1H20 FINANCIAL RESULTS

September 22, 2020

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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.

This investor presentation contains measurements that were not prepared in accordance with IAS/IFRS.

1H20 Highlights
Back to positive Results

Very satisfactory sales performance in the second quarter, showing a stable organic trend after excluding the lockdown period.

Starting from the second half of May (lockdown ended on the 17th) sales performed better than expected, even more when considering the postponement of the sales period from July to August. Online sales increased by 86%.

IIQ Adjusted EBITDA at €36.1m, in line with the one of last year, allowing the Group to more than recover the loss posted in the first quarter due to the pandemic. The performance was achieved thanks to an increase in full-price sales combined with cost control measures put in place.

Despite the material impact at top line level resulting in lower cash inflows, Adjusted Net Debt was in line with last year at €410.6m also thanks to good working capital management.

Very good performance in August underlined by positive organic sales.

8.1%
Italian Market Share

€36.1m
II Quarter Adjusted EBITDA

€410.6m
Adjusted Net Debt

Source: Sita Ricerca for market share

Key Income Statement Items – 2Q20
Economic results in the second quarter above expectations

- IIQ **Net Sales** amounted to **€273.1m**, down by 18% compared to the same period last year, and aligned with the number of days still affected by the lockdown period. Organic sales were stable during the remaining period. The result is well above expectations considering: (i) the postponement of the end of season sales period from July to August and (ii) the inevitable decrease in traffic that particularly characterized the re-opening phase.

- IIQ **Adjusted EBITDA** was equal to **€36.1m**, aligned with that of last year, despite 17 days of store closure. The strong recovery in profitability was achieved thanks to a higher Gross Margin (+248Bps over the quarter). Tight cost control was the other decisive factor of this result. It shall be noted that the decision to postpone sales was appropriate, with July generating lower sales but higher gross margin vs. last year. August top line performance was better than last year with a gross margin in line in absolute terms.

- **Adjusted Net debt at €410.6m**, €3m lower than a year ago despite a decrease in sales vs. last year of approximately €270m over the last six months. Cost reductions and good working capital management were fundamental to achieve the result. The financial structure of the company is sound: also considering the new credit line obtained, the Group has approximately €155m of available financial resources (cash + undrawn lines).

€ mln	2Q 2020 Adjusted	2Q 2019 Adjusted	*Chg. (Adjusted)*	*Chg. % (Adjusted)*
Net Sales	*273.1*	*333.1*	*(60.0)*	*(18.0%)*
Gross Margin	166.3	194.6	*(28.3)*	*(14.5%)*
GM%	*60.9%*	*58.4%*		+248ppt
EBITDA	36.1	37.4	*(1.3)*	*(3.4%)*
EBITDA%	*13.2%*	*11.2%*		+200ppt
EBIT	21.2	22.9	*(1.7)*	*(7.6%)*
EBIT%	*7.8%*	*6.9%*		+88ppt
PBT	15.4	17.7	*(2.2)*	*(12.6%)*
Net Financial Position	410.6	413.6	*(3.0)*	*(0.7%)*
Market Share	8.1%	8.0%		+4ppt

The main differences between Reported and Adjusted numbers are mostly due to the IFRS16 accounting principle. See overleaf for further details.

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Key Income Statement Items – 1H20
IQ Adjusted EBITDA loss fully recovered. Sharp recovery in profitability

- 1H20 **Net Sales** amounted to **€375.7m**, down by 42% compared to the same period of last year and recovering vs. the -68% reported in the first quarter. Once stores had been re-opened, in-store traffic progressively increased and sales started to recover faster than expected. Both brands posted similar performances with the OVS network slightly behind Upim due to the higher number of stores located in big cities, which were more affected by the lack of tourism and the closure of many offices.

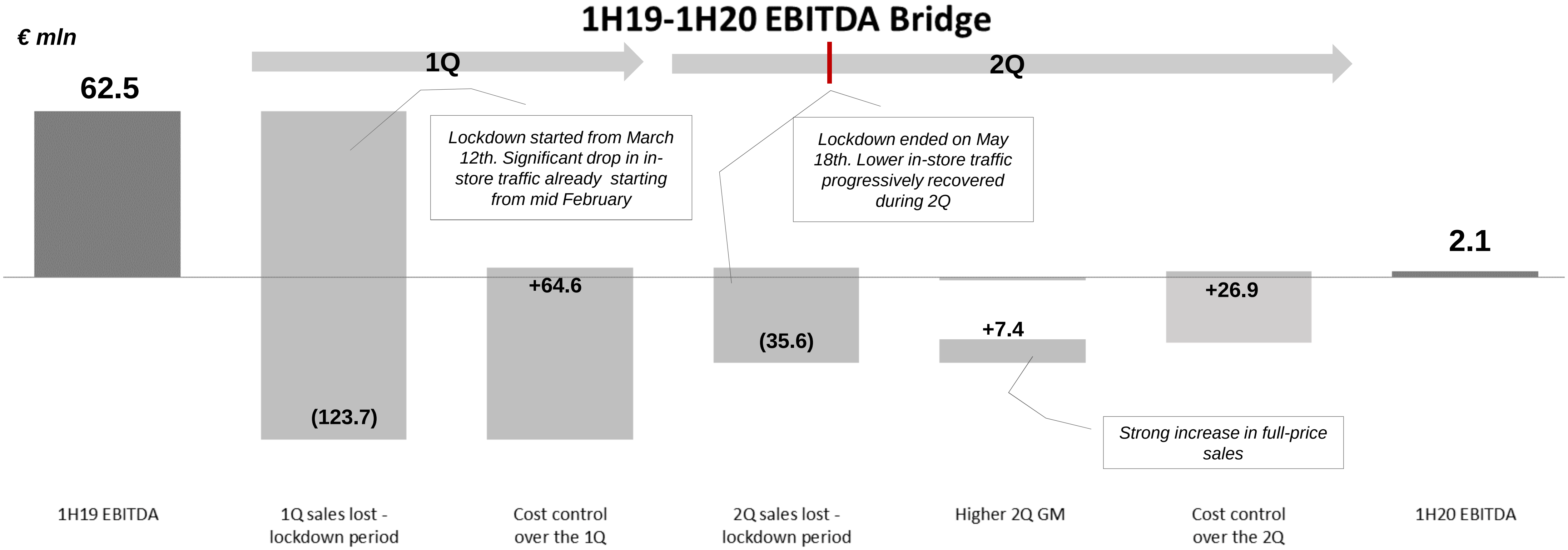
- 1H20 **Adjusted EBITDA** was equal to **€2.1m** thanks to the better than expected IIQ20 performance which more than offset the loss reported in IQ20. This was achieved also thanks to the increase of full-price sales: since the beginning of the re-opening the Group decided to minimize promotional activities leveraging on its positioning, which is characterized by more needs-driven than discretionary consumption.

- **FY Guidance Confirmed:** Following the IIQ results and the positive start of the IIIQ, in absence of a new material pandemic spread in the second half, full-year guidance is confirmed in terms of (i) top line – at approx. €1bln, (ii) adjusted net income – at breakeven. Adjusted Net Debt might end slightly better than previously communicated.

€ mln	1H 2020 Adjusted	1H 2019 Adjusted	*Chg. (Adjusted)*	*Chg. % (Adjusted)*
Net Sales	**375.7**	**650.6**	*(274.9)*	*(42.2%)*
Gross Margin	**222.9**	**374.8**	*(152.0)*	*(40.5%)*
GM%	*59.3%*	*57.6%*		+170ppt
EBITDA	**2.1**	**62.5**	*(60.5)*	***n.m.***
EBITDA%	*0.5%*	*9.6%*		
EBIT	**(26.5)**	**34.2**	*(60.7)*	***n.m.***
EBIT%	*(7.0%)*	*5.3%*		
PBT	**(37.0)**	**25.2**	*(62.2)*	***n.m.***
Net Income	**(29.7)**	**16.8**	*(46.5)*	***n.m.***
Net Financial Position	**410.6**	**413.6**	*(3.0)*	*(0.7%)*

The main differences between Reported and Adjusted numbers are mostly due to the IFRS16 accounting principle. See overleaf for further details.

1H20 EBITDA Evolution
Break-even reached



*<u>Adjusted 1H20EBITDA of **€2.1m** was impacted by **-€159.3m** of </u>lower gross margin arising from sales lost during the 12th March/18th May lockdown period and the lack in traffic at the end of February and mainly during the first days of re-openings due to the consumer behavior after the pandemic;*

<u>Those impacts have been partially offset by:</u>

*(i) a strong response on the cost side that allowed the Group to save **€91.5m**;*

*(ii) higher full price sales once stores reopened, resulting in positive impact for **€7.4m** at Gross Margin Level.*

End of lockdown period

Sales and EBITDA Performance in 1H20
Both brands contributed to the strong recovery in 2Q

Net Sales (€mln)

Aggregate Performance

€mln	1H20	1H19	*Chg.*	*Chg. %*
DOS & e-commerce	308.9	534.5	(225.6)	(42.2%)
Franchise & Marketplace	66.9	116.1	(49.3)	(42.4%)
Total	**375.7**	**650.6**	**(274.9)**	**(42.2%)**

Performance By Brand

€mln	1H20	1H19	*Chg.*	*Chg. %*
OVS	300.5	530.9	(230.4)	(43.4%)
upim	75.2	119.7	(44.5)	(37.2%)
Total	**375.7**	**650.6**	**(274.9)**	**(42.2%)**

EBITDA (€mln)

	2Q20		1H20		2Q19		1H19			
€mln	*EBITDA* Adjusted	*EBITDA%*	*EBITDA* Adjusted	*EBITDA%*	*EBITDA* Adjusted	*EBITDA%*	*EBITDA* Adjusted	*EBITDA%*	Chg.2Q	Chg. 1H
OVS	28.8	13.2%	(0.4)	(0.1%)	29.3	10.8%	49.1	9.3%	(0.5)	(49.6)
upim	7.3	13.4%	2.5	3.3%	8.2	13.2%	13.4	11.2%	(0.8)	(10.9)
Total	**36.1**	**13.2%**	**2.1**	**0.5%**	**37.4**	**11.2%**	**62.5**	**9.6%**	**(1.3)**	**(60.5)**

31Jul20 Consolidated Trade Working Capital
Good management during the pandemic to limit cash absorption over the period

€mln	31Jul20	31Jul19	*Change Jul20-Jul19*
Trade Receivables	86.7	100.6	(13.9)
Inventory	448.7	411.2	37.5
Trade Payables	(303.5)	(312.9)	9.4
Trade Working Capital	**231.9**	**198.9**	**33.0**

Note: TWC does not reflect the impacts related to the IFRS16

1H20 higher working capital vs. a year ago is due to the temporary impact arising from the lockdown period that affected the first six months:

- Compared to 1H19, **trade receivables** decreased by €13.9m, reflecting the lower sales made through the franchising channel; our franchise network is recovering fast, benefitting from its locations in small catchment areas and their focus on the kids segment.

- The level of **inventory** increased by only €37.5m compared to 1H19. Considering the sales lost due to the lockdown period and the related cost of goods sold, in the absence of appropriate flexibility put in place that allowed the Group to slow down injection of goods, inventory would have grown much more. The increase is a consequence of the Spring/Summer merchandise bought and never sold during the lockdown. A material portion of these goods have never been delivered to our stores and will be sold next year at full price to the benefit of cash generation. Another part has been successfully utilized in August and September. Warm weather in August and in the first part of September has been supportive in order to dispose summer merchandise, compensating some late deliveries of Fall/Winter goods from some Far East countries. Fall/Winter purchase plan has been revised to align the intake to the effective needs forecasted.

- **Trade payables** decreased by €9.4m mainly as a result of the cost saving initiatives put in place and the lower Fall/Winter merchandise shipped at the closing date. Longer payment terms agreed with suppliers during the first quarter are progressively returning to normal.

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Net Debt and Leverage
Solid Financial structure

€ mln	31 July 2020	31 July 2019
Net Debt excluding MtM & IFRS16	410.6	413.6
Leverage on EBITDA (*) ***Adjusted Net Debt/EBITDA Adjusted LTM***	4.3x	3.3x
Leverage on EBITDA (**) **Adj. Average last 12 months Net Debt/EBITDA Adjusted LTM**	4.06x	3.44x

Notes:

(*) calculated on Net Debt at 31 July excluding the MtM and the IFRS16

(**) calculated on the average last 12 months Net Debt excluding the MtM and the IFRS16

- The Group's **Adjusted Net Debt**, which excludes the impact arising from the mark-to-market (negative for -€14m) and the impact of IFRS16 (-€878.6m), amounts to **€410.6m**, €3m lower compared to a year ago. Good working capital management combined with the cost-saving initiatives put in place formed the basis in order to reach this target.
- The company's financial structure is solid. At 31 July 2020 the Group’s available cash and undrawn credit lines amount to approximately **€155m**.
- Normalizing the EBITDA performance of the first quarter, heavily impacted by the pandemic, the leverage on actual Net Debt would be **2.7x**. The Group has obtained the exemption from the test of the only covenant required (calculated as Net Financial Position on EBITDA) up to 31 January 2021 inclusive.
- The average interest rate for the period was 3.48% + 3m Euribor.

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Consolidated Cash Flow Statement

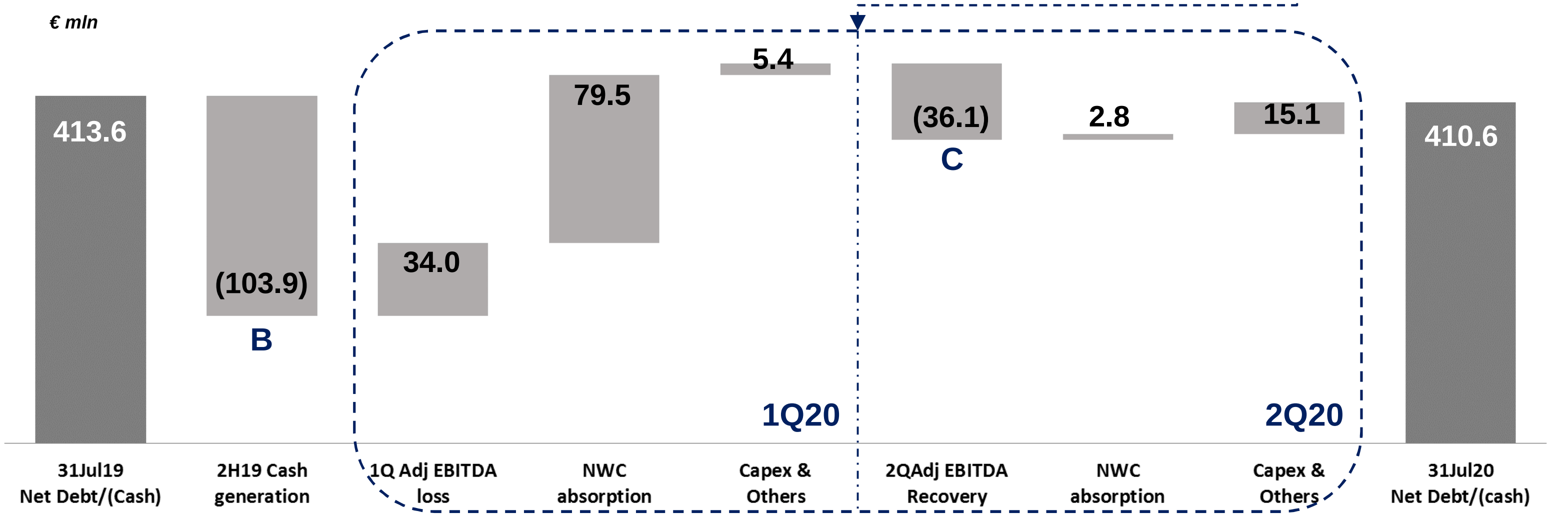
Good working capital management and IIQ recovery allowed to limit the lockdown impact

- During the first semester, normally the Group absorbs cash due to the seasonality of the business. In 1H20, despite the lower cash inflows for approximately **€270m** due to the lockdown period, the higher cash absorption was only €62.9m million compared to the same period of the last year (see **A**). In absence of the action plan promptly activated (savings, activation of Government support, actions on payables and lower intake) cash absorption would have been significantly higher.

- 31Jul20 Adjusted Net Debt is aligned to the one of last year. This is the result of (i) the strong deleverage carried out in the 2H19 (see **B**), (ii) the good performance of 2Q20 EBITDA (see **C**) and (iii) the actions implemented during the pandemic and previously described.

€mln	1H20	1H19	
EBITDA Adjusted	**2.1**	**62.5**	
Adjustments	(6.6)	(2.3)	
Change in Trade Working Capital	(83.5)	(40.5)	
Other changes in Working Capital	1.2	(19.5)	
Capex	(11.8)	(19.9)	
Operating Cash Flow	**(98.6)**	**(19.6)**	
Financial charges	(10.4)	(8.1)	
Taxes & others	8.3	(10.1)	
Net Cash Flow excl derivatives MtM and IFRS 16	(100.7)	(37.8)	**A**

1H19-1H20 Cash Flow Bridge



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The «Phygital» customer experience

In Italy, the **online channel** in **our market segment** is still not material, accounting for approximately €300m in the first semester and after a sudden growth during the lockdown, according to available sources, is back to the former growth rate of approximately 15%. OVS' online growth in the six months period (+80%) has been in line with the overall online market growth. OVS has already made significant investments in the channel, and in case this market will become relevant, the Group is already well positioned to catch any opportunity might arise. Our network is well distributed in the Italian territory, offering non-discretionary but more needs-related goods. OVS' multi-channel and multi-geographical coverage is aligned with the predictable evolution of consumer behavior even after Covid-19. Our platform, contents and services are one of the most advanced available in the Italian market, addressing all customers expectations and needs. Here are **just some examples** of services provided to our customers:

i. Loyalty Program - OVS upgraded the Loyalty program by a new approach based on personalization and an enhanced customer engagement (gifts catalogues, contests, exclusive services, personalized deals) and driven by the digital subscription. As of now there are four million loyalty members, representing 40% of the total sales of OVS and with a significant higher average ticket vs. no loyal customers.

ii. Pay Later Service - a payment solution reserved to loyal customers and available in all OVS stores and on ovs.it, interest free.

iii. The digital receipt - is available to customers via e-mail. In the receipts customers can also rate the in store shopping experience.

iv. Click & Collect and Collect&Pay - customers can pick up their online purchases in store and decide if they want to pay directly in store.

Analysis carried out by Statista in relation to the best mono-brand online stores in Italy, tested on technical criteria (e.g. services offered) and user experience

Abbigliamento monomarca (*)

1	pullandbear.com	94,67
2	twinset.com	94,65
3	kiabi.it	93,39
4	it.pennyblack.com	92,99
5	bonprix.it	92,82
6	ovs.it	91,54
7	bershka.com	91,43
8	stradivarius.com	91,15
9	alvieromartini.it	91,01
10	zara.com	90,79
11	levi.com	90,50
12	burberry.com	90,30
13	calvinklein.it	90,16

(*) Source: «Il Corriere della Sera», 21.09.2020

The «Phygital» customer experience

v. <u>Find your size</u>- The customer scans the QR code on a product in store to find the right size in the store or online.

vi. <u>Online returns in store</u> – Customer can return goods purchased directly online in store.

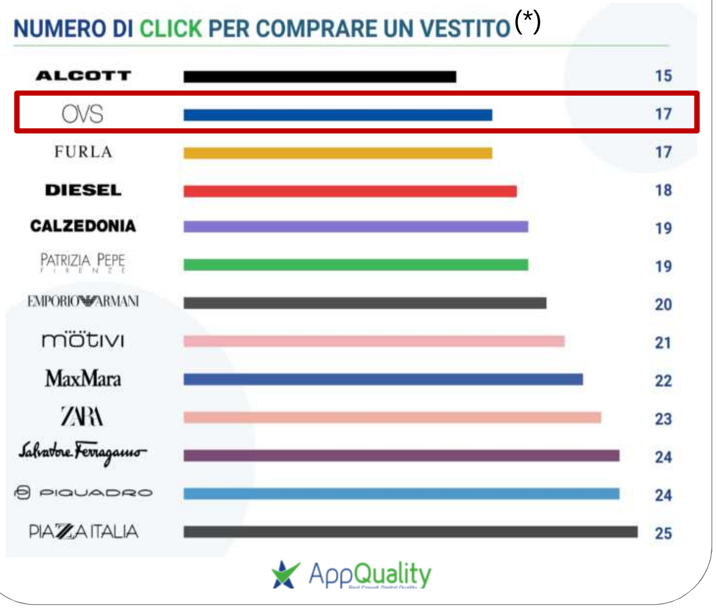
vii. <u>Toll free number</u> - Customers can call a tool free number to be helped during their browsing and shopping on OVS.it.

viii. <u>Chat and shop with OVS</u> - Customers can start textual or a video chat with sales assistants in store and eventually complete the purchase of items that will be delivered at home within 48 hours.

ix. <u>In-Store Mode</u> - allows customers to see on their mobiles which items are in the store. Available online for 152 stores. It's planned to extend the service up to 300 stores in this Fall/Winter season.

x. <u>Click & Collect today service (named "Scelgo e arrivo")</u> - customer can order online and collect the purchase in store after 4 hours. Available in 152 stores. It's planned to extend the service up to 300 stores in this Fall/Winter season.

AppQuality, the leading Crowdtesting startup in Italy, has analyzed the ease of purchase of the main Italian mono-brand e-commerce stores. Ease of purchase was measured in number of clicks needed to complete the purchase. OVS ranked second in Italy



(*) Source: «consumerismo.it», 25.08.2020

Outlook

- This year, sales period started in August instead of July and consumers' reaction was once again above expectations, with YTD sales progression further improving. Some delay of Fall/Winter merchandise deliveries were more than compensated by the postponed sales period, coupled with good weather. Consumers were looking for sales, and our decision to be "Summer driven" against most competitors much more "Autumn driven" proved to be correct.
- Today over 500 Piombo brand corners have been inaugurated. The creative director that, as also reported by Il Sole24Ore, WWD, Financial Times, Monocle and Esquired USA, is internationally considered one of the most authoritative representatives of Italian style. A way to offer millions of Italians a range aimed at a vast, diverse public, without any age-related barriers, who dress with effortless style, at affordable prices.
- Winner and losers of the market are emerging even more now, pushed by the exceptional and difficult market environment of 2020. We believe that the good results achieved last year and moreover the strong recovery posted after the lockdown period are showing the strength of our company even in a difficult market.
- In the absence of a new and unexpected lockdown, the Group is well on track to achieve the targets provided at the beginning of the year and slightly better in terms of adjusted net debt.

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Appendix

Consolidated Profit and Loss and related adjustments

€ mln	31.07.2020 Reported	of which IFRS 16 Impact	of which Adjustments, Normalizations & Reclass.	31.07.2020 Adjusted	31.07.2019 Reported	of which IFRS 16 Impact	of which Adjustments, Normalizations & Reclass.	31.07.2019 Adjusted	Chg. (Adjusted)	Chg. % (Adjusted)
Net Sales	375.1		(0.7)	375.7	650.6			650.6	(274.9)	(42.2%)
Gross Margin	216.7		(6.1)	222.9	364.6		(10.2)	374.8	(152.0)	(40.5%)
GM%	57.8%			59.3%	56.0%			57.6%		+170ppt
EBITDA	48.1	58.1	(12.1)	2.1	137.3	87.3	(12.5)	62.5	(60.5)	n.m.
EBITDA%	12.8%			0.5%	21.1%			9.6%		
EBIT	(55.8)	(12.9)	(16.4)	(26.5)	30.6	13.2	(16.8)	34.2	(60.7)	n.m.
EBIT%	(14.9%)			(7.0%)	4.7%			5.3%		
PBT	(97.6)	(37.3)	(23.4)	(37.0)	10.8	(12.2)	(2.2)	25.2	(62.2)	n.m.
Net Income	(75.9)	(28.4)	(17.8)	(29.7)	5.3	(8.8)	(2.7)	16.8	(46.5)	n.m.
Net Financial Position	1,303.2	878.6	14.0	410.6	1,266.7	868.3	(15.2)	413.6	(3.0)	(0.7%)

The table shows the results adjusted to represent the Group's operating performance net of the effects of the application of the international accounting standard IFRS16, as well as non-recurring events unrelated to the core business.

In particular, in the first half of 2020 the results were adjusted mainly to strip out the impacts related to IFRS 16, and specifically: (i) €58.1 million on EBITDA to reflect rent net of the impact relating to the renegotiations triggered following the pandemic, (ii) €12.9 million in lower net costs on EBIT due to the reversal of depreciation and amortisation of €71 million, and (iii) €28.4 million in lower net costs on the reported result for the period due to the reversal of €24.3 million relating to net financial expenses and €8.9 million in higher taxes. Lastly, (iv) the net financial position was adjusted for €878.6 million less in liabilities.

EBITDA in the first half of 2020 was also adjusted mainly as follows: (i) €0.7 million in an extraordinary one-off premium granted to a foreign partner; (ii) €5.4 million in net foreign exchange gains on forward hedging of purchases of goods in foreign currency sold in the period, (iii) €4.0 million in non-recurring expenses directly attributable to the COVID-19 emergency; (iv) €1.6 million in costs relating to stock option plans (non-cash costs), and (v) other less significant net one-off costs.

Other adjustments that impacted EBIT and the result before tax concerned: (i) costs of €4.3 million related to the amortisation of intangible assets relating to purchase price allocation, and (ii) adjusted net costs of €7 million, mainly relating to foreign exchange differences arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange differences.

Lastly, the adjusted result for the period was affected (for €5.6 million) by the taxes recalculated following the aforementioned adjustments.

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Consolidated Balance Sheet Statement

€mln	31 July '20 - Reported	31 July '19 - Reported	31 January '20 - Reported	Chg.
Trade Receivables	86.7	100.6	86.0	0.7
Inventory	448.7	411.2	393.1	55.6
Trade Payables	(303.5)	(312.3)	(321.1)	17.6
Trade Working Capital	**231.9**	**199.5**	**157.9**	**74.0**
Other assets/(liabilities)	(98.6)	(92.2)	(99.5)	0.9
Net Working Capital	**133.3**	**107.3**	**58.4**	**74.9**
Tangible and Intangible Assets	1,975.5	2,214.3	2,037.1	(61.6)
Net deferred taxes	(106.1)	(123.1)	(127.8)	21.7
Other long term assets/(liabilities)	(5.0)	(12.2)	(5.8)	0.7
Pension funds and other provisions	(40.7)	(44.3)	(41.7)	1.1
Net Capital Employed	**1,957.0**	**2,142.0**	**1,920.2**	**36.8**
Net Equity	653.7	875.3	728.8	(75.2)
Net Financial Debt	1,303.2	1,266.7	1,191.4	111.8
Total source of financing	**1,957.0**	**2,142.0**	**1,920.2**	**36.8**