OVS

HALF-YEAR FINANCIAL REPORT

AT 31 JULY 2016

CONTENTS

COMPANY INFORMATION

Registered office of the Parent Company

OVS S.p.A.

Via Terraglio n. 17 – 30174

Venice - Mestre

Legal details of the Parent Company

Authorised share capital €227,000,000.00

Subscribed and paid up share capital €227,000,000.00

Venice Companies Register no. 04240010274

Tax and VAT code 04240010274

Corporate website: www.ovscorporate.it

CORPORATE OFFICERS

Board of Directors

Nicholas Stathopoulos (2)	*Chairman*
Stefano Beraldo	*Chief Executive Officer and General Manager*
Gabriele Del Torchio (1) (2)	*Director*
Stefano Ferraresi (1)	*Director*
Heinz Jürgen Krogner-Kornalik (1) (2)	*Director*
Jerome Pierre Losson	*Director*
Marvin Teubner (3)	*Director*

(1) Member of the Control and Risks Committee

(2) Member of the Appointments and Remuneration Committee

(3) Co-opted by the Board of Directors on April 14, 2016 and confirmed by the shareholders on May 25, 2016

Board of Statutory Auditors

Giuseppe Moretti	*Chairman*
Roberto Cortellazzo Wiel	*Standing Auditor*
Lucio Giulio Ricci	*Standing Auditor*
Lorenzo Boer	*Alternate Auditor*
Stefano Lenoci	*Alternate Auditor*

External auditor

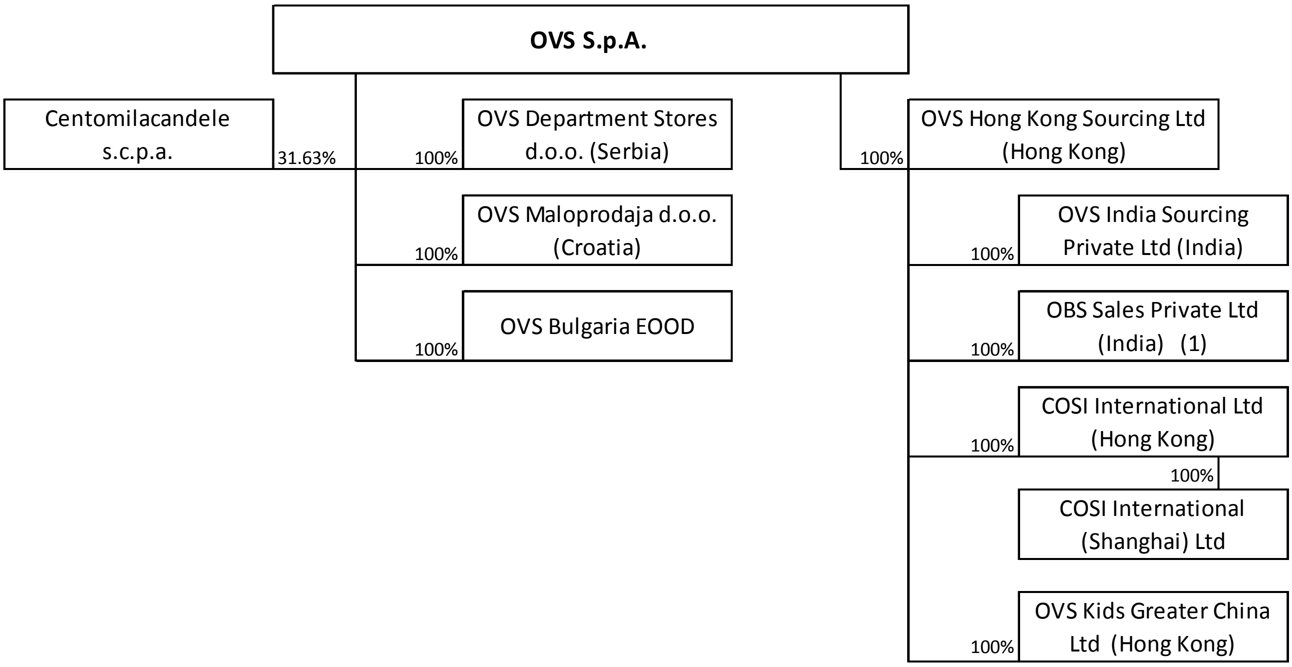
PricewaterhouseCoopers S.p.A.

Director responsible for preparing the company's accounting statements

Nicola Perin

The structure of the Group

The following chart shows how the Group is organised, indicating the relative equity investments as percentages.



(1) Winding up

REPORT ON OPERATIONS

Information on operations at 31 July 2016

Methodology note

In order to provide a better representation of the Company's economic performance, the information reported in the income statement for the first half of 2016 has been adjusted for: i) non-recurring items for €2.2 million (before tax), mainly related to costs incurred for analyzing the feasibility of operations contributing to the expansion of the Group through alliances and acquisitions, and ii) the impact of the accounting treatment of stock options (a non-cash charge of €1.2 million) and currency derivatives (charges of €8.3 million), which require mark-to-market accounting and are therefore very volatile. The comparable figures of the first half 2015 was adjusted for i) non-recurring items (net charges of €12.2 million (before tax), mainly IPO related costs (€3.4 million) and refinancing financial expenses (€6.8 million); and ii) the impact of the accounting treatment of stock options (a non-cash charge of €0.3 million) and currency derivatives (an income of €8.6 million).

In 1H16, OVS generated excellent operating and financial results

- ✓ Net sales for the first half were €640.1 million, up 4.7% compared with the same period a year earlier.
- ✓ EBITDA was €75.1 million, representing 11.7% of net sales, up by €7.4 million (10.9%) and by around 60 bps as a percentage of sales compared with the same period a year earlier.
- ✓ The network increased by 12 full format DOS and an incremental 58 other stores (mainly kids in franchising).
- ✓ Market share increased again, reaching 7.2% and gaining 20 bps compared with the start of the period, and 50 bps compared with the first half of 2015.
- ✓ Net profit was €30.8 million, up €6.5 million (26.9%) compared with the first half of 2015.
- ✓ The net financial position was €321.7 million, after the payment of €34.1 million in dividends in June 2016.

€mln	31 July '16	31 July '15	Chg	Chg %
Net Sales	**640.1**	**611.1**	**29.0**	**4.7%**
EBITDA	**75.1**	**67.7**	**7.4**	**10.9%**
% on net sales	*11.7%*	*11.1%*		
EBIT	**51.0**	**44.4**	**6.6**	**14.8%**
% on net sales	*8.0%*	*7.3%*		
EBT	**44.5**	**37.5**	**7.0**	**18.7%**
% on net sales	*7.0%*	*6.1%*		
Net Profit	**30.8**	**24.3**	**6.5**	**26.9%**
% on net sales	*4.8%*	*4.0%*		
Net Financial Debt	**321.7**	**319.2**	**2.5**	**1%**
Market Share (%)	**7.2**	**6.7**	**0.5**	**7.0%**

Information on operations

OVS S.p.A. continued its path of growth and consolidation in the Italian market. Sales grew by 4.7% in the first half year, driven by further expansion of the network in line with management expectations, with very positive performance of the new stores and an acceleration of franchising openings. In particular, in the semester the network increased by 12 full format DOS and 58 other stores, mainly kids in franchising.

As a result of the increased efficiency resulting from the many initiatives undertaken, both at supply chain level (particularly the relocation of sourcing to lower-cost countries) and at distribution level (in-season replenishment and post-distribution), as well as careful management of costs (the expected savings in electricity and rental costs were achieved), OVS successfully responded to the adverse effect on sales of particularly unfavourable weather conditions in May, a very important month for the spring/summer season. The month was very cold and rainy compared to last year, resulting in a negative like-for-like performance in the semester.

EBITDA reached 11.7% of net sales, up by €7.4 million, or +10.9%, and by around 60 bps as a percentage of sales compared with the same period last year. As expected, the UPIM brand recorded very positive results, doubling its EBITDA from €4.0 million to €8.0 million, confirming the ongoing soundness of the strategic repositioning.

Net profit, which stood at €30.8 million, was up by €6.5 million compared to the same period a year earlier.

Post the €34.1 million dividend payout in June 2016 the financial structure remains sound, with OVS's financial position largely unchanged year-on-year.

Consolidated profit performance

€mln	31 July '16	31 July '15	Chg	Chg %
Net Sales	**640.1**	**611.1**	**29.0**	**4.7%**
Purchases of consumables	270.6	265.4	5.2	1.9%
Gross Margin	**369.5**	**345.7**	**23.8**	**6.9%**
GM%	*57.7%*	*56.6%*		
Total operating costs	294.4	278.0	16.4	5.9%
EBITDA	**75.1**	**67.7**	**7.4**	**10.9%**
EBITDA%	*11.7%*	*11.1%*		
Depreciation & Amortization	24.1	23.3	0.8	3.3%
EBIT	**51.0**	**44.4**	**6.6**	**14.8%**
EBIT %	*8.0%*	*7.3%*		
Net financial (income)/charges	6.5	6.9	(0.4)	-6.1%
PBT	**44.5**	**37.5**	**7.0**	**18.7%**
Tax	13.7	13.2	0.5	n.m.
Net Profit	**30.8**	**24.3**	**6.5**	**26.9%**

€mln	31 July '16	31 July '15	Chg %
Net Sales			
OVS	539.3	517.1	4.3%
UPIM	100.8	94.0	7.2%
Total Net Sales	**640.1**	**611.1**	**4.7%**
EBITDA			
OVS	67.1	63.7	5.3%
EBITDA margin	*12.4%*	*12.3%*	
UPIM	8.0	4.0	98.4%
EBITDA margin	*8.0%*	*4.3%*	
Total EBITDA	**75.1**	**67.7**	**10.9%**
EBITDA margin	***11.7%***	***11.1%***	
Depreciation	(24.1)	(23.3)	3.3%
EBIT	**51.0**	**44.4**	**14.8%**
Net financial income/(charges)	6.5	6.9	-6.1%
EBT	**44.5**	**37.5**	**18.7%**
Taxes	13.7	13.2	
Net Result	**30.8**	**24.3**	**26.9%**

Net Sales

Total sales grew by €29.0 million, or +4.7%, with a positive contribution from network expansion, whilst sales growth on a like-for-like basis (-2.9%) were adversely affected by unfavourable weather conditions, particularly in May, which was also a strong month in the previous year with very favourable conditions. Like-for-like sales excluding May were slightly positive.

OVS registered an increase in sales of 4.3% (up €22.2 million), driven by the steady expansion of the DOS network and an acceleration of franchise openings.

UPIM registered strong growth: its sales rose by 7.2% (up €6.8 million), benefiting from (i) the positive reception by the public of the brand's repositioning in terms of format and products and (ii) the expansion of the kids franchise network (Blukids).

EBITDA

EBITDA was €75.1 million (11.7% of net sales), up €7.4 million (+10.9%) from €67.7 million for the same period of 2015 (11.1% of net sales).

Both brands made a strong contribution to this performance, also thanks to (i) a substantial improvement in the gross margin due to actions undertaken at supply chain level (relocation of part of purchasing to lower-cost countries) and at distribution level (better-quality stock and a relative reduction in the impact of mark-downs), and (ii) careful cost control and specific savings initiatives (particularly on rental costs and electricity, thanks to the LED project).

The OVS brand registered an increase of €3.4 million in EBITDA (up 5.3% on last year), while the UPIM brand increased by €4.0 million (up 98.4%).

Operating income

Thanks to the positive EBITDA performance, operating income came in at €51.0 million, up €6.6 million or +14.8% compared to the same period last year. Depreciation and amortisation increased slightly, as a result of the network expansion activities and the investment in operations.

Profit before Tax and Net Result

Profit before tax was €44.5 million, up €7.0 million or +18.7% compared to the first half of 2015. This performance was driven by operating income and decreasing financial expenses.

Net profit stood at €30.8 million, up by €6.5 million.

Summary consolidated statement of financial position

€mln	31 July '16	31 January '16	Chg
Trade Receivables	83.7	71.0	12.6
Inventory	317.9	289.7	28.2
Trade Payables	(350.1)	(368.8)	18.7
Net Operating Working Capital	**51.4**	**(8.1)**	**59.6**
Other assets/(liabilities)	(80.9)	(91.3)	10.4
Net Working Capital	**(29.5)**	**(99.5)**	**70.0**
Tangible and Intangible Assets	1,358.5	1,357.2	1.4
Net deferred taxes	(141.5)	(142.7)	1.2
Other long term assets/(liabilities)	(6.8)	(6.1)	(0.6)
Pension funds and other provisions	(51.3)	(48.7)	(2.6)
Net Capital Employed	**1,129.4**	**1,060.1**	**69.3**
Net Equity	807.7	825.1	(17.4)
Net Financial Debt	321.7	235.0	86.7
Total source of financing	**1,129.4**	**1,060.1**	**69.3**

Net Financial Position

At 31 July 2016, after the payment of €34.1 million in dividends in June, the Group's net financial position was €321.7 million, largely unchanged compared with the same period of the previous year. The ratio of net financial position to EBITDA for the last 12 months is 1.7x. The current interest rate on debt is 2.50% + Euribor 3M (currently around 0%).

Capital structure

The company's net invested capital of €1,129.4 million increased by €69.3 (or +6.5%) substantially in line with the growth of turnover and network.

Shareholders' equity

Shareholders' equity decreased from €825.1 million at 31 January 2016 to €807.7 million at 31 July 2016. As well as the economic results for the period, this change reflects the impact of the distribution of 2015 dividends for €34.1 million occurred in June 2016.

Consolidated statement of cash flows

€mln	31 July '16	31 July '15	31 January '16
EBITDA	**75.1**	**67.7**	**179.6**
Change in Net Operating Working Capital	(59.6)	(13.1)	(5.6)
Other changes in Working Capital	(9.9)	(11.5)	12.4
Capex	(29.7)	(33.9)	(68.3)
Operating Cash Flow	**(24.1)**	**9.2**	**118.0**
Financial charges	(7.5)	(12.3)	(20.2)
Severance indemnity payment	(0.9)	(1.6)	(2.5)
Corporate taxes	(10.9)	(17.9)	(20.5)
IPO costs (excl. bank commissions)	0.0	(3.4)	(3.6)
IPO proceeds (net of bank commissions)		349.0	349.1
Dividends	(34.1)		
Others	**(0.9)**	**(5.8)**	**(6.1)**
Net Cash Flow (excl derivatives MtM and amortised costs)	**(78.4)**	**317.2**	**414.1**
MtM derivatives, amortized cost and exchange differences	(8.3)	(12.0)	(24.7)
Net cash flow	**(86.7)**	**305.2**	**389.4**

Operating cash flow

Operating cash flow for the half-year (negative €24.1 million) is representative of the normal seasonality of the business, accentuated this year by an acceleration of the opening of affiliated stores, both in Italy and abroad, which resulted in an increase in trade receivables. The increase in stock was largely in line with the growth in sales, while payables decreased, mainly reflecting (i) the settlement of balances relating to capex for the LED project carried out in previous periods, and (ii) a partial change in the supplier mix due to the relocation of part of purchasing activities to lower-cost countries and a change in the payment conditions of some suppliers granting better purchasing conditions. The increase in net working capital is under control, in line with the activities implemented by management.

Consolidated profit performance in the first half of 2016

The following table presents the consolidated profit performance of the Group for the first half of 2016, and shows the effect of non-recurring expenses, the Stock Option Plan and derivatives trading in the period under review:

(milions of euros)	31 July 2016	of which non-recurring	of which stock option plan, derivatives, PPA, exchange rate difference		31 July 2016 adjusted
Revenues and income	**668.2**	**0.0**	**0.0**		**668.2**
Purchases of consumables	275.5	0.0	4.9	(a)	270.6
Staff costs	135.4	0.2	1.2		134.0
Depreciation, amortisation and write-downs of assets	28.4	0.0	4.3		24.1
Other operating expenses	190.5	2.0	0.0		188.5
Total operating costs	**629.8**	**2.2**	**10.4**		**617.2**
Net financial gains (losses) and foreign exchange differences	(9.9)	0.0	(3.4)	(a) (b)	(6.5)
Profit before taxes	**28.5**	**(2.2)**	**(13.8)**		**44.5**
Taxes	(10.5)	0.6 (c)	2.6	(c)	(13.7)
Net result	**18.0**	**(1.6)**	**(11.2)**		**30.8**

(a) The items include exchange rate differences due to hedging derivatives related to purchases of goods in non-euro currencies, positive for €4.9 million in the first half of 2016, reclassified from the item "Net financial income (charges)".
(b) Adjusted in the change of the mark-to-market value of the semester, negative for €8.3 million.
(c) Calculated solely on significant items for the purpose of current tax IRES.

The following table presents the consolidated profit performance of the Group for the first half of 2015.

(milions of euros)	31 July 2015	of which non-recurring	of which stock option plans and derivatives	31 July 2015 adjusted
Revenues and income	**639.3**	**0.0**	**0.0**	**639.3**
Purchases of consumables	265.4	0.0	0.0	265.4
Staff costs	127.1	0.3	0.3	126.5
Depreciation, amortisation and write-downs of assets	27.6	0.0	4.3	23.3
Other operating expenses	184.8	5.1	0.0	179.7
Total operating costs	**604.9**	**5.4**	**4.6**	**594.9**
Net financial gains (losses) and foreign exchange differences	(5.1)	(6.8)	8.6	(6.9)
Profit before taxes	**29.3**	**(12.2)**	**4.0**	**37.5**
Taxes	(12.1)	3.4	(2.3)	(13.2)
Net result	**17.2**	**(8.8)**	**1.7**	**24.3**

Management of financial risks

Management of financial risks is described in detail in "Information on financial risks" in the notes to the condensed consolidated half-year financial statements at 31 July 2016.

Investments

In the first six months of the year, investments of €29.7 million were made, mostly in the Group's growth and relating mainly to (i) new store openings, for around €18 million; (ii) the maintenance and restructuring of the existing sales network, for around €5 million; (iii) the development of IT systems, for around 5 million.

Related-party transactions

In the notes to the condensed consolidated financial statements, detailed information is provided on relations with related parties.

Treasury shares

The Company does not own and did not own during the period, including through an intermediary or through a trust company, treasury shares and shares or units of parent companies.

Stock option plan

On 26 May 2015, the shareholders' meeting approved the 2015-2020 Stock Option Plan, which will be implemented through the allocation of free options for subscription to ordinary newly issued shares of OVS S.p.A.. The Plan is reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries. The Plan is intended to create value for shareholders by improving long-term corporate performance and attracting personnel that play a key role in the Company's development.

The Plan provides for the issue of up to 5,107,500 options, which will be freely allocated to the beneficiaries if certain performance targets are met, and confers on each of them the right to subscribe to one ordinary share of the Company for each option assigned.

The same meeting was also convened in an extraordinary session to resolve upon the proposal to give the Board of Directors, for a period of five years from the date of the resolution, the power to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000, through the issue, in one or more tranches, of up to 5,107,500 ordinary shares with no par value, to be reserved for the Beneficiaries of the "2015-2020 Stock Option Plan", with the consequent amendment of Article 5 of the Articles of Association. At the present date, 5,101,375 stock options are assigned.

For details of the Plan, see the Report of the Board of Directors and the information memorandum, pursuant to Article 84-*bis* of Consob Regulation 11971/1999, which is available on the Company website at www.ovscorporate.it, in the Governance/Shareholders' Meeting section.

Significant events after the reporting period

On September 19, 2016 OVS S.p.A. announced a minority investment, equal to a 35% stake, in Sempione Retail AG for an overall investment of CHF 14.1 million (and related shareholder loan) with no material impact on its financial leverage. Sempione Retail and Charles Vögele Holding AG jointly announced that the two companies have entered into a definitive transaction agreement pursuant to which Sempione Retail will launch an all cash public tender offer for all publicly held bearer shares of Charles Vögele. Sempione Retail is a company owned by a consortium consisting of OVS (35%), Aspen Trust Services Limited as trustee of the Elarof Trust (20.5%), already a 15.2% shareholder of Charles Vögele, and Retails Investment S.r.l. (44.5%), a company with an expertise in the apparel sector. OVS and Retails Investment S.r.l. have entered into a shareholders' agreement relating to Sempione Retail to launch the Offer on Charles Vögele and to regulate the management of Sempione Retail.

Outlook

The network expansion continued in the first part of the second semester, with 31 stores added to date, including 5 full format DOS. However, the autumn/winter season has had an unfavourable start in terms of weather, with unusual high temperatures well above the seasonal average, particularly in the first half of September.

Our strategy of consolidation of the Italian market and our priorities remain unchanged whilst we continue to expand in foreign markets. The recently announced minority investment in Sempione Retail and the potential related commercial agreement with Charles Vögele, represents a great commercial opportunity for the internationalization of OVS brand through a limited financial investment of CHF 14.1 million by the group.

We believe that the soundness of our strategy evidenced by strong growth historically will continue to deliver sustainable and remunerative growth for our shareholders.

Venice, 21 September 2016

for the Board of Directors
The Chief Executive Officer

Stefano Beraldo

Schedules for the condensed consolidated half-year financial statements at 31 July 2016

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 31 JULY 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of euros)

ASSETS	Note	31.07.2016	of which related parties	31.01.2016	of which related parties
Current assets					
Cash and banks	*1*	55,785		125,636	
Trade receivables	*2*	83,654	4,329	71,025	3,955
Inventories	*3*	317,903		289,675	
Financial assets	*4*	8,589		16,308	
Current tax assets	*5*	552		923	
Other receivables	*6*	33,856		33,406	
Total current assets		**500,339**	**4,329**	**536,973**	**3,955**
Non-current assets					
Property, plant and equipment	*7*	265,144		260,083	
Intangible assets	*8*	640,702		644,412	
Goodwill	*9*	452,541		452,541	
Equity investments	*10*	136		136	
Financial assets	*4*	1,802		1,988	
Other receivables	*6*	5,628		5,633	
Total non-current assets		**1,365,953**	**0**	**1,364,793**	**0**
TOTAL ASSETS		**1,866,292**	**4,329**	**1,901,766**	**3,955**

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.07.2016	of which related parties	31.01.2016	of which related parties
Current liabilities					
Financial liabilities	*11*	16,210		7,355	
Trade payables	*12*	350,136	2,930	368,834	1,807
Current tax liabilities	*13*	22,872	22,746	23,771	23,506
Other payables	*14*	92,478	1,025	101,895	2,701
Total current liabilities		**481,696**	**26,701**	**501,855**	**28,014**
Non-current liabilities					
Financial liabilities	*11*	371,680		371,601	
Employee benefits	*15*	43,421		40,529	
Provisions for risks and charges	*16*	7,890		8,216	
Deferred tax liabilities	*17*	141,517		142,733	
Other payables	*14*	12,399		11,776	
Total non-current liabilities		**576,907**	**0**	**574,855**	**0**
TOTAL LIABILITIES		**1,058,603**	**26,701**	**1,076,710**	**28,014**
SHAREHOLDERS' EQUITY					
Share capital	*18*	227,000		227,000	
Other reserves	*18*	562,760		511,429	
Net result for the period		17,929		86,627	
TOTAL SHAREHOLDERS' EQUITY		**807,689**	**0**	**825,056**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,866,292**	**26,701**	**1,901,766**	**28,014**

CONSOLIDATED INCOME STATEMENT

(thousands of euros)

	Note	31.07.2016	of which non-recurring	of which related parties	31.07.2015	of which non-recurring	of which related parties
Revenues	*19*	640,106		286	611,144		2,259
Other operating income and revenues	*20*	28,112			28,202	37	
Total revenues		**668,218**	**0**	**286**	**639,346**	**37**	**2,259**
Purchases of raw materials, consumables and goods	*21*	275,518		2	265,442		(108)
Staff costs	*22*	135,440	194	2,670	127,066	352	2,251
Depreciation, amortisation and write-downs of assets	*23*	28,376			27,611		
Other operating expenses							
Service costs	*24*	82,656	657	5,937	79,309	1,727	6,730
Costs for the use of third-party assets	*25*	96,043	17	192	91,275	632	(319)
Write-downs and provisions	*26*				1,400		
Other operating charges	*27*	11,837	1,364	1	12,838	2,735	15
Result before net financial expenses and taxes		**38,348**	**(2,232)**	**(8,516)**	**34,405**	**(5,409)**	**(6,310)**
Financial income	*28*	24			54		
Financial expenses		(7,603)			(17,489)	(6,774)	
Exchange rate gains and losses		(2,341)			12,287		
Gains (losses) from equity investments		0			47		
Net result for the period before tax		**28,428**	**(2,232)**	**(8,516)**	**29,304**	**(12,183)**	**(6,310)**
Taxes	*29*	(10,499)	614		(12,106)	3,350	
Net result for the period		**17,929**	**(1,618)**	**(8,516)**	**17,198**	**(8,833)**	**(6,310)**

Net result for the period attributable to the Group		**17,929**			**17,198**		
Net result for the period attributable to minority interests		**0**			**0**		
Earnings per share (in euro)							
- basic		0.08			0.08		
- diluted		0.08			0.08		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euros)

	31.07.2016	31.07.2015
Net result for the period (A)	**17,929**	**17,198**
Other gains (losses) that will not be subsequently reclassified in the income statement:		
- Actuarial gains (losses) for employee benefits	(3,124)	2,349
- Tax on items recognised in the reserve for actuarial gains (losses)	699	(646)
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement	**(2,425)**	**1,703**
Other gains (losses) that will be subsequently reclassified in the income statement:		
- Gains (losses) on cash flow hedging instruments	0	(16,400)
- Tax on items recognised in the cash flow hedging reserve	0	4,510
- Change in translation reserve	(42)	(2,437)
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement	**(42)**	**(14,327)**
Total other items of comprehensive income (B)	**(2,467)**	**(12,624)**
Total comprehensive income for the period (A) + (B)	**15,462**	**4,574**
Total comprehensive income attributable to the Group	15,462	4,574
Total comprehensive income attributable to minority interests	-	-

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of euros)

	Note	31.07.2016	31.07.2015
Operating activities			
Net result for the period		17,929	17,198
Provision for taxes	*29*	10,499	12,106
Adjustments for:			
Net depreciation, amortisation and write-downs of fixed assets	*23*	28,376	27,611
Net capital losses (gains) on fixed assets		38	731
Losses (gains) from equity investments	*28*	0	(47)
Net financial expenses (income)	*28*	7,573	17,433
Expenses (income) from foreign exchange differences and currency derivatives	*28*	(5,947)	(3,085)
Loss (gain) on derivatives due to change in fair value	*28*	8,294	(9,201)
Allocations to provisions	*15-16*	0	0
Utilisation of provisions	*15-16*	(1,214)	(2,204)
Cash flows from operating activities before changes in working capital		**65,548**	**60,542**
Cash flow generated by change in working capital	*2-3-5-6-12-13-14-17*	(65,973)	(29,262)
Taxes paid		(10,942)	(17,782)
Net interest received (paid)		(8,018)	(18,542)
Realised foreign exchange differences and cash flows from currency derivatives		5,995	3,732
Dividends received		0	47
Other changes		1,179	(2,137)
Cash flow generated (absorbed) by operating activities		**(12,211)**	**(3,402)**
Investment activities			
(Investments) in fixed assets	*7-8-9*	(33,429)	(35,139)
Disposals of fixed assets	*7-8-9*	64	1,261
(Increase) decrease in equity investments	*10*	0	0
Cash flow generated (absorbed) by investment activities		**(33,365)**	**(33,878)**
Financing activities			
Net change in financial assets and liabilities	*4-11*	9,775	(301,783)
Increase in share capital and reserves		0	349,110
Dividends distributed		(34,050)	0
Cash flow generated (absorbed) by financing activities		**(24,275)**	**47,327**
Increase (decrease) in cash and cash equivalents		**(69,851)**	**10,047**
Cash and cash equivalents at start of period		**125,636**	**40,334**
Cash and cash equivalents at end of period		**55,785**	**50,381**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of euros)

	Share Capital	Share premium reserve	Legal reserve	Cash flow hedging reserve	Reserve for actuarial gains (losses)	Translation reserve	IFRS 2 reserve	Other reserves	Retained earnings	Net result for the period	Total sharehol-ders' equity attributable to the OVS Group
Balance at 1 February 2015	**140,000**	**249,885**	**0**	**19,255**	**(2,687)**	**2,881**	**0**	**2,456**	**0**	**(3,792)**	**407,998**
Allocation of earnings for financial year 2014	-	-	-	-	-	-	-	-	(3,792)	3,792	0
Increase in share capital and reserves less listing costs	87,000	262,110	-	-	-	-	-	-	-	-	349,110
Management incentive plan	-	-	-	-	-	-	300	-	-	-	300
Net result for the period	-	-	-	-	-	-	-	-	-	17,198	17,198
Other items of comprehensive income	-	-	-	(11,890)	1,703	(2,437)	-	-	-	-	(12,624)
Total comprehensive income for the period	-	-	-	**(11,890)**	**1,703**	**(2,437)**	-	-	-	**17,198**	**4,574**
Balance at 31 July 2015	**227,000**	**511,995**	**0**	**7,365**	**(984)**	**444**	**300**	**2,456**	**(3,792)**	**17,198**	**761,982**
Balance at 1 February 2016	**227,000**	**511,995**	**0**	**0**	**(1,063)**	**440**	**1,393**	**2,456**	**(3,792)**	**86,627**	**825,056**
Allocation of earnings for financial year 2015	-	-	4,092	-	-	-	-	-	82,535	(86,627)	0
Dividends distribution (Euro 0.15 per share)	-	-	-	-	-	-	-	-	(34,050)	-	(34,050)
Management incentive plan	-	-	-	-	-	-	1,221	-	-	-	1,221
Net result for the period	-	-	-	-	-	-	-	-	-	17,929	17,929
Other items of comprehensive income	-	-	-	-	(2,425)	(42)	-	-	-	-	(2,467)
Total comprehensive income for the period	-	-	-	**0**	**(2,425)**	**(42)**	-	-	-	**17,929**	**15,462**
Balance at 31 July 2016	**227,000**	**511,995**	**4,092**	**0**	**(3,488)**	**398**	**2,614**	**2,456**	**44,693**	**17,929**	**807,689**

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

OVS S.p.A. (hereinafter also the "Company" or the "Parent Company") is a company incorporated on 14 May 2014, domiciled in Italy and organised under the laws of the Italian Republic, with its registered office at 17, via Terraglio, Mestre, Venice, Italy.

Borsa Italiana, with Provision 8006 of 10 February 2015, approved the admission to trading of OVS S.p.A.'s shares on the Mercato Telematico Azionario (MTA), organised and managed by Borsa Italiana S.p.A..
Consequently, on 24 February 2015, the global offer for subscription and sale of ordinary shares of the Company, with the aim of listing it on the MTA, was successfully completed, with requests made for 226,832,292 shares by 5,233 requesters and demand of around twice the quantity of shares on offer.
Based on the offer price of €4.10 per share, the Company's market capitalisation was around €930.7 million.
The start of trading on the MTA was set by Borsa Italiana for Monday, 2 March 2015. The subscription operation entailed a capital increase of €87,000,000, taking the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.

SUMMARY OF ACCOUNTING STANDARDS AND VALUATION CRITERIA USED

Basis of preparation

The condensed consolidated half-year financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. "IFRS" is intended to mean all the revised International Accounting Standards (IAS), and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC). At the reporting date for the consolidated financial statements, these had been approved by the European Union under the procedure set forth in (EC) Regulation 1606/2002 of the European Parliament and the European Council of 19 July 2002.

The condensed consolidated half-year financial statements at 31 July 2016 were prepared pursuant to IAS 34, which relates to interim financial reporting. IAS 34 allows for the preparation of financial statements in condensed form, i.e. based on a minimum level of disclosure that is significantly lower than that required by the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union (IFRS), when full financial statements prepared pursuant to IFRS have already been made publicly available. The condensed consolidated half-year financial statements were prepared in "summary" form and should therefore be read in conjunction with the consolidated financial statements of the OVS Group for the year ended 31 January 2016, prepared pursuant to IFRS.

The condensed consolidated half-year financial statements at 31 July 2016 of the OVS Group, which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in consolidated shareholders' equity and the Notes to the financial statements, are presented in euros as the current currency of the economies in which the Group chiefly operates, unless otherwise indicated.

The condensed consolidated half-year financial statements at 31 July 2016 were prepared on a going concern basis, as the directors verified the absence of any financial, operational or other indicators that could signal problems with the Group's ability to meet its obligations in the foreseeable future, and particularly in the next 12 months.

With regard to procedures for the presentation of the consolidated accounts, in the context of the options provided for by IAS 1, OVS S.p.A. has opted for the following types of accounting schedules:

- Statement of financial position: assets and liabilities are classified with current and non-current items shown separately;
- Income statement: prepared separately from the statement of comprehensive income with operating costs classified by nature;
- Statement of comprehensive income: includes, as well as net profit or loss for the period, changes in shareholders' equity related to items of an economic nature which, by express provision of the international accounting standards, are recognised as components of shareholders' equity;
- Statement of cash flows: the statement shows the cash flows from operating, investment and financial activities. The indirect method was used to prepare this statement;
- Statement of changes in shareholders' equity: shows the net profit or loss for the period and each item of income and expense not posted to the income statement but recognised directly in equity pursuant to specific IAS/IFRS.

The schedules used, as specified above, provide the best representation of the OVS Group's financial position and profit performance.

The Notes to the financial statements analyse, expand upon and comment on the values shown in the OVS Group's consolidated financial statements. They are accompanied by additional information deemed necessary to give a true and fair view of the Group's financial position and results.
Changes in the items recognised under assets and liabilities are elaborated upon when they are significant.
The consolidated financial statements were prepared using the conventional historical cost method, altered as required for the valuation of some derivatives.
Please see the Report on Operations for information on the nature of the Group's activity and significant events taking place after the reporting date.

PricewaterhouseCoopers S.p.A. has performed a limited audit on the condensed consolidated half-year financial statements at 31 July 2016.

Use of estimates in the preparation of the financial statements

The preparation of these consolidated half-year financial statements and the related Notes required the management of the OVS Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure. The final results of the accounting items for which these estimates and assumptions were used may differ from those reported in the financial statements, which record the effects of the occurrence of the event being valued.
It should also be noted that certain valuation processes, particularly more complex ones such as establishing impairment of non-current assets, are generally carried out in their fullest form only when the annual financial statements are prepared, when all the information that might be required is available, except in cases where there are indicators of impairment that require an immediate assessment of any loss in value.

Scope of consolidation

The condensed consolidated half-year financial statements at 31 July 2016 include, as well as the parent company's financial statements, the financial statements of all the subsidiaries from the date at which control is assumed until the date at which this control ceases.
The following is a list of companies included within the scope of consolidation on a line-by-line basis:

Company	Registered office	Share capital		% investment
Italian companies				
OVS S.p.A.	Venice - Mestre	227,000,000.00	EUR	Parent Company
Foreign companies				
OVS Department Stores D.O.O.	Belgrade - Serbia	708,102,918	RSD	100%
OVS Maloprodaja D.O.O.	Zagreb - Croatia	20,000	HRK	100%
OVS Bulgaria Eood	Sofia - Bulgaria	2,870,000	BGN	100%
OVS Hong Kong Sourcing Limited	Hong Kong	585,000	HKD	100%
OVS India Sourcing Private Ltd	Delhi - India	15,000,000	INR	100%
OBS Sales Private Ltd	Delhi - India	15,000,000	INR	100%
COSI International Ltd	Hong Kong	10,000	HKD	100%
COSI International (Shanghai) Ltd	Shanghai - China	1,000,000	RMB	100%
OVS Kids Greater China Ltd	Hong Kong	1	HKD	100%

List of equity investments measured using the equity method:

Company	Registered office	Share capital		% investment
Centomilacandele S.c.p.A.	Milan	300,000.00	EUR	31.63%

In the half-year ended 31 July 2016, there were no changes in scope compared with the previous year.

Financial statements in foreign currencies

The exchange rates used to translate the financial statements of companies that have a functional currency other than the euro are shown in the following table:

		Final exchange rate at		Average of the period ended 31 July	
Currency	**Code**	**31.07.2016**	**31.01.2016**	**2016**	**2015**
US dollar	USD	1.11	1.09	1.12	1.11
Hong Kong dollar	HKD	8.62	8.51	8.69	8.57
Chinese renminbi	RMB	7.39	7.18	7.34	6.87
Croatian kuna	HRK	7.49	7.66	7.53	7.61
Serbian dinar	RSD	123.04	123.73	123.04	120.46
Bulgarian lev	BGN	1.96	1.96	1.96	1.96
Indian rupee	INR	74.41	74.10	75.18	69.76

Accounting policies and consolidation criteria

The accounting standards and consolidation criteria used to prepare the condensed consolidated half-year financial statements at 31 July 2016 are consistent with those used to prepare the consolidated financial statements for the year ended 31 January 2016, to which reference is made for the purpose of completeness, except in the case of:

1. income tax, which is recognised based on the best estimate of the weighted average tax rate expected for the full year;
2. the content of the accounting standards and amendments reported below, applied with effect from the year 2016, as they became mandatory following completion of the relative approval procedures by the competent authorities.

Accounting standards, amendments and interpretations with effect from fiscal year 2016

The new and/or revised standards of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the application of which is mandatory as of year 2016, are set out below.

Description	Approved at the date of this document	Effective date under the standard
Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangibles assets' on depreciation and amortization	Yes	Years starting on or after 01 January 2016
Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation	Yes	Years starting on or after 01 January 2016
Amendment to IAS 16 'Property, plant and equipment' and IAS 41 'Agricolture' regarding bearer plants	Yes	Years starting on or after 01 January 2016
Amendment to IAS 27 'Separate financial statement' on the equity method	Yes	Years starting on or after 01 January 2016
Amendment to IAS 1 'Presentation of financial statements' on the disclosure initiative	Yes	Years starting on or after 01 January 2016
Annual improvements cycles 2012-2014	Yes	Years starting on or after 01 January 2016

The adoption of the accounting standards, amendments and interpretations shown in the above table had no significant effects on the OVS Group's financial position or results.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the OVS Group

The international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB, indicating whether they are endorsed or not endorsed for adoption in Europe at the approval date of this document, are set out below:

Description	Approved at the date of this document	Effective date under the standard
IFRS 14 'Regulatory deferral accounts'	No	The approval process will start once approved the final text of the standard
IFRS 9 'Financial instruments' – classification and measurement	No	Years starting on or after 01 January 2018
IFRS 15 'Revenue from contracts with customers'	No	Years starting on or after 01 January 2018
Amendment to IFRS 15 'Revenue from contracts with customers'	No	Years starting on or after 01 January 2018
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'	No	Suspended
Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception	No	Years starting on or after 01 January 2016
Amendment to IAS 7 Statement of cash flow on disclosure initiative	No	Years starting on or after 01 January 2017
Amendment to IAS 12 'Income taxes' on Recognition of deferred tax assets for unrealized losses	No	Years starting on or after 01 January 2017
IFRS 16 'Leases'	No	Years starting on or after 01 January 2019, with early adoption permitted if together with the adoption of IFRS 15
Amendment to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions	No	Years starting on or after 01 January 2018

Note that no accounting standards and/or interpretations for which application is mandatory for periods beginning on or after 31 July 2016 have been applied.

The OVS Group is assessing the effects of applying the above standards; they are currently not regarded as likely to have an impact.

INFORMATION ON FINANCIAL RISKS

The main corporate risks identified, monitored and - as specified below - actively managed by the OVS Group are as follows:

• market risk (defined as foreign exchange risk and interest rate risk);

• credit risk (relating both to normal commercial relationships with customers and to financing activity); and

• liquidity risk (relating to the availability of financial resources and access to the credit market, and to financial instruments in general).

The condensed consolidated half-year financial statements at 31 July 2016 do not include all the information relating to financial risks described in the consolidated financial statements for the year ended 31 January 2016: please see these financial statements for a more detailed analysis.

There were no changes in the types of risks to which the OVS Group is exposed and its risk management policy compared with the risks described in the consolidated financial statements for the year ended 31 January 2016.

Credit risk

Credit risk represents the OVS Group's exposure to the risk of potential losses arising from default by counterparties.

In the period under review, there were no significant concentrations of credit risk, as this risk is mitigated by the fact that credit exposure is spread over a large number of customers, mainly in Italy.

To reduce credit risk, the OVS Group also obtains guarantees in the form of sureties in respect of loans granted for the supply of merchandise. At 31 July 2016, total guarantees amounted to €40.8 million, including €18.0 million in overdue receivables (€37.9 million at 31 January 2016, including €15.1 million in overdue receivables).

Trade receivables are recognised net of write-downs calculated on the basis of the risk of counterparty default, determined by using available information on the solvency of the customer and taking historical data into account. Positions that are particularly significant, and that are objectively partially or totally irrecoverable, are written down individually.

Trade receivables totalled €83.7 million (€71.0 million at 31 January 2016).

Written-down receivables amounted to €7.1 million (€7.7 million at 31 January 2016).

Overdue receivables not written down, as the situation with regard to collection is not critical, amounted to €24.2 million (€23.6 million at 31 January 2016).

Please see note 2 ("Trade receivables") for further details of the provision for doubtful accounts.

Liquidity risk

Liquidity risk can arise through an inability to access, under economically viable conditions, the financial resources necessary for the OVS Group to operate. The two main factors influencing the OVS Group's liquidity levels are:

• the financial resources generated or absorbed by operating and investment activities;

• the expiry and renewal of financial debt.

The OVS Group's liquidity requirements are monitored by the treasury function, in order to guarantee effective access to financial resources and adequate liquidity investment/yield levels.

Management believes that the funds and credit lines currently available, in addition to those generated by operating and financing activities, will enable the OVS Group to meet its requirements in respect of investment activities, management of working capital and the repayment of debt when it is contractually due.

For more information about the changes that took place in the OVS Group's financial structure during the half-year, see note 11 below.

Market risk

Interest rate risk

The OVS Group uses external financial resources in the form of debt and employs liquidity available in bank deposits. Fluctuations in market interest rates affect the cost and yield of various forms of financing and investment, thus affecting the OVS Group's level of financial expenses and income. The new loan agreement signed on 23 January 2015, which came into effect on 2 March 2015, does not include an obligation to hedge interest rate risk.

Anyway, to manage these risks, OVS uses interest rate derivatives ("caps") with the aim of mitigating, under economically acceptable conditions, the potential impact of changes in interest rates on the income statement.

Exchange rate risk

Exposure to the risk of exchange rate fluctuations derives from the OVS Group's commercial activities that are also conducted in currencies other than the euro. Revenues and costs denominated in foreign currencies can be affected by exchange rate fluctuations, with an impact on sales margins (economic risk), and payables and receivables in foreign currencies may be affected by the conversion rates used, with an impact on the income statement (transactional risk).

The main exchange rate to which the OVS Group is significantly exposed is the EUR/USD, in relation to purchases in dollars made in the Far East and on other markets in which the dollar is the trading currency. The Group is also exposed to the EUR/HKD exchange rate in relation to the translation risk of investee company OVS Hong Kong Sourcing Limited. The conversion effects of the other foreign companies for which the euro is not the functional currency are marginal.
Exchange rate fluctuations may result in the realisation or reporting of positive or negative exchange rate differences. The OVS Group also hedges orders that are highly probable although not acquired, pursuing the management aim of minimising the risks to which the Group is exposed.
In the period under review, the nature and structure of exposure to foreign exchange risk and the hedging policies followed by the OVS Group did not change substantially compared with the consolidated financial statements for the year ended 31 January 2016.

Fair value estimates

The fair value of financial instruments traded in an active market is based on market prices at the reporting date. The fair value of instruments that are not traded in an active market is measured using valuation techniques based on a series of methods and assumptions linked to market conditions at the reporting date.
The fair value classification for financial instruments based on hierarchical levels is shown below:
• Level 1: fair value is measured with reference to quoted prices (unadjusted) in active markets for identical financial instruments;
• Level 2: fair value is measured using valuation techniques with reference to variables observable on active markets;
• Level 3: fair value is measured using valuation techniques with reference to variables unobservable on active markets;
The financial instruments shown at fair value of the OVS Group are classified as Level 2, and the general criterion used to calculate it is the present value of future cash flows expected from the instrument being valued.
Moreover, it should be noted that in the first half of 2016 there were no transfers of financial assets and liabilities classified according to the various levels of the fair value hierarchy.
Liabilities relating to bank borrowings are measured using the "amortised cost" criterion.
Carrying amount of trade receivables and payables is deemed to be close to the current value.

INFORMATION ON OPERATING SEGMENTS

Pursuant to IFRS 8, management has identified the following operating segments:

• OVS, active in the value fashion market, offering stylish and high-quality clothing at competitive prices, with a focus on the latest trends and fashions; and

• UPIM, active in the value segment of the Italian market, offering women's, men's and children's clothing products, homeware and fragrance, with particularly competitive price positioning and a key focus on the family.

The results of the operating segments are measured by analysing EBITDA and adjusted EBITDA, defined respectively as earnings before depreciation and amortisation, asset write-downs, financial income and expenses and tax, and EBITDA after non-recurring income and expenses.

Specifically, management believes that EBITDA and adjusted EBITDA provide a good performance indicator as they are not affected by tax legislation or depreciation/amortisation policy.

	31 July 2016			31 July 2015		
(thousands of euros)	OVS	UPIM	Total	OVS	UPIM	Total
Revenues by segment	**539,325**	**100,781**	**640,106**	**517,134**	**94,010**	**611,144**
EBITDA (A)	**64,216**	**7,418**	**71,634**	**59,898**	**2,118**	**62,016**
% of revenues	11.9%	7.4%	11.2%	11.6%	2.3%	10.1%
Non-recurring expenses	1,829	403	2,232	3,594	1,815	5,409
Stock Option plan	1,029	192	1,221	254	46	300
EBITDA *Adjusted*	**67,074**	**8,013**	**75,087**	**63,746**	**3,979**	**67,725**
% of revenues	12.4%	8.0%	11.7%	12.3%	4.3%	11.1%
Depreciation, amortisation and write-downs of assets (B)			(28,376)			(27,611)
Profit before net financial expenses and taxes (A-B)			**43,258**			**34,405**
Financial income			24			54
Financial expenses			(7,603)			(17,489)
Foreign exchange gains and losses			(7,251)			12,287
Gains (losses) from equity investments			0			47
Net result before tax			**28,428**			**29,304**
Taxes			(10,499)			(12,106)
Net result			**17,929**			**17,198**

SEASONALITY

The OVS Group experiences limited seasonality in terms of sales. Costs, meanwhile, show a more linear trend due to a fixed cost component distributed evenly throughout the year. The operating margin is therefore also affected by this seasonality and is usually higher in the third and fourth quarters of every year.

The turnover trend described above and changes in production cycles have affected net commercial working capital and net debt, which until now have peaked in August, while May, November and December have been characterised by high cash generation.

Therefore, the interim results and the economic and financial interim performance indicators cannot be regarded as fully representative, and it would therefore be wrong to consider the half-year indicators as proportionate to the full year.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Details of the content of and changes in the most significant items are provided below (unless otherwise specified, amounts are in thousands of euros).

		31.07.2016	31.01.2016	change
1	**Cash and banks**	**55,785**	125,636	(69,851)

The balance represents cash and cash equivalents at 31 July 2016 and 31 January 2016 and breaks down as follows (in thousands of euros):

		31.07.2016	31.01.2016	change
1)	Bank and post office deposits	48,955	118,740	(69,785)
2)	Cheques	6	14	(8)
3)	Cash and cash equivalents on hand	6,824	6,882	(58)
Total		**55,785**	**125,636**	**(69,851)**

Cash and cash equivalents consists of cash, bank and post office deposits, cheques and cash on hand at the head office and shops in the direct sales network.

In addition, at 31 July 2016, ordinary current accounts were set up as pledges to secure the New Loan Agreement (described in note 11 below), in the amount of €30,096 thousand, and foreign currency current accounts in the amount of USD16,233 thousand, corresponding to €14,578 thousand, the balance of which is still fully available to the OVS Group.

		31.07.2016	31.01.2016	change
2	**Trade receivables**	**83,654**	71,025	12,629

The breakdown of trade receivables at 31 July 2016 and at 31 January 2016 was as follows (in thousands of euros):

	31.07.2016	31.01.2016	change
Trade receivables			
Receivables for retail sales	749	759	(10)
Receivables for wholesale sales	77,910	64,413	13,497
Receivables for services rendered	1,992	3,366	(1,374)
Disputed receivables	5,797	6,262	(465)
Trade receivables from related parties	4,329	3,955	374
Subtotal	**90,777**	**78,755**	**12,022**
(Provision for doubtful accounts)	(7,123)	(7,730)	607
Total	**83,654**	**71,025**	**12,629**

Receivables for wholesale sales derive from sales to affiliates.

Receivables from services mainly include charges for department management and subletting to external managers.

Disputed receivables mainly consist of receivables for problem loans. Most of these receivables are written down by recognising a specific provision for doubtful accounts.

The write-downs relate to receivables from affiliates or business partners, for whom collection is presumed to be difficult, or for disputes, or, in the majority of cases, for legal proceedings in progress against customers.

Trade receivables from related parties primarily include receivables from Gruppo Coin of €4.1 million, related to brokerage fees for purchasing goods (€1.5 million) and receivables from services and for the sale of goods (€2.6 million).

Also note that trade receivables (mainly for the provision of products to the franchising affiliates) amounting to €76.9 million were also transferred to secure the New Loan Agreement at 31 July 2016.

Changes in the provision for doubtful accounts for the half-year ended 31 July 2016 are shown below:

(thousands of euros)	
Balance at 31 January 2016	**7,730**
Allocations in the period	0
Utilisations in the period	(602)
Effect of exchange rate adjustment	(5)
Balance at 31 July 2016	**7,123**

The allocation to the "Provision for doubtful accounts" expresses the presumed realisable amount of receivables that are still collectable at the closing date of each period. The draw-downs for the period relate to receivable positions for which elements of certainty and accuracy, or the presence of competitive procedures, determine the removal of the position itself.

Given the types of products and services sold by the OVS Group, there is no significant concentration of revenues and trade receivables with individual customers.

		31.07.2016	31.01.2016	change
3	**Inventories**	**317,903**	289,675	28,228

The breakdown of inventories is shown in the following table:

(thousands of euros)	31.07.2016	31.01.2016
Goods	345,336	314,877
Gross stock	**345,336**	**314,877**
Provision for depreciation	(15,539)	(15,301)
Provision for inventory differences	(11,894)	(9,901)
Total provisions for stock write-downs	**(27,433)**	**(25,202)**
Total	**317,903**	**289,675**

This item includes stocks of merchandise at warehouses and stores at the reporting date.

The amount is largely in line with the amounts that would be obtained by valuing the inventories at current cost at the reporting date.

The provision for depreciation reflects management's best estimate based on the breakdown by type and season of inventories, considerations arising from past experience and the outlook for sales volumes. The provision for inventory differences includes the estimate of inventory differences at the end of each of the periods under review. These provisions are based on the management best estimate and are therefore believed by management to be consistent with their respective purposes.

Changes in the provision for depreciation and the provision for inventory differences for the half-year ended 31 July 2016 are shown below:

(thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2016	**15,301**	**9,901**	**25,202**
Allocation	6,785	8,883	15,668
Utilisation	(6,547)	(6,890)	(13,437)
Balance at 31 July 2016	**15,539**	**11,894**	**27,433**

		31.07.2016	31.01.2016	change
4	**Current financial assets**	**8,589**	16,308	(7,719)
4	**Non-current financial assets**	**1,802**	1,988	(186)

The breakdown of the "Financial assets" item into current and non-current at 31 July 2016 and at 31 January 2016 is shown below:

(thousands of euros)	31.07.2016	31.01.2016
Derivatives (current portion)	8,506	16,308
Loan to third parties	83	0
Total current financial assets	**8,589**	**16,308**
Derivatives (non-current portion)	1,802	1,988
Total non-current financial assets	**1,802**	**1,988**
Total	**10,391**	**18,296**

Derivatives include the fair value of hedge derivatives on purchases of merchandise in currencies other than the euro.

		31.07.2016	31.01.2016	change
5	**Current tax assets**	**552**	923	(371)

It mainly consists of receivables for withholding tax on fees (€541 thousand) and other tax receivables and receivables for tax withheld at source. In April 2016, as the requirement under the tax laws for control of OVS S.p.A. by Gruppo Coin S.p.A. no longer existed, group taxation ceased, and, consequently, the consolidating company and the consolidated company revoked the option to join the tax consolidation scheme with effect from the 2016 tax year. As a reminder, after the option was taken up in 2014, the companies in question entered into specific agreements governing their conduct and providing for the transferral of IRES payables/receivables.

		31.07.2016	31.01.2016	change
6	**Other current receivables**	**33,856**	33,406	450
6	**Other non-current receivables**	**5,628**	5,633	(5)

Other receivables break down as follows:

(thousands of euros)	31.07.2016	31.01.2016	change
Other receivables	1,071	1,171	(100)
Receivables from insurance companies for claims reimbursements	208	292	(84)
Receivables from employees	1,708	1,436	272
Accrued income and prepaid expenses - rents and service charges	21,584	22,460	(876)
Accrued income and prepaid expenses - insurance	1,626	3,083	(1,457)
Accrued income and prepaid expenses - interest on security deposits	23	25	(2)
Accrued income and prepaid expenses - other	7,636	4,939	2,697
Total current receivables	**33,856**	**33,406**	**450**
Tax receivables	1,070	1,070	0
Security deposits	3,596	3,509	87
Minor investments	20	20	0
Other receivables	942	1,034	(92)
Total non-current receivables	**5,628**	**5,633**	**(5)**

The "Other current receivables" item relates to guarantee deposits made for new leases amounting to €240 thousand, receivables for business unit disposals amounting to €210 thousand, while the remainder refers to social security receivables and advances to suppliers and shippers.

Receivables from insurance companies mainly comprise the scheduled reimbursement for fire damage to stores in Genoa (€90 thousand) and Nettuno (Rome) (€41 thousand) in 2015, and damage to goods in transit (€27 thousand).

The item "Accrued income and prepaid expenses - other" primarily includes prepayments of advertising and marketing services for €1,432 thousand and the share of deferred financial fees (€353 thousand) incurred to obtain medium/long-term Revolving lines of credit and to obtain lines of credit described in more detail in the "Financial liabilities" section below.

The same item includes accrued income (€591 thousand) relating to revenues from partners for royalties and fees and the recovery of expenses for sub-letters at the stores; the residual amount relates primarily to prepayments of utility costs, costs for service provision and reimbursement of start-up costs.

Also note that, to serve as collateral for the New Loan Agreement, at 31 July 2016 insurance receivables were sold by warranty for €0.2 million.

"Other non-current receivables" included security deposits that relate mainly to securities paid under leases, utilities and deposits with customs to guarantee goods imports.

The "Minor investments" item mainly includes equity investments in Consortia recognised at cost.

The "Other non-current receivables" item includes receivables from affiliates due beyond 12 months for €173 thousand and the medium-/long-term portion of deferred financial fees for €769 thousand.

		31.07.2016	31.01.2016	change
7	**Property, plant and equipment**	**265,144**	260,083	5,061

Appendix 1 shows the historical cost for each item, the accumulated depreciation and amortisation, changes during the first half and the final balances.

Investments in the period mainly related to:

- expenses for modernising, renovating and upgrading stores in the commercial network;
- purchases of furniture and fittings for the commercial network to furnish both newly opened and renovated branches.

The leasehold improvements allocated to the items in question mainly refer to renovations of stores not under direct ownership.

Also note that, pursuant to the New Loan Agreement, at 31 July 2016 a lien was created on property in the amount of €164.0 million.

		31.07.2016	31.01.2016	change
8	**Intangible assets**	**640,702**	644,412	(3,710)

Appendix 2 of these explanatory Notes shows the change in each item during the year.

Intangible assets at 31 July 2016 mainly include the amounts allocated to the OVS Group deriving from the acquisition of Gruppo Coin by Icon. At 31 July 2016, these amounts included:

- The OVS brand for €377.5 million, with an indefinite life (included under "Concessions, licences and brands");
- The UPIM brand for €13.3 million, with an indefinite life (included under "Concessions, licences and brands");
- The OVS franchising network for €82.3 million, amortised over 20 years (included under "Other intangible assets");
- The UPIM franchising network for €32.7 million, amortised over 20 years (included under "Other intangible assets");
- Licences relating to OVS stores for €93.1 million, amortised over 40 years (included under "Concessions, licences and brands");
- Licences relating to UPIM stores for €17.5 million, amortised over 40 years (included under "Concessions, licences and brands");

- Licences relating to former Bernardi stores for €4.1 million, amortised over 40 years (included under "Concessions, licences and brands").

The brands attributed to the OVS Group are regarded as having an indefinite useful life.
To establish this, a management analysis was performed on all relevant factors (legal, judicial, contractual, competitive, economic and other) relating to the brands. The conclusion was reached that there is no foreseeable time limit for the generation of cash inflows for the OVS Group.

With regard to the brands, at 31 July 2016 no indicators of potential impairment had been identified and no specific impairment tests were therefore carried out on the item in question.

With regard to licences relating to OVS Group points of sale indicating impairment, the Company calculated value in use for each point of sale. No write-downs of licences arose from the analysis carried out for the half-year ended 31 July 2016.

Also note that, pursuant to the New Loan Agreement, at 31 July 2016 a lien was created on OVS Group brands in the amount of €390.8 million.

		31.07.2016	31.01.2016	change
9	Goodwill	452,541	452,541	0

The goodwill allocated to Gruppo OVS mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011, for €451,778 thousand.
Note that management considered that the conditions necessary to confirm this amount existed at 31 July 2016, since the testing carried out revealed no evidence of impairment that could result in the writing down of the goodwill allocated to the OVS and UPIM CGU, as well as the OVS and UPIM brands.

		31.07.2016	31.01.2016	change
10	Equity investments	136	136	(0)

This balance exclusively includes the value of the equity investment of 31.63% held by OVS S.p.A. in the Centomilacandele S.c.p.a. consortium.

		31.07.2016	31.01.2016	change
11	**Current financial liabilities**	**16,210**	7,355	8,855
11	**Non-current financial liabilities**	**371,680**	371,601	79

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 July 2016 and 31 January 2016 is shown below:

(thousands of euros)	31.07.2016	31.01.2016
Current bank payables	10,561	0
Current portion of non-current debt	4,318	5,102
Other current financial payables	1,331	2,253
Current financial liabilities	**16,210**	**7,355**
Non-current bank payables	370,599	370,380
Other non-current financial payables	1,081	1,221
Non-current financial liabilities	**371,680**	**371,601**

Current and non-current bank payables and the current portion of long-term debt

The OVS Group's current and non-current bank payables at 31 July 2016 are shown below:

(thousands of euros)	Maturity date	Interest rate	At 31 July 2016		
			Total	of which non-current portion	of which current portion
Facility Revolving	2020	Euribor + 2.50%	10,000	-	10,000
Due for financial expenses			12	-	12
Bank current account liabilities			549	-	549
Current bank payables			**10,561**	**-**	**10,561**
Facility B	2020	Euribor + 2.50%	375,000	375,000	-
Due for financial expenses			4,318	-	4,318
Other costs on loan			(4,401)	(4,401)	-
Non-current bank payables			**374,917**	**370,599**	**4,318**

The lines of credit available to the Group, at 31 July 2016, refer to the loan agreement signed on 23 January 2015 and disbursed on 2 March 2015 (the New Loan Agreement) totalling €475,000,000. This agreement provides for the granting of a medium-/long-term line of credit of €375,000,000, which, together with the income from the capital increase servicing the global offer, was intended to repay the pre-existing debt of the Issuer and to pay costs associated with the listing process (the "Senior Loan"), and a Revolving Line of credit of €100,000,000 that may be drawn down in different currencies (the "Revolving Line of Credit").
The Senior Loan was disbursed as trading of the Company's shares began on the MTA. On the date when trading in the shares started on the MTA, the Company therefore fully repaid the previous loan agreement (which therefore ceased to be effective).

The applicable interest rate for both the Senior Loan and the Revolving Line of credit is equal to the sum of (i) the original margin of 3% per annum (the "Margin") and (ii) the Euribor or, if the currency used is not the euro, the Libor (the "Interest"). The Interest is calculated on a quarterly or half-yearly basis for the Senior Loan, and on a monthly, quarterly or half-yearly basis for the Revolving Line (unless otherwise agreed between the parties).

The Margin may decrease or increase according to the ratio of average total net debt to EBITDA (as contractually specified), calculated on the basis, depending on the case, of the consolidated financial statements (audited) at 31 January and the consolidated half-year report (unaudited) at 31 July, drawn up pursuant to IFRS. Specifically, the New Loan Agreement stipulates that:

- if the ratio is greater than or equal to 3.00:1, the applicable Margin will be 3.50%;
- if the ratio is less than 3.00:1 but greater than or equal to 2.00:1, the applicable Margin will be 3.00%;
- if the ratio is less than 2.00:1 but greater than or equal to 1.50:1, the applicable Margin will be 2.50%; and
- if the ratio is less than 1.50:1, the applicable Margin will be 2.00%;

At 31 July 2016, the ratio of average financial debt to EBITDA was 1.70. The Margin is already reduced to 2.50% as of 10 May 2016, on the basis of the data at 31 January 2016.

The final due date of the New Loan Agreement, which also coincides with the repayment date for the lines of credit, is fixed as the fifth anniversary of the date at which the Senior Loan was initially disbursed.

The New Loan Agreement provides for mandatory early repayment if one of the following circumstances, *inter alia*, should occur:

- the lending banks are unable to maintain the commitments provided for under the New Loan Agreement due to an illegal event; and
- there is a change in control in the Issuer (intended to mean the acquisition by one party (or several parties acting in concert) (i) of a percentage of voting rights that is sufficient, directly or indirectly, to result in a mandatory public tender offer for shares of the Issuer and/or (ii) of the power to appoint or dismiss all, or the majority, of the Issuer's directors).

The New Loan Agreement provides that, to ensure that the relative obligations are met, the following guarantees are made in favour of the banking syndicate on their movable property, inter-company loans, patents, current accounts and trade and insurance receivables, whose terms and conditions are in line with those previously provided for under similar guarantees supporting the Old Loan Agreement, and in particular:

1. the assignment as collateral of receivables arising from any inter-company loan for which OVS S.p.A. is the lending party;

2. the assignment as collateral of trade and insurance receivables (mainly receivables for the provision of products to the franchising affiliates and insurance receivables);
3. a lien on some corporate assets (mainly furnishings and equipment related to the business of OVS) owned by the Group;
4. a pledge on 100% of the shares of OVS Hong Kong Sourcing Limited (formerly Oriental Buying Services Limited) held by OVS S.p.A.;
5. a pledge on 100% of the shares of the other subsidiaries of OVS S.p.A. that will fall under the definition of "Material Company" pursuant to the New Loan Agreement. A Material Company is intended to mean any new company that will be controlled by OVS S.p.A. in the future and which is material, pursuant to the New Loan Agreement, according to the revenues it generates in proportion to Group EBITDA;
6. a pledge on some brands owned by OVS S.p.A. (specifically on the OVS and UPIM brands);
7. a pledge on some current accounts held by OVS S.p.A..

OVS S.p.A. undertakes to announce the occurrence of any significant adverse events or default events that could restrict and/or impede the ability of OVS S.p.A. or any guarantor to meet its contractual obligations under the New Loan Agreement.

In terms of financial obligations, the only parameter that OVS S.p.A. is committed to comply with is the leverage ratio, i.e. the OVS Group's ratio of net debt to EBITDA, on a consolidated basis. From 31 July 2015, this parameter must be equal to or less than 3.50:1 for each 12-month period ending in a reporting date (i.e. 31 January and 31 July of each year), according to a calculation based on the consolidated financial statements and consolidated half-year reports of OVS Group, with the exception of the tests of July 2015 and January 2016, in which average financial debt was calculated on the final value of each month that has actually passed since the date of disbursement. As previously mentioned, at 31 July 2016, the ratio of average financial debt to EBITDA was 1.70. The obligation is therefore completely fulfilled.

The New Loan Agreement is governed by UK law and any disputes relating thereto are under the exclusive jurisdiction of the UK courts.

Any breach of the contractual covenants is a default event that the Group has the power to rectify within 15 working days from the expiry of the obligation to send the “compliance certificate” relating to the calculation period. However, default may be prevented by an intervention by shareholders to ensure that the new calculation of the covenant complies with the contractual limits at the reporting date, if the shareholder intervention takes place before this date. The shareholder intervention might take the form, for example, of a subordinated loan or a new issue of OVS shares.

If the default is not rectified, Unicredit as the Agent Bank may (but is not obliged to) demand early payment of the loan, including by activating the guarantees granted.

The breakdown of the consolidated net financial debt of the OVS Group at 31 July 2016 and 31 January 2016, determined according to the provisions of the Consob Communication of 28 July 2006 and pursuant to the ESMA/2013/319 Recommendations, is shown below:

(thousands of euros)	**31.07.2016**	**31.01.2016**
Net debt		
A. Cash	55,785	125,636
B. Cash equivalents	-	-
C. Securities held for trading	-	-
D. Liquid assets (A)+(B)+(C)	**55,785**	**125,636**
E. Current financial receivables	**8,589**	**16,308**
F. Current bank payables	(14,879)	(5,102)
G. Current portion of non-current debt	-	-
H. Other current financial payables	(1,331)	(2,253)
I. Current debt (F)+(G)+(H)	**(16,210)**	**(7,355)**
J. Net current debt (I)+(E)+(D)	**48,164**	**134,589**
K. Non-current bank payables	(370,599)	(370,380)
L. Bonds issued	-	-
M. Other non-current financial payables	(1,081)	(1,221)
N. Non-current debt (K)+(L)+(M)	**(371,680)**	**(371,601)**
O. Net debt (J)+(N)	**(323,516)**	**(237,012)**
Non-current financial receivables	**1,802**	**1,988**
Net financial position	**(321,714)**	**(235,024)**

Other current and non-current financial payables

The following table shows the breakdown of other current and non-current financial payables at 31 July 2016 and 31 January 2016.

(thousands of euros)	31.07.2016	31.01.2016
Payables for finance leases	1,095	2,145
Derivatives (current portion)	128	-
Other loans and minor financial payables	108	108
Other current financial payables	**1,331**	**2,253**
Payables for finance leases	848	1,166
Derivatives (non-current portion)	178	-
Other loans and minor financial payables	55	55
Other non-current financial payables	**1,081**	**1,221**

	31.07.2016	31.01.2016	change
12 Trade payables	**350,136**	368,834	(18,698)

The breakdown of the "Trade payables" item at 31 July 2016 and 31 January 2016 is provided below:

(thousands of euros)	31.07.2016	31.01.2016	change
Payables to third-party suppliers	347,206	367,027	(19,821)
Payables to related parties	2,930	1,807	1,123
Trade payables	**350,136**	**368,834**	**(18,698)**

This item includes payables relating to the OVS Group's normal course of operations, in respect of the supply of goods, assets and services.

The balance includes trade payables to foreign suppliers (mainly in Asia) amounting to €181,608 thousand; it also includes exposure in foreign currency (mainly USD) amounting to USD185,364 thousand, already net of USD75 thousand for advances.

Also note that at these dates there were no payables with a residual life of more than five years in the statement of financial position.

	31.07.2016	31.01.2016	change
13 Current tax liabilities	**22,872**	23,771	(899)

At 31 July 2016, the net balance of tax payables amounted to €22,872 thousand, and included estimated taxes for the half-year of €10,866 thousand, net of advances paid in July 2016 of €10,812 thousand and €72 thousand in taxes paid by the foreign companies for the year.

The amount shown also includes payables to the consolidating company of €22,746 thousand relating to IRES for 2015, which were paid in August 2016. This obligation was still governed by the agreement stipulated after the tax consolidation option. As indicated above in section 5 ("Current tax assets"), in April 2016, parent company Gruppo Coin S.p.A. sold another portion of the investment held in OVS S.p.A., reducing the shareholding to 42.12%. As the control requirement under the tax laws no longer existed, group taxation ceased with effect from the 2016 tax year.

		31.07.2016	31.01.2016	change
14	**Other current payables**	**92,478**	101,895	(9,417)
14	**Other non-current payables**	**12,399**	11,776	623

The breakdown of the "Other payables" item into current and non-current at 31 July 2016 and at 31 January 2016 is shown below:

(thousands of euros)	31.07.2016	31.01.2016	change
Payables to employees for unused leave and related contributions	8,116	7,755	361
Payables to employees for deferred salaries, overtime, bonuses and related contributions	16,223	19,172	(2,949)
Payables to Directors and Auditors for emoluments	290	384	(94)
Other payables	6,411	5,788	623
Payables to pension and social security institutions	6,864	6,495	369
VAT payables	29,863	37,019	(7,156)
Other tax payables	1,863	2,918	(1,055)
Other payables - to customers	87	102	(15)
Accrued expenses/deferred income - rents and leasing	7,186	7,539	(353)
Accrued expenses and deferred income - utilities	2,789	2,610	179
Accrued expenses and deferred income - insurance	40	94	(54)
Accrued expenses and deferred income - other	12,746	12,019	727
Total current payables	**92,478**	**101,895**	**(9,417)**
Linearisation of rents	11,021	10,237	784
Accrued expenses and deferred income - other	1,378	1,539	(161)
Total non-current payables	**12,399**	**11,776**	**623**

"Payables to employees" relates to benefits accrued and not paid out at 31 July 2016.

"Other payables" mainly refers to customer advances to book goods and purchases of goods vouchers for €3,798 thousand, payables for deposits received from customers as guarantees for an affiliation agreement for €2,170 thousand, and payables to a former Upim S.r.l. supplier for a legal dispute amounting to €340 thousand.

The increase in payables to pension and social security institutions reflects payables to the INPS.

At the reporting date the Group had a VAT payable deriving from retail and wholesale sales and to a lesser extent from the sale of goods and services.

The "Other tax payables" item includes IRPEF (personal tax) on employees, payables to tax offices and payables for unpaid withholding tax.

It should be noted that the "Other accrued expenses/deferred income" item includes €4,685 thousand in accrued expenses for local taxes, €1,214 thousand for travel expenses, €621 thousand for banking expenses, as well as €4,794 thousand in deferred income for contributions payable by partners and lessors. It also includes €240 thousand relating to the current portion of the extension of software usage rights to Gruppo Coin S.p.A. for a five-year period (the non-current portion, recognised under "Other accrued expenses/deferred income - non-current", amounts to €480 thousand).

Non-current payables refer, in the amount of €11,021 thousand, to the recognition of the payable due to the linearisation of leases with payment instalments that increase throughout the life of the lease. The same item includes the €480 thousand already mentioned in the previous item and €898 thousand relating to the deferral of the contribution recognised in 2015 deriving from investments in new capital goods, which benefited from the "Tremonti-quater" exemption. Note that investments were booked including the contribution amount, which was spread throughout the period of depreciation of the goods concerned.

		31.07.2016	31.01.2016	change
15	**Employee benefits**	**43,421**	40,529	2,892

Changes in the "Employee benefits" item for the half-year ended 31 July 2016 are shown below:

(thousands of euros)	
Balance at 31 January 2016	**40,529**
Increase in period	656
Actuarial (gains) losses	3,124
Benefits paid	(888)
Balance at 31 July 2016	**43,421**

The amount mainly includes the provisions made by the OVS Group for accrued employee severance benefits. Following the supplementary pension reform, from 1 January 2007 the obligation has taken the form of a defined-contribution pension fund. Accordingly, the amount of the payable for employee severance payments recognised before the reform came into force and not yet paid out to employees existing at the date of preparation of the financial statements, is regarded as a defined-benefit pension fund.

		31.07.2016	31.01.2016	change
16	**Provisions for risks and charges**	**7,890**	8,216	(326)

Changes in the "Provision for risks and charges" item for the half-year ended 31 July 2016 are shown below:

(thousands of euros)	
Balance at 31 January 2016	**8,216**
Allocations in the period	0
Utilisations in the period	(326)
Balance at 31 July 2016	**7,890**

The provision is made for the risk of disputes with suppliers in relation to product sales and marketing, public entities, former employees and third parties of various kinds.

The outcome of these risks cannot be defined with certainty, and the amount recorded therefore represents the best estimate of the presumed charge at the reporting date.

		31.07.2016	31.01.2016	change
17	**Deferred tax liabilities**	**141,517**	142,733	(1,216)

Changes in the "Deferred tax liabilities" item in the half-year ended 31 July 2016 are shown below:

(thousands of euros)	Balance at 31 January 2016	Allocated/ released to income statement	Allocated/ released to statement of comprehensive income	Balance at 31 July 2016
Provision for stock write-downs	6,920	574	0	7,494
Appropriation for local taxes	999	96	0	1,095
Provisions for risks and charges	2,259	(89)	0	2,170
Doubtful accounts	2,694	(55)	0	2,639
Tangible and intangible assets	(159,363)	494	0	(158,869)
Employee severance benefits calculated according to IAS 19	403	0	699	1,102
Other minor	3,355	(503)	0	2,852
Total net prepaid (deferred)	**(142,733)**	**517**	**699**	**(141,517)**

Deferred tax liabilities related to the higher value of intangible assets in the financial statements were mainly due to their recognition at fair value according to the acquisition method at the time of the business combination.

SHAREHOLDERS' EQUITY

Shareholders' equity came in at €807.7 million.
Details of changes in the items included in shareholders' equity are provided in the relative accounting schedule.

18 Share capital

At 31 July 2016, the share capital of OVS S.p.A. amounted to €227,000,000, comprising 227,000,000 ordinary shares with no par value.
OVS S.p.A. was incorporated on 14 May 2014 with share capital of €10,000.
The Transferral of the OVS-UPIM Business Unit by sole shareholder Gruppo Coin, which took effect from 31 July 2014, entailed a share capital increase from €10,000 to €140,000,000, with a premium of €249,885,000.
Lastly, on 24 February 2015, the global offer for subscription and sale of ordinary shares of OVS S.p.A., with the aim of listing this company on the MTA, was successfully completed.
The subscription operation entailed a capital increase of €87,000,000, taking the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.

18 Other reserves

The breakdown of other reserves is as follows:

The **share premium reserve**, amounting to €512.0 million, derives from increases in the capital of OVS S.p.A., as previously mentioned, and is shown net of listing costs of €7,590 thousand (gross costs of €10,469 thousand and deferred tax of €2,879 thousand).
With regard to the accounting treatment applied to these costs, pursuant to IAS 32, following the positive outcome of the listing process, the ratio between the number of new shares/number of shares post-listing determined the percentage of charges registered as a direct reduction in shareholders' equity, while the remainder was recognised under costs in the income statement.

The **legal reserve** came to €4.1 million, and was created when earnings for the year ended 31 January 2016 were allocated.

There are also **other reserves** with a positive net balance of €46.7 million, mainly including the effects of retained earnings of €44.7 million and the effects of booking directly to equity the actuarial gains/(losses) relating to employee severance benefits and the translation reserve.

Changes in shareholders equity reserves during the period lastly include the recognition of the cost of the first half related to management incentive plans in accordance with IFRS 2 (see note 22 ("Staff costs")).

For further details on changes during the period, please see the consolidated statement of changes in shareholders' equity.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

We will now provide details of some income statement items (values are expressed in thousands of euros).

19 Revenues

The breakdown of the "Revenues" item is provided below:

	31.07.2016	31.07.2015
Revenues from retail sales	677,886	661,480
VAT on retail sales	(122,451)	(118,729)
Net sales	**555,435**	**542,751**
Revenues from sales to affiliates, administered and wholesale	84,623	68,326
Subtotal net sales	**640,058**	**611,077**
Revenues from services	48	67
Total	**640,106**	**611,144**

20 Other operating income and revenues

The breakdown of the "Other operating income and revenues" item is provided below:

	31.07.2016	31.07.2015
Revenues from services provided	17,269	16,573
Rental and leasing revenues	9,178	8,828
Insurance and other settlements	52	1,608
Capital gains from asset disposals	3	31
Other revenues	1,610	1,162
Total	**28,112**	**28,202**

Revenues from services provided mainly relate to the recovery of transport expenses, the recovery of advertising expenses, promotional contributions and charges for staff costs and other services provided, including fees from commercial partners in concessions at the OVS Group's points of sale.

The item "Rental income and leases" mainly includes rent from concession partners at OVS and UPIM points of sale.

The "Other revenues" item mainly includes contributions from suppliers and lessors, repayment of start-up costs and various contingent assets.

21 Purchases of raw materials, consumables and goods

Purchases of raw materials, supplies, consumables and goods mainly consists of purchases of products for sale and amounts to €275,518 thousand.

These break down as follows:

	31.07.2016	31.07.2015
Purchases of raw materials, consumables and goods	303,746	279,865
Change in inventories	(28,228)	(14,423)
Total	**275,518**	**265,442**

22 Staff costs

The breakdown of the "Staff costs" item is provided below:

	31.07.2016	31.07.2015
Wages and salaries	100,395	92,201
Social security charges	28,258	28,203
Employee severance benefits	6,146	5,804
Other staff costs	245	474
Directors' fees	396	384
Total	**135,440**	**127,066**

The number of employees, expressed as the "full-time equivalent" headcount, was 5,702 at the end of the half-year, compared with 5,639 at 31 January 2016.

MANAGEMENT INCENTIVE PLANS

Approval of the Stock Option Plan

On 26 May 2015, the shareholders' meeting approved the 2015-2020 Stock Option Plan (hereinafter, the "Plan"), to be implemented through the granting of free options for subscription to ordinary newly issued shares of OVS S.p.A. The Plan is reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries. The Plan is intended to create value for shareholders by improving long-term corporate performance and attracting personnel that play a key role in the Company's development.

The Plan provides for the issue of up to 5,107,500 options, which will be freely allocated to the Beneficiaries if certain performance targets are met, and confers on each of them the right to subscribe to

one ordinary share of the Company for each option assigned.
The same meeting was also convened in an extraordinary session to resolve upon the proposal to give the Board of Directors, for a period of five years from the date of the resolution, the power to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000, through the issue, in one or more tranches, of up to 5,107,500 ordinary shares with no par value, to be reserved for the Beneficiaries of the "2015-2020 Stock Option Plan", with the consequent amendment of Article 5 of the Articles of Association.

Implementation of the "2015-2020 Stock Option Plan"
On 8 June 2015, the Board of Directors, implementing the resolutions passed by the shareholders' meeting of 26 May 2015, resolved to execute the mandate to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, granted to the Board of Directors by the extraordinary shareholders' meeting of 26 May 2015, and, for this purpose, resolved upon a capital increase to service the stock option plan named the "2015-2020 Stock Option Plan", which was approved by the same shareholders' meeting. In particular, pursuant to the mandate granted by the extraordinary shareholders' meeting of 26 May 2015, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 8 June 2025, by issuing, in one or more tranches, up to 5,107,500 new ordinary shares of OVS, constituting 2.25% of the current share capital of OVS S.p.A., subscribed and paid up, with no par value, with the same characteristics as the ordinary shares outstanding on the issue date, with ordinary rights, excluding option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the Beneficiaries of the aforementioned stock option plan called the "2015-2020 Stock Option Plan".

The key elements of the Stock Option Plan are as follows.

The reasons for the adoption of the 2015-2020 Stock Option Plan, which was approved by the shareholders' meeting of 26 May 2015, are the need to offer, on conditions that take account of the current value from time to time of the OVS stock, a system of remuneration that incentives managers and key personnel of the Company and the Subsidiaries, linking the variable portion of the remuneration to the Company's actual performance and the creation of new value for shareholders, as well as an incentive system designed to attract individuals who are highly qualified in management.
The Stock Option Plan is reserved for individuals who, at the option grant date, hold the role of executive directors and/or will have an employment relationship of indefinite duration with one of the Group's companies. This plan provides for the free granting of options (the "Options") that will give Beneficiaries the right to subscribe to ordinary shares of OVS (in the ratio of 1 (one) ordinary share for every 1 (one) Option exercised) arising from the paid share capital increase in tranches described above, for a nominal

amount of up to €35,000,000, excluding option rights pursuant to Article 2441, paragraphs 5 and 6 of the Italian Civil Code, through the issue of up to 5,107,500 new ordinary shares of OVS.

For each Beneficiary and for the first cycle of options granted under the Plan, the exercise price of the shares is set at €4.88 per share. The exercise price for the first cycle of options, established by the Company's Board of Directors on 22 April 2015 after consultation with the Appointments and Remuneration Committee, is equal to the definitive unit price at which OVS shares were placed under the global offer between 16 February 2015 and 24 February 2015, which comprised a public offer to the general public in Italy and an institutional placement for qualified investors in Italy and institutional investors abroad, for the purpose of listing shares of OVS, as of 2 March 2015, on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A., ("MTA"), at €4.10 for each OVS share subject to the global offer, plus 19.1%.

The exercise of the Options is subject to the achievement of predetermined and measurable performance targets, which include, *inter alia*, the parameter of EBITDA, as indicated by the Board of Directors after consultation with the Remuneration Committee, for the reference period under the Group's business plan and/or budget.

The Stock Option Plan authorises Beneficiaries to exercise the options early if certain events occur, including:

- a change of control within the meaning of Article 93 of the TUF, including if this does not entail a public tender offer obligation;
- a public tender offer for the Company's shares pursuant to Article 102 *et seq*. of the TUF; or
- resolutions on transactions that could result in the delisting of ordinary shares of OVS.

The Stock Option Plan also requires, as a condition for participation in the plan itself, that the employee relationship of indeterminate duration or executive management with OVS or a subsidiary, depending on the type of Beneficiary (the "Relationship"), be maintained.

In particular, the Stock Option Plan provides that, on termination of the Relationship due to a "bad leaver" scenario, all Options awarded to the Beneficiary, including Options that have become effective but have not yet been exercised, will automatically lapse and will have no effect or validity.

The following events are regarded as "bad leaver" scenarios, depending on the case: (i) dismissal of the Beneficiary, termination of the post as director and/or the powers of the Beneficiary, or non-renewal of the position as board member and/or the powers of the Beneficiary, all of the above for just cause; and (ii) termination of the Relationship due to voluntary resignation by the Beneficiary not justified by a "good leaver" scenario.

If the Relationship is terminated due to a "good leaver" scenario, the Beneficiary or his/her heirs, provided that the obligations, terms and conditions set out in the Stock Option Plan are adhered to, will retain the right to exercise the Options granted, taking account of the time at which the Relationship was terminated in accordance with the procedures set out in the Plan.

The following events are regarded as "good leaver" scenarios, depending on the case: (i) dismissal without just cause; (ii) termination of the post of director or non-renewal of the post of board member without just cause; (iii) resignation as a board member when the Beneficiary, without just cause, suffers a termination or non-confirmation of powers, so that his/her relationship with the Company or the Subsidiary is substantially altered; and (iv) resignation from the post or withdrawal from the employment relationship in the event of any one of the following cases: (a) permanent physical or psychological incapacity (due to illness or accident) of the Beneficiary; or (b) decease of the Beneficiary.

The Stock Option Plan will end on 31 December 2020 and provides for a vesting period for the Options granted to the Beneficiary.

As already mentioned, the Stock Option Plan will end on 8 June 2025 (the expiration date, by which the exercisable Options must be exercised on penalty of forfeiture). There are three vesting periods for the Options granted to the Beneficiaries, with the following scope and terms:

- 1/3 of the Options are exercisable after 36 months from the grant date (First Vesting Period);
- 1/3 of the Options are exercisable after 48 months from the grant date (Second Vesting Period);
- 1/3 of the Options are exercisable after 60 months from the grant date (Third Vesting Period).

At 31 July 2016, 5,101,375 option rights had been granted in a single tranche, by resolution of the Board of Directors at its meeting of 8 June 2015.

The Plan described above is defined as equity-settled pursuant to IFRS 2. In accordance with this accounting standard, the fair value of the Plan was estimated at the grant date, using the Black-Scholes method.

The portion of the overall fair value of the Plan pertaining to the reporting period has therefore been recognised in the consolidated income statement. In particular, staff costs attributable to the granting of OVS shares, amounting to €2,614 thousand (already booked in the amount of €1,393 thousand at 31 January 2016), were recognised with a contra-entry in shareholders' equity.

For further details of the Plan, see the Report of the Board of Directors and the information memorandum, pursuant to Article 84-*bis* of Consob Regulation 11971/1999, which is available on the Company website at www.ovscorporate.it, in the Governance/Shareholders' Meeting section.

23 Depreciation, amortisation and write-downs of assets

The breakdown of the "Depreciation, amortisation and write-downs of assets" item is provided below:

	31.07.2016	31.07.2015
Amortisation of intangible assets	7,122	6,834
Depreciation of tangible assets	20,779	19,728
Write-downs of tangible and intangible assets	475	1,049
Total	**28,376**	**27,611**

Note that the amount relating to write-downs of tangible and intangible assets in the appendices in question was included in the amounts shown in the "Disposals" and "Write-downs" columns.
Write-downs refer to assets written down due to store closures that have already taken place or are planned, and/or the results of impairment testing.

24 Other operating expenses: Service costs

Service costs, which reflect the Group's use of external resources, can be broken down as follows:

	31.07.2016	31.07.2015
Advertising	11,606	10,335
Utilities	16,071	16,324
Miscellaneous sales costs	19,357	18,630
Professional and consulting services	9,362	9,347
Travel and other employee expenses	6,272	5,397
Insurance	1,748	2,097
Maintenance, cleaning and security	16,000	14,995
Other services	2,146	2,108
Board of Statutory Auditors' fees / Supervisory Body	94	76
Total	**82,656**	**79,309**

25 Other operating expenses: Costs for the use of third-party assets

Costs for the use of third-party assets break down as follows:

	31.07.2016	31.07.2015
Rental costs and ancillary charges	93,298	89,137
Leasing of plant, equipment and vehicles	2,745	2,138
Total	**96,043**	**91,275**

The item "Rental expenses and related charges" mainly includes rents and service charges generated by the sales network. The leases were signed at arm's length conditions.

26 Other operating expenses: Write-downs and provisions

The breakdown of the "Write-downs and provisions" item is provided below:

	31.07.2016	31.07.2015
Doubtful accounts	0	1,400
Provisions for risks	0	0
Total	**0**	**1,400**

27 Other operating expenses: Other operating charges

Other operating charges break down as follows:

	31.07.2016	31.07.2015
Materials and equipment for offices and stores	3,718	3,423
Taxes	5,026	5,114
Capital losses	125	846
Donations	229	223
Corporate expenses	255	176
Other general and administrative expenses	1,900	2,312
Other operating expenses	584	744
Total	**11,837**	**12,838**

28 Financial income (expenses)

FINANCIAL INCOME

	31.07.2016	31.07.2015
Financial income on bank current accounts	23	23
Financial income from miscellaneous sources	1	31
Total	**24**	**54**

FINANCIAL EXPENSES

	31.07.2016	31.07.2015
Financial expenses on bank current accounts	12	35
Financial expenses on loans	5,499	14,430
Financial expenses payable to other lenders	111	180
Interest cost on provision for employee severance benefits	356	269
Other financial expenses/fees	1,625	2,575
Total	**7,603**	**17,489**

EXCHANGE RATE GAINS AND LOSSES

	31.07.2016	31.07.2015
Foreign exchange gains	7,694	3,376
Foreign exchange losses	(1,747)	(290)
Gains (losses) on the change in fair value of currency derivatives	(8,288)	8,599
Gains (losses) on the change in fair value of currency derivatives in hedge accounting	0	602
Total	**(2,341)**	**12,287**

29 Taxes

The breakdown of the "Taxes" item is provided below:

	31.07.2016	31.07.2015
Current taxes	11.016	11.367
Deferred (prepaid) taxes	(517)	739
Total	**10.499**	**12.106**

EARNINGS PER SHARE

As previously indicated, after the Company was listed the current share capital was divided into 227,000,000 with no par value.

Earnings per share was calculated by dividing profit for the period by the weighted average number of shares of the Company outstanding in the period. The following table provides details of the calculation:

	Period ended 31.07.2016	Period ended 31.07.2015
Net result for the period (in thousands of euros)	17,929	17,198
Number of ordinary shares at the end of the period	227,000,000	227,000,000
Weighted average number of shares outstanding for the purposes of basic earnings per share	227,000,000	213,060,773
Basic earnings per share (in euro)	**0.08**	**0.08**
Diluted earnings per share (in euro)	**0.08**	**0.08**

There were no significant dilutive effects at 31 July 2016 deriving from the stock option plan: the figure for diluted net earnings is therefore the same as for basic net earnings.

RELATIONS WITH RELATED PARTIES

Relations with related parties mainly concern the parent company, Gruppo Coin S.p.A., and its subsidiaries. The following table summarises Gruppo OVS's lending and borrowing relationships with related parties, as defined by IAS 24:

(thousands of euros)	Related parties									
	Gruppo Coin S.p.A.	COSI - Concept of Style Italy S.p.A.	Excelsior Verona S.r.l.	GCF S.p.A.	Gruppo Coin Interna-tional S.A.	Centomila-candele S.c.p.a.	Directors and Managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade receivables										
At 31 July 2016	4,079	193	33	23	1	-	-	4,329	83,654	5.2%
At 31 January 2016	3,181	717	33	23	1	-	-	3,955	71,025	5.6%
Trade payables										
At 31 July 2016	(1,053)	-	-	-	-	(1,877)	-	(2,930)	(350,136)	0.8%
At 31 January 2016	(147)	-	-	-	-	(1,660)	-	(1,807)	(368,834)	0.5%
Current tax liabilities										
At 31 July 2016	(22,746)	-	-	-	-	-	-	(22,746)	(22,872)	99.5%
At 31 January 2016	(23,506)	-	-	-	-	-	-	(23,506)	(23,771)	98.9%
Other current payables										
At 31 July 2016	-	-	-	-	-	-	(1,025)	(1,025)	(92,478)	1.1%
At 31 January 2016	-	-	-	-	-	-	(2,701)	(2,701)	(101,895)	2.7%

At 31 July 2016, financial and commercial relationships with Gruppo Coin mainly concerned the supply of goods and consumables for points of sale, goods brokerage fees and the provision of product purchasing services.

Current tax liabilities include payables to the consolidating company relating to IRES for 2015 due after joining the tax consolidation scheme.

Relationships with Centomilacandele S.c.p.a. relate to the provision of services for the purchase of electricity. Centomilacandele S.c.p.a. is a non-profit consortium company, engaged in the supply of electricity and natural gas under the best possible conditions to the consortium entities.

The following table summarises the economic relationships of Gruppo OVS with related parties:

(thousands of euros)	Related parties						
	Gruppo Coin S.p.A.	COSI - Concept of Style Italy S.p.A.	Centomila-candele S.c.p.a.	Directors and Managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Period ended 31 July 2016							
Revenues	715	(429)	-	-	286	640,106	0.0%
Purchases of raw materials, consumables and goods	2	-	-	-	2	(275,518)	0.0%
Staff costs	-	-	-	(2,670)	(2,670)	(135,440)	2.0%
Service costs	2,025	-	(7,962)	-	(5,937)	(82,656)	7.2%
Costs for the use of third-party assets	(192)	-	-	-	(192)	(96,043)	0.2%
Other operating charges	(1)	-	-	-	(1)	(11,837)	0.0%
Period ended 31 July 2015							
Revenues	2,259	-	-	-	2,259	611,144	0.4%
Purchases of raw materials, consumables and goods	108	-	-	-	108	(265,442)	0.0%
Staff costs	-	-	-	(2,251)	(2,251)	(127,066)	1.8%
Service costs	2,344	-	(9,074)	-	(6,730)	(79,309)	8.5%
Costs for the use of third-party assets	319	-	-	-	319	(91,275)	(0.3)%
Other operating charges	(15)	-	-	-	(15)	(12,838)	0.1%

The main economic relationships with related parties are as follows:

- goods brokerage fees for services provided by subsidiary OVS Hong Kong Sourcing Limited to Gruppo Coin, included in the "Revenues" item;
- the provision of goods and consumables to Gruppo Coin, included in the "Revenues" item;
- recharges to Gruppo Coin of costs for central IT, logistics and leasing services incurred by the OVS Group, included in the "Service costs" item;
- remunerations to Directors and Managers with strategic responsibilities;
- the provision of services relating to the purchase of electricity by Centomilacandele S.c.p.a., included in the "Service costs" item.

The cash flows shown in the following table represent the actual payments and receipts registered with related parties, rather than changes during the first half of FY 2016 in the balance sheet item to which they relate:

(thousands of euros)	Related parties					
	Gruppo Coin S.p.A.	**Centomila-candele S.c.p.a.**	**Directors and Managers with strategic responsibilities**	**Total**	**Total cash flow from the cash flow statement**	**Percentage of balance sheet item**
Period ended 31 July 2016						
Cash flow generated (absorbed) by operating activities	3,785	(9,324)	(3,578)	(9,117)	(12,211)	74.7%
Cash flow generated (absorbed) by financing activities	0	0	0	0	(24,275)	0.0%
Period ended 31 July 2015						
Cash flow generated (absorbed) by operating activities	(525)	(10,006)	(1,783)	(12,314)	(3,402)	362.0%
Cash flow generated (absorbed) by financing activities	59,650	0	0	59,650	47,327	126.0%

The transactions listed above took place under arm's length conditions.

OTHER INFORMATION

Contingent liabilities

As well as the events described in note 16 ("Provisions for risks and charges"), note that on 4 September 2015, Gruppo Coin S.p.A. and OVS S.p.A. received a summons from the extraordinary administration of Bernardi Group S.p.A., in which the plaintiff requested that the Court of Rome revoke the deed of transfer for the sale, completed in August 2012, of stores by Bernardi Group S.p.A. to Gruppo Coin S.p.A. that were subsequently transferred from Gruppo Coin S.p.A. to OVS S.p.A. in July 2014. The plaintiff requested that the Court revoke the transfer of stores sold to Gruppo Coin S.p.A. and the transfer of these to OVS S.p.A., and made a secondary request for damages of approximately €8,600,000, which is the claimed price of the assets sold to Gruppo Coin S.p.A.. The potential maximum liability for the transferring companies, in the unlikely event that the case is lost, is not expected to exceed approximately €4,500,000, in consideration of the debt assumed at the time of the sale by Gruppo Coin S.p.A.. Gruppo Coin S.p.A. and OVS S.p.A. immediately instructed their lawyers to safeguard their interests in court. At the first hearing, which took place on 22 January 2016, the judge assigned the required term for filing statements pursuant to Article 183 of the Code of Civil Procedure, and set the date of the next hearing as 11 November 2016.

Sureties and guarantees granted to third parties

These came to €54,340 thousand (€53,190 thousand at 31 January 2016) and were granted on behalf of the Group by banks or insurance companies, mainly to guarantee Italian leases.

Other commitments

Commitments for lease payments on stores and warehouses to be settled within the contractual deadlines, with or without a termination clause. In the vast majority of contracts, this clause is assumed to cover a period of 12 months. The consequent commitment relates to one year's rent and amounts to €160.5 million.

Directors' and Statutory Auditors' fees

The following table shows the fees payable to Directors and Statutory Auditors for positions held at the Group:

(thousands of euros)	Directors	Auditors
Period ended 31 July 2016	315	76
Period ended 31 July 2015	384	76

Transactions arising from atypical and/or unusual operations

In accordance with the Consob Communication of 28 July 2006, it should be noted that in the first half of 2016, no atypical and/or unusual operations were entered into as defined by the Communication.

Significant non-recurring events and operations

In accordance with the Consob Communication of 28 July 2006, it should be noted that the results of the Group for the first half of 2016 were influenced by net non-recurring charges of €1,618 thousand.

	31.07.2016	31.07.2015
Other revenues	0	(37)
Staff costs	194	352
Service costs	657	1,727
Costs for the use of third-party assets	17	632
Other operating charges	1,364	2,735
Financial expenses	0	6,774
Taxes	(614)	(3,350)
Total	**1,618**	**8,833**

Non-recurring charges mainly refer to €519 thousand for consulting fees, recognised under "Service costs" and €1,364 thousand for corporate expenses, recognised under "Other operating charges", incurred for the feasibility analysis of operations targeted to the expansion of the Group through alliances and acquisitions.

Significant events after the period

For a description of significant events after the reporting date, please see the Report on Operations.

APPENDICES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following documents contain additional information on the condensed consolidated half-year financial statements at 31 July 2016.

Appendices:

1: Property, plant and equipment at 31 July 2016;
2: Intangible assets at 31 July 2016.

APPENDIX 1

Property, plant and equipment

Composition and changes during the period were as follows (amounts in thousands of euros):

	Situation at 31.01.2016	Movements during the period			Situation at 31.07.2016
		Purchases	Sales/disposals	Amortisation/ write-downs	
Leasehold improvements					
initial cost	196,713	4,893	(259)	0	201,347
write-downs	0	0	0	0	0
amortisation	(143,600)	0	74	(4,241)	(147,767)
net	**53,113**	**4,893**	**(185)**	**(4,241)**	**53,580**
Land and buildings					
initial cost	33,901	137	0	0	34,038
write-downs	0	0	0	0	0
amortisation	(7,934)	0	0	(346)	(8,280)
net	**25,967**	**137**	**0**	**(346)**	**25,758**
Plant and machinery					
initial cost	278,711	5,347	(756)	0	283,302
write-downs	0	0	0	0	0
amortisation	(191,839)	0	586	(6,368)	(197,621)
net	**86,872**	**5,347**	**(170)**	**(6,368)**	**85,681**
Industrial and commercial equipment					
initial cost	306,473	12,666	(1,064)	0	318,075
write-downs	0	0	0	0	0
amortisation	(220,361)	0	877	(9,004)	(228,488)
net	**86,112**	**12,666**	**(187)**	**(9,004)**	**89,587**
Other assets					
initial cost	54,045	1,805	(7)	0	55,843
write-downs	0	0	0	0	0
amortisation	(49,174)	0	5	(820)	(49,989)
net	**4,871**	**1,805**	**(2)**	**(820)**	**5,854**
Assets under construction and payments on account					
initial cost	3,148	3,122	(1,586)	0	4,684
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**3,148**	**3,122**	**(1,586)** (1)	**0**	**4,684**
Total					
initial cost	872,991	27,970	(3,672)	0	897,289
write-downs	0	0	0	0	0
amortisation	(612,908)	0	1,542	(20,779)	(632,145)
net	**260,083**	**27,970**	**(2,130)** (2)	**(20,779)**	**265,144**

(1) Of this amount, €1,586 thousand represents assets under construction at 31 January 2016, reclassified to the specific asset categories in the first half of 2016.

(2) Includes €456 thousand relating to fixed assets disposed of and written down in the period due to closure of p.o.s..

APPENDIX 2

Intangible assets

Composition and changes during the period were as follows (amounts in thousands of euros):

	Situation at 31.01.2016	Movements during the period			Situation at 31.07.2016
		Purchases	Sales/disposals	Amortisation/ write-downs	
Rights to industrial patents and intellectual property rights					
initial cost	117,587	3,370	(16)	0	120,941
write-downs	0	0	0	0	0
amortisation	(101,267)	0	2	(2,707)	(103,972)
net	**16,320**	**3,370**	**(14)**	**(2,707)**	**16,969**
Concessions, licences and trademarks					
initial cost	518,394	7	(451)	0	517,950
write-downs	(5,852)	0	423	0	(5,429)
amortisation	(4,781)	0	9	(503)	(5,275)
net	**507,761**	**7**	**(19)**	**(503)**	**507,246**
Assets under construction and payments on account					
initial cost	700	639	(665)	0	674
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**700**	**639**	**(665)** (1)	**0**	**674**
Other intangible assets					
initial cost	162,806	94	0	0	162,900
write-downs	0	0	0	0	0
amortisation	(43,175)	0	0	(3,912)	(47,087)
net	**119,631**	**94**	**0**	**(3,912)**	**115,813**
Total					
initial cost	799,487	4,110	(1,132)	0	802,465
write-downs	(5,852)	0	423	0	(5,429)
amortisation	(149,223)	0	11	(7,122)	(156,334)
net	**644,412**	**4,110**	**(698)** (2)	**(7,122)**	**640,702**
Goodwill					
initial cost	452,541	0	0	0	452,541
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**452,541**	**0**	**0**	**0**	**452,541**

(1) Of this amount, €665 thousand represents assets under construction at 31 January 2016, reclassified to the specific asset categories in the first half of 2016.

(2) Includes €19 thousand relating to fixed assets disposed of and written down in the period due to the closure of p.o.s..

Certification of condensed consolidated half-year financial statements pursuant to Article 81-*ter* of Consob Regulation 11971 of 14 May 1999 as subsequently amended and supplemented

1. We, the undersigned, Stefano Beraldo, as the Chief Executive Officer, and Nicola Perin, as the Director responsible for preparing the corporate accounting statements of OVS S.p.A., hereby declare, also taking account of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements in the period from 1 February 2016 to 31 July 2016.

2. The evaluation of the adequacy of the administrative and accounting procedures used in the preparation of the condensed consolidated half-year financial statements at 31 July 2016 was based on a process defined by OVS S.p.A. consistent with the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is a generally accepted international framework.

3. Moreover:

   3.1 the condensed consolidated half-year financial statements:

   a) were prepared in compliance with the international accounting standards recognised by the European Community pursuant to (EC) Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) correspond to the accounting books and records;

   c) are suitable to provide a true and fair representation of the financial position and profit performance of the issuer and all the companies included within the scope of consolidation.

   3.2 The Interim Report on Operations includes a reliable review of significant events occurring in the first six months of the year and their impact on the condensed consolidated half-year financial statements, as well as a description of the main risks and uncertainties with regard to the remaining six months of the year. The Interim Report on Operations also includes a reliable review of information on significant transactions with related parties.

Venice – Mestre, 21 September 2016

Stefano Beraldo	**Nicola Perin**
Chief Executive Officer	Director responsible for preparing the corporate accounting statements

pwc

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
OVS SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of OVS SpA and its subsidiaries (the "OVS Group") as of 31 July 2016, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, cashflow statement and related notes. The directors of OVS SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n° 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the OVS Group as of 31 July

2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 22 September 2016

PricewaterhouseCoopers SpA

Massimo Dal Lago
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers