9M19 FINANCIAL RESULTS

December 11, 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.

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9M19 Highlights

Net sales at €990.9m: strong reduction in promotional sales in the third quarter, with a consequent increase in full-margin sales to the benefit of profitability. Market still shrinking in the last three months (-5.4%), while market share still growing.

Adjusted EBITDA of €101.1m, thanks to the expected significant growth in the third quarter (+ 68% or +€15.6 million).

PBT adjusted amounted to €43.3m, increasing by +€13.2m in the third quarter only.

The strong deleverage of the company continues. Adjusted Net Debt at €395.2m (€45.2m lower than one year ago): cash generation in the quarter improved by €31m compared to the same period of the previous year.

€101.1m
9M19 Adjusted EBITDA

+68%
IIIQ19 Adjusted EBITDA

+€31m
IIIQ19 Cash Flow

Source: Sita Ricerca for market share and market trends

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9M19 Key Financials: strong recovery in the third quarter

- 9M19 **Net sales** amounted to **€990.9m**, slightly down compared to the first nine months of 2018 due to two main factors: (i) market contraction and (ii) lower purchases of goods in favor of a better quality of sales resulting in lower markdowns to the benefit of profitability in the third quarter. Lower intake impacted most OVS brand. Upim benefitted also from an higher network development.
- **Adjusted EBITDA** was equal to **€101.1m**, 10.2% on net sales. In the last quarter, as expected, the gap with respect to the previous year, which amounted to €18.6m at Jul19, was almost entirely recovered.
- **Adjusted Net Debt** amounted to **€395.2m**, lower by €45.2m compared to one year ago. This was achieved thanks to a constant improvement of cash flows over all the quarters of the year: in particular, despite the seasonality characterizing the business, the third quarter was the second in a row characterized by a material positive cash generation.

€ mln	31.10.2019 Reported	31.10.2019 Adjusted	31.10.2018 Reported	31.10.2018 Adjusted	*Chg. (Adjusted)*	*Chg. % (Adjusted)*
Net Sales	990.9	990.9	1,073.2	1,073.2	(82.2)	(7.7%)
Net Sales*	**990.9**	**990.9**	**1,010.5**	**1,010.5**	**(19.6)**	**(1.9%)**
EBITDA	**209.7**	**101.1**	**41.7**	**104.1**	**(3.0)**	**(2.9%)**
EBITDA%	21.2%	10.2%	4.1%	10.3%		(10ppt)
EBIT	**49.1**	**57.4**	**(5.6)**	**63.2**	**(5.8)**	**(9.2%)**
EBIT%	5.0%	5.8%	(0.5%)	6.3%		(47ppt)
PBT	**11.9**	**43.3**	**36.8**	**51.2**	**(7.9)**	**(15.5%)**
Net Financial Position	**1,248.2**	**395.2**	**424.3**	**440.4**	**(45.2)**	**(10.3%)**
Market Share	8.1%		8.0%			+5ppt

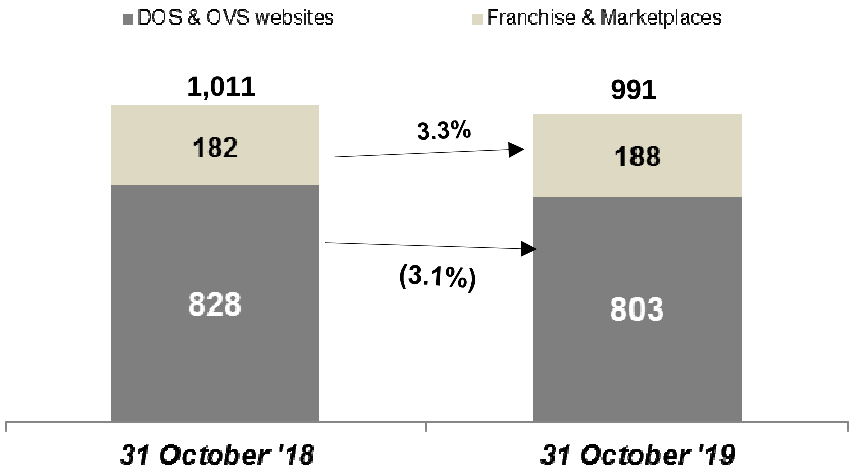
The main differences between Reported and Adjusted numbers in 9M19 are mainly due to the IFRS16 accounting principle. In particular, this principle has a positive impact of €128.5m at EBITDA level and a negative impact of €862.7m at net debt level. See overleaf for further details.

(*) Excluding the sell-in to Sempione Fashion AG. Kpi's % on sales calculated excluding the ones to Sempione Fashion.

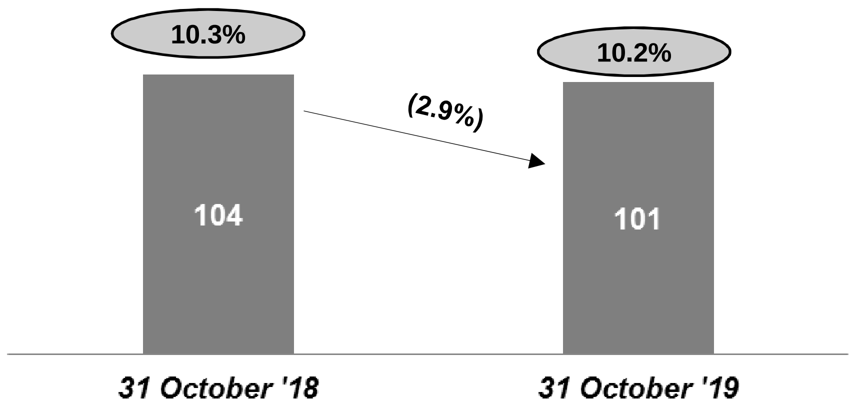
Sales and EBITDA Performance in 9M19

Aggregate Performance

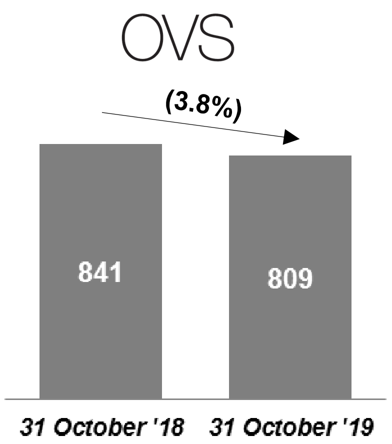
Net Sales (€mln)

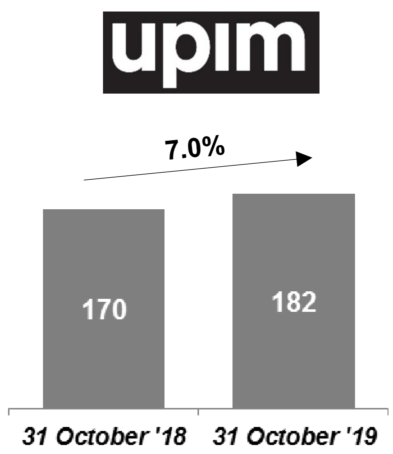


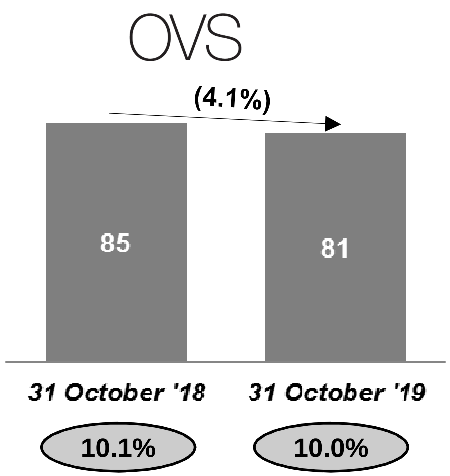
EBITDA (€mln)

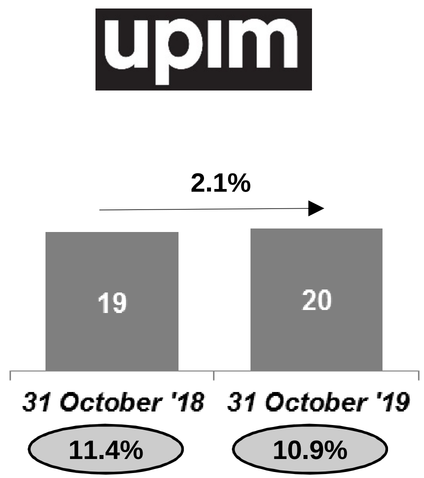


Performance By Brand









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

Margin % (*)

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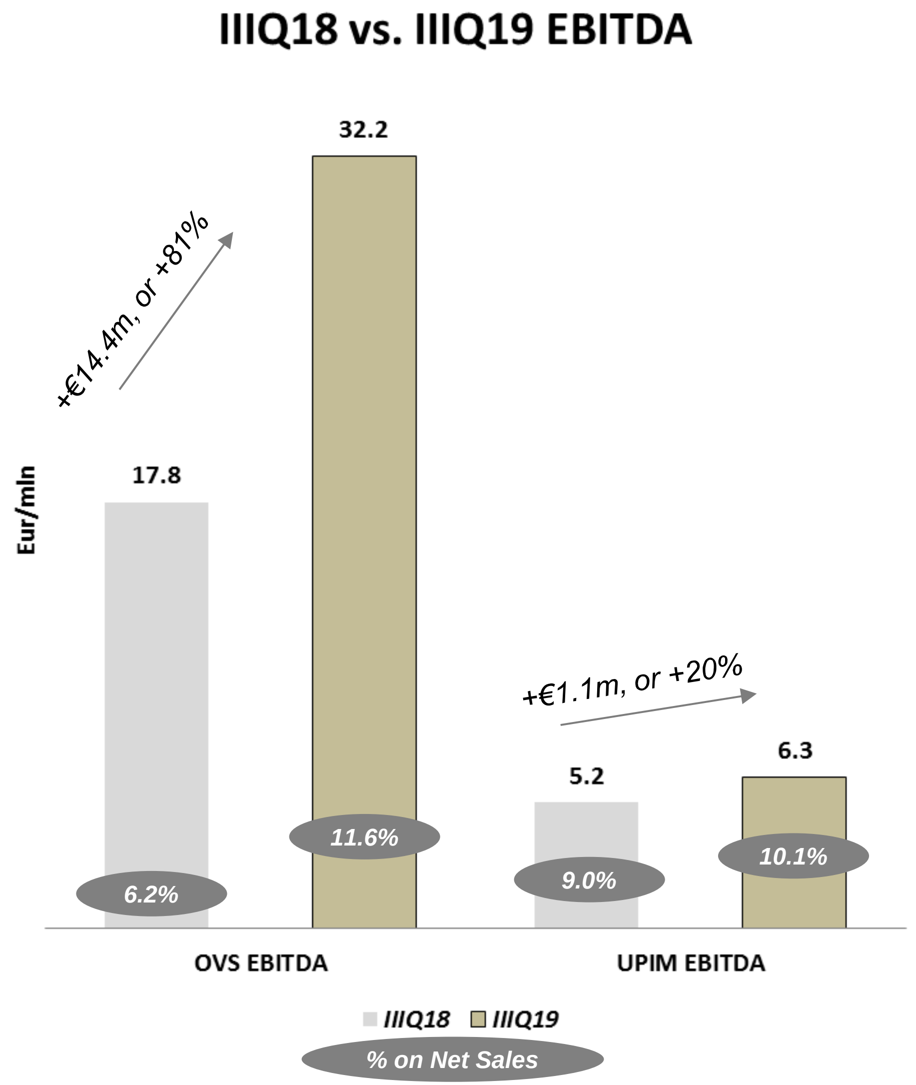
Focus on the IIIQ19 EBITDA: strong recovery in profitability

- In the last quarter, Group EBITDA amounted to **€38.6m**, up by **+€15.6m** or +68% vs. last year.
- Both brands contributed to the expected recovery but OVS EBITDA drove the growth, with an increase of **+€14.4m** (or +81%).
- This increase was due to two factors:

(i) Gross Margin went back to normal, as full price sales mix increased after the period of exceptional promotions and,

(ii) the effectiveness of the lower structural break-even point following actions on costs put in place since 2018.



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

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9M19 Consolidated Trade Working Capital: improvement in managing the business seasonality

€mln	31Oct19	31Oct18	*Change Oct19-Oct18*	*Change Oct19-Jan19*	*Change Oct18-Jan18*
Trade Receivables	123.0	165.5	(42.4)	24.6	52.5
Inventory	419.7	442.4	(22.7)	8.7	54.5
Trade Payables	(347.3)	(413.1)	65.8	3.7	(9.7)
Trade Working Capital	**195.5**	**194.8**	**0.7**	**37.1**	**97.3**

9M19 trade working capital increase vs. Jan19 reflects the normal seasonality of the business. Nevertheless the increase of only €37m in the first 9 months of the year is the lowest over the last five years, materially contributing to the improvement of cash generation experienced.

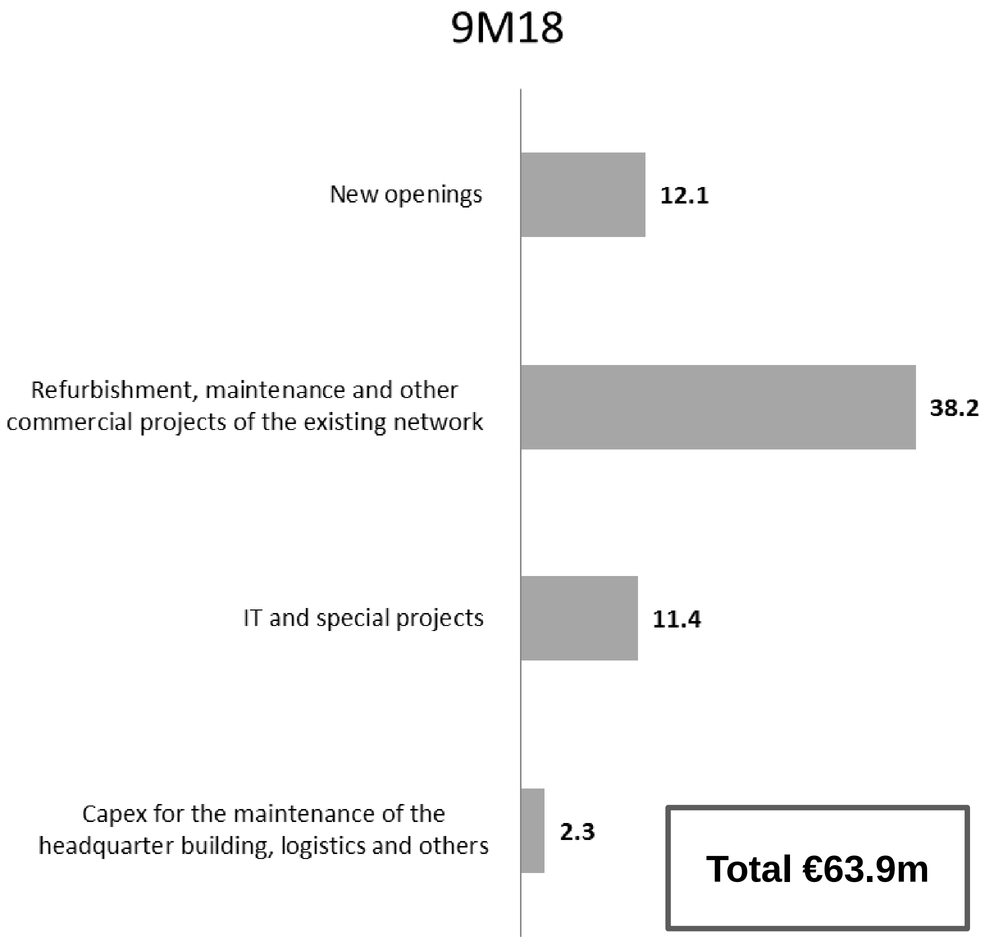
9M19 trade working capital of **€195.5m** is in line with last year, but its composition is significantly improved:

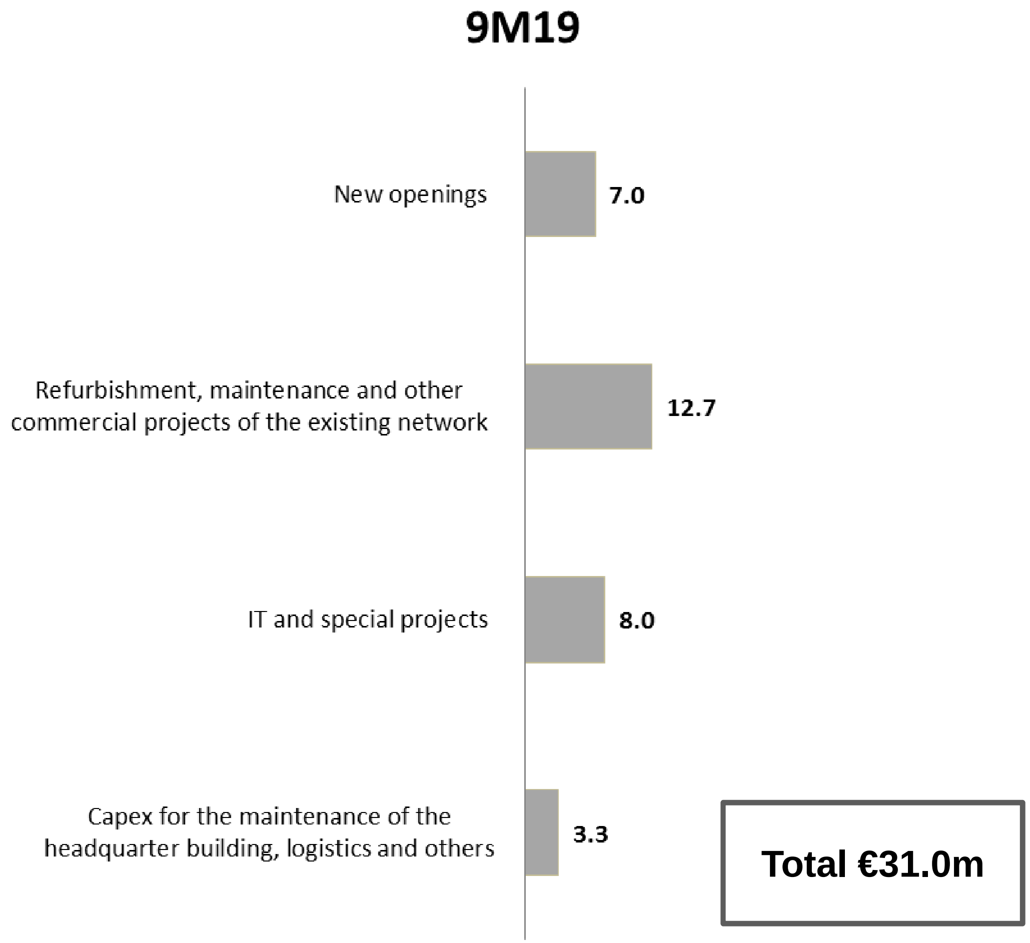
- **Trade receivables** decreased by €42.4m, reflecting a marked improvement in terms of DSO towards franchisee partners and the absence of amounts to be collected from companies linked to the ex Swiss client (about €10m in 9M18).

- The level of **inventory** decreased by €22.7m, as a result of extraordinary promotional activities put in place during the Jul18-Jul19 period and the improved flexibility in sourcing as well as the lower purchases made.

- **Trade payables** decreased by €65.8m mainly as a result of lower intake, lower costs and lower capex. Lower trade payables will result in a lower cash out going further and they are expected to stabilize starting from the next year.

9M19 Capex amounted to €31m, -€32.9m lower than last year

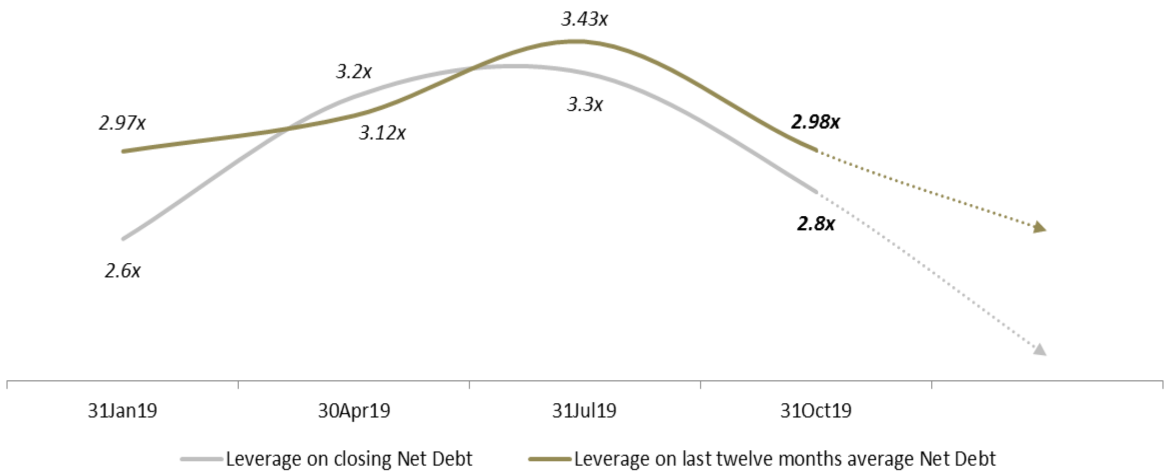




9M19 Net Debt and Leverage: both keep on decreasing

- 31Oct19 Net Debt amounted to **€395.2m**, lower by **-€45.2m** compared to one year ago. Third quarter cash flow generated €18.4m of cash, improving by **+€31m** vs. last year.
- The continuous improvement of the net financial position and the recovery of EBITDA in the last quarter marked, as expected, a significant inversion of trend in terms of financial leverage. In July 2019 the debt at the closing date on the EBITDA was equal to **3.3x**, while now it is equal to **2.8x**.
- The strategy of lower purchases of goods, also thanks to greater in-season flexibility, combined with lower investments and lower costs, will allow the Group to continue in this direction: leverage is expected to go further down in the fourth quarter of the year.
- The interest rate on debt of the 9Mperiod is 2.84% + Euribor 3m.

€ mln	**31st October 2019**	**31st October 2018**
Net Debt excluding MtM & IFRS16	395.2	440.4



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Consolidated Cash Flow Statement: impressive improvement

9M19 cash flow improved by **+€102.9m** mainly driven by a material shift of trend at operating cash flow level (+€99.7m or **+€118.2m** excluding the cash-in generated by the disposal of the HQ occurred in the IIIQ18): an almost stable EBITDA with lower cash costs adjustments, a tight control of trade working capital as well as lower capex, contributed to such improvement.

€mln	31 October '19	31 October '18
EBITDA Adjusted	**101.1**	**104.1**
Adjustments[1]	(3.8)	(62.4)
Change in Trade Working Capital	(37.1)	(97.3)
Other changes in Working Capital	(17.8)	11.3
Capex	(31.0)	(44.2)
Operating Cash Flow	**11.3**	**(88.4)**
Financial charges	(14.8)	(11.8)
Taxes & others	(16.0)	(22.1)
Net Cash Flow excl derivatives MtM and IFRS 16	**(19.4)**	**(122.3)**

(1) It refers to adjustments posted at EBITDA level.

Outlook

- 2019 Black Friday in the Apparel market was less disruptive than last year: in 2018 winter temperatures started a couple of days before, while this year weather got colder just after that weekend to the benefit of full price sales.

- The development of the B2B business through the agreements with market places is proceeding well: new collaborations have been just signed with Coop. We continue to see the expansion of this channel very promising.

- EBITDA is expected to improve also in the fourth quarter: as testified by the performances achieved in the third quarter of 2019, the Group is now set to go back to a level of profitability considered closer to its historical kpi's.

- The company will continue to focus on improving working capital mainly through the inventory level reduction: the deleverage of the company is proceeding in line with the expectations.

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Consolidated Profit and Loss and related adjustments

€ mln	31.10.2019 Reported	of which IFRS 16 Impact	of which Adjustments, Normalizations & Reclass.	31.10.2019 Adjusted	31.10.2018 Reported	of which Adjustments, Normalizations & Reclass.	31.10.2018 Adjusted	Chg. (Adjusted)	Chg. % (Adjusted)
Net Sales	990.9			990.9	1,073.2		1,073.2	(82.2)	(7.7%)
Net Sales*	**990.9**			**990.9**	**1,010.5**		**1,010.5**	**(19.6)**	**(1.9%)**
EBITDA	209.7	128.5	(19.8)	101.1	41.7	(62.4)	104.1	(3.0)	(2.9%)
EBITDA%	21.2%			10.2%	4.1%		10.3%		(10ppt)
EBIT	49.1	17.9	(26.2)	57.4	(5.6)	(68.8)	63.2	(5.8)	(9.2%)
EBIT%	5.0%			5.8%	(0.5%)		6.3%		(47ppt)
PBT	11.9	(20.1)	(11.3)	43.3	36.8	(14.4)	51.2	(7.9)	(15.5%)
Net Financial Position	1,248.2	862.7	(9.7)	395.2	424.3	(16.1)	440.4	(45.2)	(10.3%)

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 Sempione Fashion AG.

The table shows the results adjusted to represent the Group's operating performance net of the effects of adopting 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 nine months of 2019 the results were adjusted mainly to strip out the effects of IFRS 16, and specifically: (i) €128.5 million on EBITDA to reflect higher rental costs, (ii) €17.9 million on EBIT due to the transfer of depreciation and amortisation of €110.6 million and (iii) €20.1 million on profit before tax for the period due to the transfer of net financial expenses of €38 million. Lastly, (iv) the net financial position was adjusted for €862.7 million less in net liabilities.

EBITDA in the first nine months of 2019 was also adjusted as follows: (i) €16 million in net foreign exchange gains for forward hedging on purchases in foreign currency of goods sold in the period, (ii) €2.1 million in one-off costs, mainly relating to staff lay-offs and (iii) €1.7 million in costs relating to stock option plans (non-cash costs).

Other adjustments that impacted EBIT and profit before tax for the period concerned: (i) costs of €6.4 million related to the amortisation of intangible assets relating to purchase price allocation, and (ii) an adjustment in net income of €14.9 million, mainly due to reclassified foreign exchange differences and one-off costs relating to the extension of the previous loan agreement.