as of now, the results for the fourth quarter will also show a year-on-year contraction.

From a financial standpoint, all the actions undertaken in terms of reduced goods purchasing, cost-cutting and reduced investment are already resulting in a steady recovery of the levels of debt accumulated to October.

Discussions are ongoing between the company and its financing banks parties in order to make some changes to the current financial agreement, aiming to increase simplification and achieve greater flexibility.

OTHER INFORMATION

Company information

OVS SpA is a registered Italian company (VAT number 04240010274), with its registered office in Mestre, Venice (Italy). OVS S.p.A. shares have been listed on the Mercato Telematico Azionario in Milan since 2 March 2015.

Quarterly information

OVS S.p.A. announces that, as indicated in the calendar of corporate events and pursuant to Article 82-ter of the Regulation of Issuers, it has decided to publish, on a voluntary basis, a quarterly update of the main indicators of economic performance, with a view to maintaining a timely and transparent dialogue regarding the dynamics of the company's business with the financial community and with key stakeholders.

Nicola Perin, the executive responsible for preparing the company's accounting statements, hereby attests, pursuant to Article 154-bis, paragraph 2, of Legislative Decree No. 58 of 1998, that the accounting information contained in this press release corresponds to the company documents, books and accounting records.

Conference call and results presentation

Tomorrow, Thursday 13th December 2018 at 15:00 local time (CET), a conference call will take place with analysts and investors during which the main results for the first nine months ended 31st October 2018 will be presented. The conference call can be followed on these numbers: +39 02 805 88 11 (from Italy); + 44 121 281 8003 (from the UK); +1 718 7058794 (from the US); (or +39 02 8058827 for journalists) using access code 824#. A presentation will be available and can be downloaded from the 'Investor Relations/Results and Presentations' section of the company website at www.ovscorporate.it and from the '1info' storage mechanism at www.1info.it. A recording of the presentation will also be available on the same website, from the day after the meeting call.

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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 OVS's operating, economic and financial results. These forecasts, by their nature, involve risk and uncertainty, as they depend on future events and developments. The actual results may differ, sometimes substantially, from those announced, due to multiple factors.

KEY CONSOLIDATED ECONOMIC RESULTS AND RELATED ADJUSTMENTS

€ mln	31.10.2018 Reported	Adjustments	31.10.2018 Adjusted	31.10.2017 Reported	Adjustments	31.10.2017 Adjusted	Chg. (Adjusted)	Chg. % (Adjusted)
Net Sales	1,073.2		1,073.2	1,117.7		1,117.7	(44.5)	(4.0%)
Net Sales*	**1,010.5**		**1,010.5**	**1,024.8**		**1,024.8**	**(14.2)**	**(1.4%)**
EBITDA	41.7	(62.4)	**104.1**	135.8	(2.2)	**138.0**	(33.9)	(24.5%)
EBITDA%	4.1%		10.3%	13.3%		13.5%		(316ppt)
EBIT	(5.6)	(68.8)	**63.2**	90.4	(8.6)	**99.0**	(35.7)	(36.1%)
EBIT%	(0.5%)		6.3%	8.8%		9.7%		(340ppt)
PBT	36.8	(14.4)	**51.2**	34.5	(57.0)	**91.5**	(40.3)	(44.0%)

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

The table shows the results adjusted to represent the Group's operating performance net of non-recurring events which are unrelated to ordinary operations. The adjusted results therefore enable a uniform analysis of performance in the periods indicated. Specifically, in the first nine months of 2018, the results were adjusted mainly to take account of items already reflected in the figures published for the first half of 2018.

In particular, EBITDA for the first nine months of the year was mainly affected by the following: (i) €50.4 million in write-downs relating to goods destined for the markets served by the Sempione Group, as well as receivables from the companies of the Sempione Fashion Group; (ii) €6 million relating to one-off costs connected to management of the change in the relationship with this Swiss partner; (iii) €2.4 million in non-cash costs relating to the stock option plan; (iv) €1.5 million in costs relating to staff lay-offs; and (v) €1.2 million in costs relating to the loss generated by the sale of the headquarter building.

Other adjustment items that impacted EBIT and profit before tax concerned: (i) costs of €6.4 million relating to the amortisation of intangible assets connected to purchase price allocation, and (ii) adjusted income of €54.6 million mainly relating to foreign exchange differences arising from the valuation of foreign currency items also with respect to forward derivative instruments and realized exchange differences.

The exclusive collection
Thun for OVS