OVS

Excellent profitability in the second quarter

- ✓ **Net sales** in the **second quarter** were down 18% compared to the same period of 2019, due to the days of closure for the lockdown. Net sales for the **half-year** amounted to **€375.7 million** (-42% compared with 2019). OVS and Upim **websites' sales** were up sharply during the period (**+80%**).
- ✓ In the **second quarter**, **adjusted EBITDA** was 13.2% on the net sales, at **€36.1 million**, essentially in line with the previous year due to the lower markdowns and the various cost containment measures promptly adopted. The EBITDA lost in the first quarter was fully recovered.
- ✓ The company reported a positive **pre-tax profit** for the quarter of **€15.4 million**.
- ✓ **Adjusted net financial position** was **€410.6 million**, in line with 31 July 2019, despite the loss of sales due to the lockdown period.

SECOND QUARTER CONSOLIDATED RESULTS

€ 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

NB: in order to give a clearer picture of the Group's performance, the data in this document have been adjusted. In particular, the adjusted income statement and the net financial position figures exclude the accounting effects of IFRS 16. See below for more information.

Statement from the Chief Executive Officer Stefano Beraldo

The quarter just ended saw our company return to a positive result.

The sales performance in the May-July period was remarkable – declining only in proportion to the days of closure – particularly when it is considered that, in addition to the sharp decrease in traffic in the weeks immediately following the reopening, the sales period was also postponed until August, with the consequent decrease in store traffic in July. Our online channels posted strong growth, with an increase of 86% in the three months. Very positive was also the overall sales trend after the first semester.

Our product range met with strong appreciation, and we are particularly pleased with the performance of the summer component, which was only minimally affected by the months of forced closure. Interestingly, there was considerable divergence in performance between the various demographic areas. Italy's tourist cities and central Milan performed poorly due to a lack of tourism and to the smart working. The remaining areas performed very well, rewarding us for our extensive local presence, combined with our emphasis on families.

EBITDA in the second quarter was stable compared with the previous year, thanks to a robust increase in marginality and careful cost control. As announced, we decided that it was not appropriate to encourage essential purchases with unnecessary discounts, which translated into an increase in full-price sales in all months.

Our financial structure benefited from the careful use of all levers described. We ended the period with a slightly better net financial position than in the previous year. In addition, further lines of credit of €100 million were made available, as already described in previous communications.

We continue to believe in the strength of our positioning. Clients prefer us for our brands and the products we deliver – not just the distribution channels we use.

If the online channel should become significant, we will be extremely well prepared, as we already have a state-of-the-art platform, content and services. We aim for revenues of approximately €12 million in all 2020 on the ovs.it website alone, an increase of around 50% on the previous year. These numbers are moderate in absolute terms, but consistent with our broad geographical distribution. Our multi-channel, multi-geographical area strategy seems to us to be all the more interesting as it is aligned with foreseeable changes in consumer behaviour in the post-Covid period: not only more digital, but also more local consumption. In both cases we are ready. And we are the leader in terms of overall market share. With our long-standing growth not only in city centres – focal points for discretionary consumption – but also in outlying or neighbourhood areas, where more needs-related consumption prevails – and where we are unbeatable.

We believe passionately in the quality of our products, and how in the eyes of our customers necessity can be combined with beauty. Right price and high quality, according to a sustainable approach. More than 500 Piombo branded big corners are being inaugurated today. A designer that, as also reported by the Financial Times, WWD, Il Sole24Ore, Monocle and Esquire USA, is viewed internationally as 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 – OVS prices.

HALF-YEAR CONSOLIDATED RESULTS

€ mln	31.07.2020 Reported	31.07.2020 Adjusted	31.07.2019 Reported	31.07.2019 Adjusted	*Chg. (Adjusted)*	*Chg. % (Adjusted)*
Net Sales	375.1	375.7	650.6	650.6	(274.9)	(42.2%)
Gross Margin	216.7	222.9	364.6	374.8	(152.0)	(40.5%)
GM%	57.8%	59.3%	56.0%	57.6%		+170ppt
EBITDA	48.1	2.1	137.3	62.5	(60.5)	n.m.
EBITDA%	12.8%	0.5%	21.1%	9.6%		
EBIT	(55.8)	(26.5)	30.6	34.2	(60.7)	n.m.
EBIT%	(14.9%)	(7.0%)	4.7%	5.3%		
PBT	(97.6)	(37.0)	10.8	25.2	(62.2)	n.m.
Net Income	(75.9)	(29.7)	5.3	16.8	(46.5)	n.m.
Net Financial Position	1,303.2	410.6	1,266.7	413.6	(3.0)	(0.7%)
Market Share	8.1%		8.0%			+4ppt

NB: in order to give a clearer picture of the Group's performance, the data in this document have been adjusted. In particular, the adjusted income statement and some balance sheet figures exclude the accounting effects of IFRS 16. See below for more information.

NET SALES

Total sales in the first half of the year, strongly penalised by the lockdown period, came in at €376 million, down 42.2% compared with the same period of 2019. Since the stores reopened on 18 May, store traffic has increased progressively, once again demonstrating the key role played by both the OVS and Upim brands for Italian consumers. After accounting for the number of days stores were actually open, compared with the second quarter of last year, the sales performance was in line with 2019, even though the sales period was postponed from July to August.

The decline in sales was similar in direct and franchise channels, while the Upim brand declined slightly less than OVS due to both a greater presence in small catchment areas and a smaller presence in larger city centres, which were adversely affected by lower traffic than usual due to the closure of offices and a decrease in tourism.

NET SALES: aggregate performance

€mln	31 July '20	31 July '19	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%)**

NET SALES: performance by brand

€mln	31 July '20	31 July '19	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

Thanks to an EBITDA of €36.1 million in the second quarter, the loss recorded in the first three months of the year was fully recovered in the half-year.

In the last quarter, both main brands performed in line with the previous year, thanks to an even more attention on marginality and the measures on the cost front, although stores only reopened in the second half of May and traffic was, on the whole, lower than normal.

EBITDA: performance by brand

	2Q20		31 July '20		2Q19		31 July '19			
€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)**

OVS

RESULT BEFORE TAX AND FOR THE PERIOD

The adjusted profit before tax came to €15.4 million in the second quarter.

The adjusted loss for the half-year was -€29.7 million, only attributable to the decrease in sales caused by the period of store closure. The reported loss for the period was -€75.9 million.

CASH FLOWS SUMMARY

Despite the decrease in sales in the half-year of approximately €270 million, effective working capital management, control over costs and investments, limited the increase of cash absorption to just €62.9 million compared with the same period of the previous year.

This higher absorption was mainly due to payment for goods that went unsold due to the store closures and the lower EBITDA in absolute terms. Many of these goods are in perfect condition to be sold next year, enabling a quick recovery from the inevitable, temporary financial impact.

Some planned investments were temporarily suspended, and both VAT payments and corporate tax payments were lower. Payment extensions granted by suppliers during the lockdown period are progressively returning to normal.

€mln	**1H20**	**1H19**
EBITDA Adjusted	**2.1**	**62.5**
Adjustments [1]	(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)**

NB:

1 For further details, please see the appendix;

The Balance Sheet changes underlying the calculation of cash flow by the indirect method do not reflect the accounting effects of IFRS 16.

NET FINANCIAL POSITION

€ 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

(*) Net debt does not include the accounting impact of mark-to-market valuation and the impact of the application of IFRS16 (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 calculated on the average debt of the last 12 months and the cumulative adjusted EBITDA of the last 12 months.

At 31 July 2020, the Group's adjusted net financial position was €410.6 million net of the mark-to-market effect (negative for €14 million) and the application of IFRS 16 (increase in net liabilities of €878.6 million). Total net debt was therefore in line with the previous year. The company's financial structure is solid. At 31 July 2020, the Group has cash and undrawn credit lines of approximately €155 million. As known, it should be noted that the Group was granted an exemption from testing the only covenant applied (net financial position to EBITDA) until 31 January 2021 (inclusive). If the EBITDA performance in the first quarter is normalised, period-end leverage amounts to 2.7x. The average interest rate for the period was 3.48% + Euribor 3m.

SUMMARY BALANCE SHEET

€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**

Net capital employed at €1,957 million, higher by €36.8 million compared to January 2020, mainly due to the increase in working capital. The decrease in fixed assets compared with the previous year was mainly due to the impairment test carried out at the end of last year.

OTHER INFORMATION

Company information

OVS S.p.A. is an Italian registered company, with its 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.

Approval of the Half-year Financial Report

The Half-year Financial Report was approved by the Board of Directors of OVS SpA on 22 September 2020 and, on the same date, the same body authorised its publication.

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

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.

Conference call for presentation of results

On 23 September 2020 at 3 PM local time (CET) a conference call will take place with analysts and investors during which the main results for the half year ended 31 July 2020 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' section 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.

Half-year Financial Report at 31 July 2020

The Half-year Financial Report at 31 July 2020, pursuant to Article 154-*ter* of the TUF - including the condensed half-year financial statements, the Interim Report on Operations and the declaration required under Article 154-*bis*, paragraph 5 of the TUF - will be made available to the public at the Company's registered office, via the "1info" centralised storage system at the website www.1info.it, and can be viewed on the Company website at www.ovscorporate.it, in the "Investor Relations/Results and Presentations" section. The external auditor's report will also be made available to the public in the same way as soon as it is available and pursuant to the law.

Upcoming events in the financial calendar

Interim Report on Operations for the third quarter of the year ending 31 October 2020	15 December 2020

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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, financial and income 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.

Appendix

€ 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.