



PRELIMINARY RESULTS AS OF OCTOBER 31: EXCELLENT QUARTER WITH TURNOVER AT +6%
STRONG IMPROVEMENT IN NET FINANCIAL POSITION
PROPOSED CAPITAL INCREASE TO CAPTURE M&A OPPORTUNITIES

The preliminary results for the quarter ended 31 October 2020, while affected in recent weeks by the new lockdown, closed with turnover of approximately €360 million, an increase of around 6% on the same quarter of the previous year. Growth was seen across the entire country and all formats; the e-commerce channel recorded an increase of more than 40%.

Again with reference to the preliminary results as at 31 October 2020, partly due to the favourable working capital evolution, the adjusted net financial position improved markedly to around €360 million compared with €395 million in the previous year.

In view of the recent developments in the market in which the Group operates, market that still remains very challenging, an acceleration of the opportunities for aggregation and acquisition is taking place, particularly in the last two months.

To this end, the Board of Directors wants to ensure that the company is even better placed to seize the best opportunities for consolidation in the sector and has resolved to convene the Shareholders' Meeting to submit a proposed capital increase with option rights of up to €80 million.

The main shareholder, TIP - TAMBURI Investment Partners S.p.A., and the Chief Executive Officer Stefano Beraldo, already shareholder of OVS, have stated that they intend to exercise all of their option rights and subscribe according to their respective stakes.

The aim of the capital increase is to:

1. Obtain in advance financial resources for acquisitions and aggregations of companies operating in OVS's market. More of these opportunities are appearing than in the recent past, and this would enable us to pursue our years-long strategy of consolidation. The cash flows generated by the current business will be allocated to normal development and maintenance activities, adaptation of technological infrastructure and the renewal and evolution of ongoing digitalisation processes.

The growth thus achieved would generate substantial synergies in sourcing and relations with landlords, and would allow for a further improvement in operating leverage. The presence of the OVS, Upim and CROFF brands will minimise overlapping.

2. External growth is now more consistent than ever with market developments: concentration is an irreversible trend, with the inevitable marginalisation of brands, formats and companies. The worsening economic environment caused by the global pandemic, and especially the repeated lock-downs, is further threatening companies' survival.

As is well known, OVS has grown steadily, both organically and through acquisitions, and is very well positioned to continue successfully on this path: the variety of its direct and franchise formats and its broad penetration strategy, ranging from locations in the city centre to stores in local areas, aligns perfectly with current and foreseeable changes in the market, which is characterised by reduced consumer mobility and an increasing focus on values such

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as: value for money, better accessibility and the ability to respond promptly to the real daily needs of families. OVS is now the absolute market leader, with a share of more than 8%, but this share could still be significantly improved when compared with those of other leading groups in other countries.

3. As well as excellent market positioning, the Board of Directors believes that OVS has the right expertise in product development, sourcing, quality control, sustainability, commercial organisation and direct experience in integrating other companies and the managerial skills to minimise the risks inherent in aggregation processes.
4. OVS has financial resources that, on their own, would allow it to take advantage of some of the aggregation opportunities that it aims to pursue. The cash absorption caused by the lack of sales in the first lockdown has been amply offset by prompt cost containment, timely order changes and cancellations, strategic agreements with suppliers and, most importantly, an excellent turnover performance in the third quarter. The purpose of the proposed transaction is therefore being able to capture all the best opportunities for dimensional growth outside of the typical constraints of bank financing sources. At the same time, the capital and financial structure will be significantly strengthened.
5. The market situation is also providing more and more opportunities to accelerate growth by acquiring networks that are no longer active, as demonstrated by the recent agreement involving 18 former Auchan stores, which OVS took over without paying any goodwill. Thanks to the many brands and formats available to OVS, not only in the clothing sector (OVS, Upim, OVSkids and Blukids) but also in homeware, with CROFF, which is particularly interesting in a context of more time spent at home and growth in related consumption, OVS is a unique de facto interlocutor. Growth will always be directed towards increasing profitability, and is therefore also based on relocation initiatives, already partly in progress, consisting of the closure of non-profitable stores and their replacement with others offering better value for money.
6. While we believe that high value can be obtained from a leadership position in a mature market that is still very tied to a physical presence, OVS is also strongly committed to giving its customers the best possible omnichannel experience. The Company's commitment to digital evolution has already been demonstrated with a number of initiatives, ranging from product development, with the installation of digital platforms that facilitate all activities and dramatically reduce travel, to the customer experience, with the adoption of new smart checkout systems. In fact, partly due to investments in technology and organisational resources, OVS's direct web channel is growing rapidly, and plans are under way concerning various international marketplaces that will enable OVS to capture major opportunities, particularly in the kids area, where its presence is constantly expanding, including internationally.

The issue price of the shares resulting from the capital increase will be determined by the Board of Directors, taking into account, *inter alia*, market conditions in general and the performance of OVS shares and considering market practice for similar transactions.

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The Extraordinary Shareholders' Meeting is expected to grant the Board of Directors the broadest powers to define, *inter alia*, the final amount of the capital increase, the number of newly issued shares and the issue price, and to determine the timing of the execution of the capital increase, particularly the launch of the rights offer and the subsequent offer on the stock exchange of any rights that remain unopted at the end of the subscription period, within the final deadline of 31 July 2021.

The Board of Directors has resolved to call an Extraordinary Shareholders' Meeting to approve the capital increase for December of this year.

The meeting notice, together with all the information required under Article 125-*bis* of the Consolidated Law on Finance and all the documentation to be submitted to the Shareholders' Meeting pursuant to Articles 125-*ter* and 125-*quater* of the Consolidated Law on Finance, will be made available to the public, within the legal deadlines, at the Company's registered office in Mestre and on the "1Info" authorised storage mechanism at the website www.1info.it.

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