OVS

Strong recovery in profitability in the third quarter. Good cash generation continued.

- ✓ **Net sales** of **€990.9** million in the first nine months. Full-margin sales increased in the third quarter, while the use of promotions decreased, boosting profitability. The market contraction continued in the last three months (-5.4%). Market share continued to slightly increase.
- ✓ **Adjusted EBITDA** of **€101.1** million. As expected, growth was strong in the third quarter compared to the same period of last year (**+€15.6** million).
- ✓ **Adjusted profit before tax** of **€43.3** million, rising by **+€13.2** million in the third quarter alone compared to last year.
- ✓ **Adjusted net debt** of **€395.2** million, lower by **€45.2** million compared with October 2018: cash generation up by **€31** million in the third quarter compared with the same period last year.

CONSOLIDATED RESULTS

€ 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

Note: in order to give a clearer picture of the Group's performance, the data in this document have been adjusted. In particular, the income statement and statement of financial position values reported at 31 October 2019 reflect the adoption of IFRS 16. See below for more information.
The net sales used to calculate the financial KPIs (*) in 2018 do not include sales deriving from the cooperation agreement with the former Sempione Fashion AG Group.

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Statement from the Chief Executive Officer Stefano Beraldo

As expected, in the third quarter the Group started to go back to more normal profit levels. The one-off promotional activities came to an end in the first half of the year.

Despite a slight decrease overall, full-price sales increased during the quarter, contributing to significant margin growth. Thanks to this as well as actions on costs, EBITDA reached €101 million, increasing compared to the same period of last year by €16 million in the third quarter of the year alone (+68%). The trend reversal is therefore clear.

The improvement in cash generation that began in the final quarter of 2018 also continued. Cash generated during the quarter increased by €31 million year on year, while net debt improved by €45.2 million compared with end-October 2018. This progression, together with EBITDA growth, resulted in a sharp decrease of the financial leverage, already below 3x and expected to decrease further by the end of the year.

While we continue to operate in a complex market, our strategy is producing concrete results: although unfavourable weather conditions persisted during the quarter, they were increasingly mitigated by more in-season offerings and greater flexibility throughout the whole supply chain, which also contributes to increase inventory rotation; our focus on a high quality/price ratio, a distinctive feature recognised by OVS and Upim customers, enabled the product range to evolve into higher price segments, with the introduction of "premium" products made from better-quality materials; sustainability has become more of a factor in our products; customer service is even more focused on a one-to-one approach, thanks in part to a new loyalty program, making the shopping experience more individual and rewarding.

On the strength of the excellent feedback from its last campaign "Love People. Not Labels", OVS will continue to focus on people's uniqueness. The brand will move closer to new and future parents, who are the pillars of the Italian demographic change. It can give them the best quality at affordable prices available on the market, with a new, sustainable and transparent offer: one example is the recent publication of the company names of the suppliers of all items sold online.

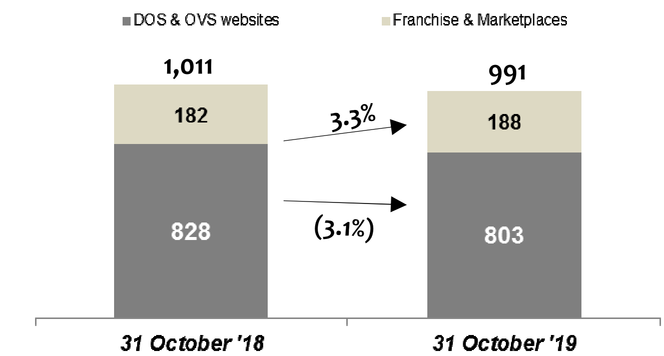
Upim, with its Italian motto "Upim è di casa", continues to meet the specific needs of Italian families as a versatile brand available in large and small catchment areas. The brand will continue to expand, not only through the classic franchising and direct channels, but also through B2B. More agreements are being signed with hypermarket chains and the development potential of the channel is very promising. The first "shop-in-shop" in a hypermarket under the Coop brand was recently opened, increasing the number of chains collaborating in the expansion project to three.

NET SALES

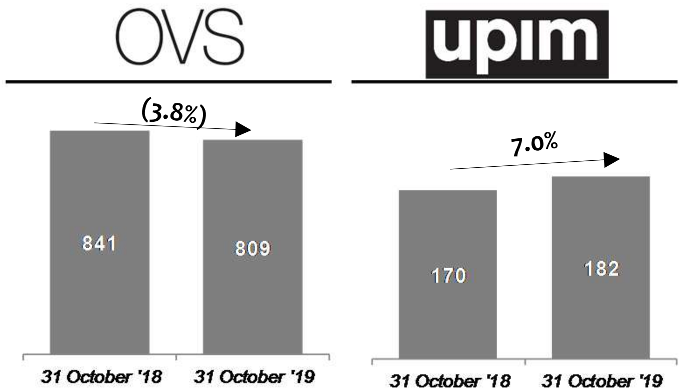
Total sales came in at €990.9 million, down slightly compared with the first nine months of 2018, reflecting two main factors: market contraction and reduced goods purchases resulting in an improved quality of goods sold and so higher full-price sales in the third quarter.

The OVS brand's sales performance was the most affected by the policy of reduced goods inflows. The Upim brand, by contrast, benefitted from a more sustained network expansion.

NET SALES: *aggregate performance* [1]



NET SALES: *performance by brand* [1]



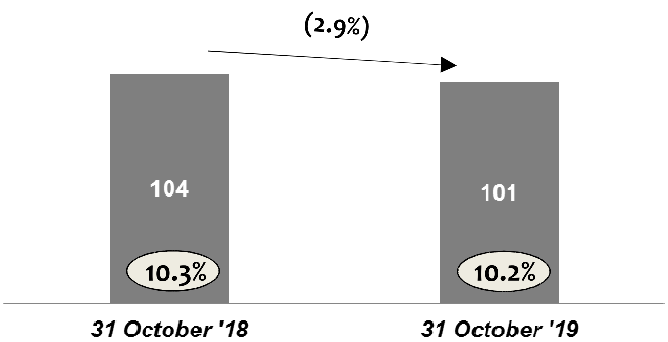
1. Excluding sell-in to Sempione Fashion AG.

EBITDA

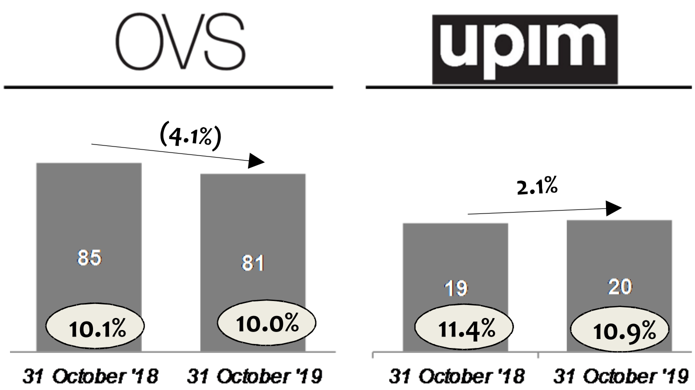
Adjusted EBITDA came in at €101.1 million, or 10.2% of net sales. The year-on-year gap accumulated in July (-€18.6 million) was thus almost entirely recovered in the last quarter (-€3 million), as expected and announced. EBITDA came in at €38.6 million for the last three months, up €15.6 million. This recovery was mainly due to the OVS brand, which grew by €14.4 million.

The increase reflects two factors: (i) a recovery in marginality after the period of exceptional promotions and (ii) the effectiveness of lowering the Group's structural break-even point, implemented since 2018.

EBITDA: *aggregate performance* [1]



EBITDA: *performance by brand* [1]



Margin %

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

OPERATING PROFIT AND PROFIT BEFORE TAX

***Adjusted operating profit** and **adjusted profit before tax** for the first nine months, respectively €57.4 million and €43.3 million, reflect a slight decrease in year-on-year EBITDA performance and a slight increase in depreciations and amortisation and financial expenses.*

NET FINANCIAL POSITION AND CASH FLOW

*At 31 October 2019, **net debt adjusted** for the mark-to-market effect and the application of IFRS16 was **€395.2** million, **€45.2** million lower than at 31 October 2018.*

This performance reflects a steady improvement in cash flows in all quarters of the year. The improved net financial position and recovery in EBITDA in the third quarter of 2019 marked a sharp reversal in the financial leverage trend. Debt to EBITDA ratio at the closing date in July 2019 was 3.3x, and is now 2.8x.

The strategy of reducing goods purchases, which greater in-season flexibility has also helped, coupled with lower investments and lower costs, should enable the Group to continue in this direction: leverage is expected to decline further by the end of the year.

The interest rate for the period was 2.84% + Euribor 3m.

€ mln	**31st October 2019**	**31st October 2018**
Net Debt excluding MtM & IFRS16	395.2	440.4
Leverage on EBITDA (*) ***Adjusted Net Debt/EBITDA Adjusted LTM***	2.80x	2.71x
Leverage on EBITDA (**) **Adj. Average last 12 months Net Debt/EBITDA Adjusted LTM**	2.98x	2.52x

(*) Net debt does not include the accounting effects of mark-to-market valuation and the effect of first-time adoption of IFRS 16 (see below for further information). The adjusted EBITDA taken into account is the cumulative EBITDA of the last 12 months.

(**) The net debt used to calculate the leverage on EBITDA is based on average debt, as calculated above, in the last 12 months, and cumulative adjusted EBITDA in the last 12 months.

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Key consolidated economic and financial results: adjustments and IFRS 16 impact

€ 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: to give a clearer picture of the organic business and make it comparable with the previous year, net sales based on the calculation of the financial KPIs (*) are shown excluding sales deriving from the cooperation agreement with former Swiss customer 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 for the IFRS 16 impact, 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 personnel lay-offs and (iii) €1.7 million in costs relating to stock option plans (non-cash costs).
Other adjustments that impacted EBIT and/or profit before tax for the period concerned: (i) costs of €6.4 million related to the amortisation of intangible assets relating to the 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.

OTHER INFORMATION

Resolutions relating to corporate governance

The Board of Directors also reorganised its internal committees, following the resignation from these committees, due to professional commitments, of director Gabriele Del Torchio, who continues to sit on the Board of Directors.
Directors Chiara Mio[1], as Chairman, and Elena Garavaglia[2]were re-appointed as members of the Control, Risks and Sustainability Committee, while Franco Moscetti[3], the current Chairman of the Board of Directors, was appointed as a member of the same committee. All three directors are non-executive, and the first two also meet the independence requirements laid down by current laws and by the Code of Corporate Governance.
Directors Giovanni Tamburi[4], Heinz Jürgen Krogner Kornalik[1] and Elena Garavaglia[2] were re-appointed as members of the Nomination and Remuneration Committee, while Chiara Mio[1] was appointed as a member, also in the capacity of Chairman. All of these directors are non-executive, and Chiara Mio, Heinz Jürgen Krogner Kornalik and Elena Garavaglia also meet the independence requirements laid down by current laws and by the Code of Corporate Governance.
Directors Chiara Mio[1], Heinz Jürgen Krogner Kornalik[1] and Elena Garavaglia[2] were re-appointed as members of the Related-party Transactions Committee, while Massimiliano Magrini[4] was appointed, also in the capacity of Chairman of the Committee. All of these directors are non-executive and meet the independence requirements laid down by current laws and by the Code of Corporate Governance.
The CVs of the committee members are available on the Company's website at www.ovscorporate.it.

Company information

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

Quarterly disclosure

OVS S.p.A. would like to announce that, as notified 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.

Attestation by the Director responsible for preparing the Company's accounting statements

Nicola Perin, the Director responsible for preparing the Company's accounting statements, hereby attests, pursuant to Article 154-*bis*, paragraph 2, of the Italian Consolidated Finance Act, that the accounting information contained in this press release corresponds to the company documents, books and accounting records.

Conference call for presentation of results

On Thursday, 12 December 2019, at 15:00 local time (CET), a conference call will take place with analysts and investors during which the key results for the nine months ended 31 October 2019 will be presented. The conference call may be joined by dialling +39 02 805 88 11 (from Italy), +44 121 281 8003 (from the UK) or +1 718 7058794 (from the US), (+39 02 8058827 for journalists). A presentation will be available and can be downloaded from the "Investor Relations/Results and Presentations" area of the Company website at www.ovscorporate.it and from the "1info" storage mechanism at www.1info.it. From the day after the call, a recording of the conference call will also be available on the website.

For further information, please contact:

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Note
[1] Board member taken from the list obtaining the highest number of votes at the Shareholders' Meeting of 31 May 2017, which elected the current Board of Directors
[2] Board member taken from the "minority" list and re-appointed by the Shareholders' Meeting of 31 May 2019
[3] Elected by the Shareholders' Meeting of 31 May 2019, which also appointed him Chairman of the Board of Directors
[4] Board member co-opted on 13 March 2019 and re-appointed by the Shareholders' Meeting of 31 May 2019