OVS

HALF-YEAR
FINANCIAL REPORT

AT 31 JULY 2017

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*
Vincenzo Carriello (1) (2)	*Director*
Stefania Criveller	*Director*
Gabriele Del Torchio (1) (2)	*Director*
Stefano Ferraresi	*Director*
Heinz Jürgen Krogner-Kornalik (2)	*Director*
Chiara Mio (1)	*Director*
Marvin Teubner	*Director*

(1) Member of the Control and Risk Committee

(2) Member of the Nomination and Remuneration Committee

Board of Statutory Auditors

Paola Camagni	*Chairman*
Roberto Cortellazzo Wiel	*Standing Auditor*
Eleonora Guerriero	*Standing Auditor*
Antonella Missaglia	*Alternate Auditor*
Stefano Poggi Longostrevi	*Alternate Auditor*

Independent auditor

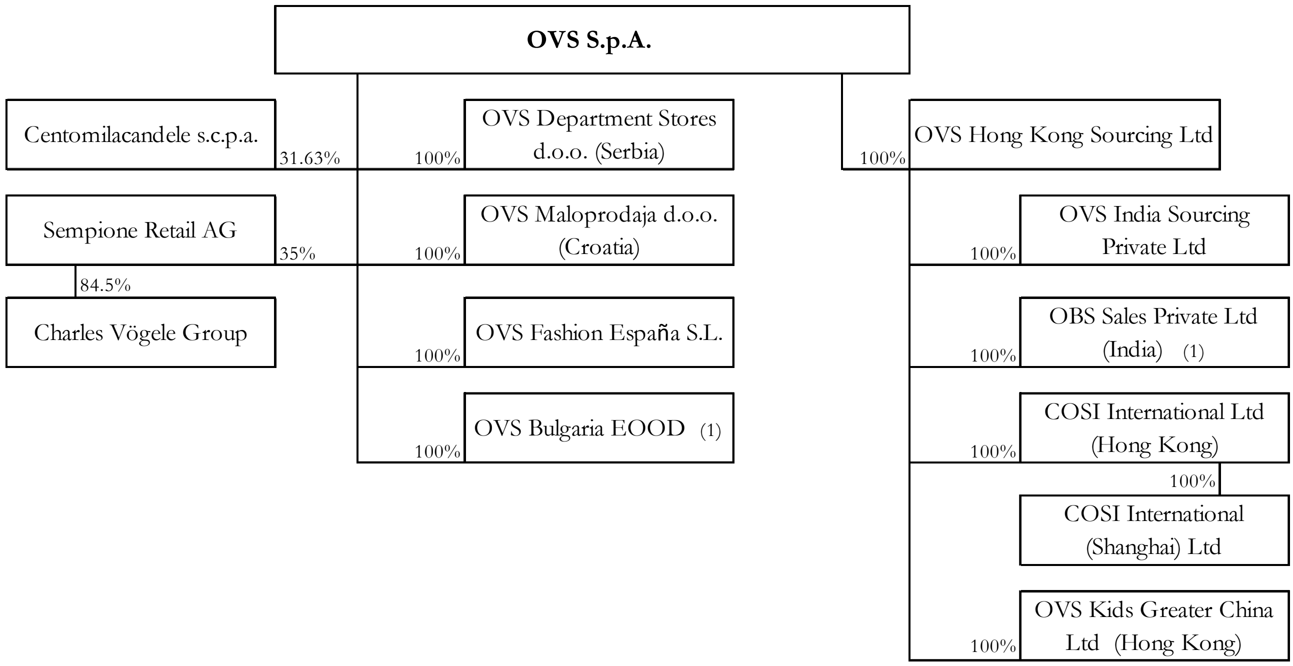
PricewaterhouseCoopers S.p.A.

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 2017

Methodological note

To give a clearer representation of the financial performance of the OVS Group, the following have been stripped out of the income statement information reported for the first half of 2017, before the relative tax effect: i) non-recurring expenses of 0.6 million of Euro, mainly related to staff lay-offs; ii) other normalisation items related to the accounting treatment of stock options (a “non-cash” burden of 1.0 million of Euro) and the booking of currency derivatives at fair value with recognition of the relative change in the income statement (costs of 62.6 million of Euro). Similarly, the comparative figures for the first half of 2016 do not include (again, before the relative tax effect): i) non-recurring expenses of €2.2 million, mainly related to costs incurred for the feasibility analysis of transactions intended to expand the Group through alliances and acquisitions, and ii) other normalisation elements related to the accounting treatment of stock options (a "non-cash" burden of 1.2 million of Euro) and the booking of currency derivatives at fair value with recognition of the relative change in the income statement (costs of 8.3 million of Euro). In this regard, please see the table on page 13.

It should be remembered that the booking of derivatives is also reflected within the balance sheet, with a negative impact on the net financial position of 45.2 million of Euro, equal to the fair value of the instruments in existence at the end of first semester 2017.

In 1H17, OVS generated excellent operating and financial results

- ✓ Net sales for the first half were 697.1 million of Euro, up 8.9% compared with the same period a year earlier.
- ✓ EBITDA was 82.1 million of Euro, representing 11.8% of net sales, up by 7.0 million of Euro (+9.4%), representing a margin uplift of approx. 10 bps year on year.
- ✓ The network increased by 16 full-format DOS and another 48 stores, mainly Kids in franchising.
- ✓ Further consolidation of market share at 7.55%, gaining 18 bps compared with the start of the period, and 40 bps year on year.
- ✓ A loss of 15.9 million of Euro was registered for the period, once accounting for the non-cash impact of the mark-to-market of the EUR/USD hedges in place for 2018 purchase of goods implemented as usual to secure our intake margin. Excluding this impact and other non-recurring expenses, net profit was 38.4 million of Euro, up 7.6 million of Euro (+24.8%) year on year.
- ✓ The net financial position was 408.5 million of Euro, (363.3 million of Euro excluding the impact of the fair value of currency derivatives at the end of the semester), after the payment of 34.1 million of Euro in dividends in June 2017.

€mln	31 july '17	31 july '16	Chg	Chg %
Net Sales	**697.1**	**640.1**	**57.0**	**8.9%**
EBITDA	**82.1**	**75.1**	**7.0**	**9.4%**
% on net sales	*11.8%*	*11.7%*		
EBIT	**56.3**	**51.0**	**5.3**	**10.3%**
% on net sales	*8.1%*	*8.0%*		
Net Profit - Reported	**(15.9)**	**18.0**	**(33.9)**	**n.m**
% on net sales	*-2.3%*	*2.8%*		
Net Profit normalised	**38.4**	**30.8**	**7.6**	**24.8%**
% on net sales	*5.5%*	*4.8%*		
Net Financial Debt	**408.5**	**321.7**	**86.8**	**27%**
Net Debt normalised	**363.3**	**331.7**	**31.6**	**10%**
Market Share (%)	**7.55**	**7.15**	**0.4**	**5.6%**

In the table the normalised data are exposed as described in the Methodological Note.

Information on operations

In the first half of 2017, the OVS Group continued to gain market in a market still declining (-1.4%). The Group continued to meet expectations, registering sales growth of 8.9% during the half-year, reflecting a flat like-for-like performance (0%), network expansion (+4.1%) and the initial effects of the commercial agreement with Charles Vögele (+4.8%).

During the period, 13 directly operated stores and 32 stores in franchising were opened in Italy.

International expansion also continued, with an increase of 19 stores, including 4 DOS and 15 in franchising (mainly kids). The Spanish expansion in particular, with 4 new openings (including one full-format store in Madrid), continues to generate optimum results.

The first exciting phase of the Charles Vögele restructuring plan has begun. Completed in March the conversion of the Slovenian network entirely converted into OVS (11 stores), and in advanced stage the rationalization of processes and the reduction of central costs, it begins the process of conversion in Switzerland with the conversion of 75 stores since the second half of July to date. The conversion process is going smoothly, helped by the collaborative and enthusiastic attitude of the staff involved in the relaunch. The results achieved so far have been largely positive. The encouraging performance of Charles Vögele should also be mentioned, with positive like-for-like sales and EBITDA, and a better than forecasted financial position.

The e-commerce channel continued to grow, registering an overall increase in sales of +59%; growth was driven by the ongoing expansion of “ovs.it”, which is focused on the Italian market, and the new platform, “ovsfashion.com” which serves all the European countries. Finally, the agreements with foreign marketplaces continued on a positive trend.

EBITDA improved, increasing to 82.1 million of Euro (+7 million of Euro or +9.4% year on year), while the EBITDA margin was 11.8% (approx. +10bps). Both the Group's brands again generated positive results. It should also be noted that the positive effect of royalties deriving from the commercial agreement with Charles Vögele will only start to materialize in the second part of the financial year.

Net profit for the period was negatively affected by 47.6 million of Euro (after the relative tax effect) due to the impact of the fair value of currency derivatives. Normalised net profit was 38.4 million of Euro, up 7.6 million of Euro (+24.8%) compared with the first half of 2016.

The capital structure remained sound, with net debt, excluding the mark-to-market negative effect of 45.2 million of Euro (it was positive for 10 million of Euro at 31 July 2016) in line with previous year absorbing thus the last-year end increase in inventory and the dividends paid out in June 2017.

We believe that the validity of our strategy will result in further consolidation of the Italian market, which, although it has been contracting, continues to reward players that are versatile and able to benefit from economies of scale. At the same time, expansion in foreign markets will bring tangible benefits for OVS, mainly thanks to the roll-out of the commercial agreement with Charles Vögele, whose effects start becoming material in the second half of the current year.

Normalised consolidated profit performance

€mln	31 july '17	31 july '16	Chg	Chg %
Net Sales	**697.1**	**640.1**	**57.0**	**8.9%**
Purchases of consumables	302.3	270.6	31.7	11.7%
Gross Margin	**394.8**	**369.5**	**25.3**	**6.8%**
GM%	*56.6%*	*57.7%*		
Total operating costs	312.7	294.4	18.3	6.2%
EBITDA	**82.1**	**75.1**	**7.0**	**9.4%**
EBITDA%	*11.8%*	*11.7%*		
Depreciation & Amortization	25.8	24.1	1.7	7.0%
EBIT	**56.3**	**51.0**	**5.3**	**10.3%**
EBIT %	*8.1%*	*8.0%*		
Net financial (income)/charges	1.8	6.5	(4.7)	(72.6%)
PBT	**54.5**	**44.5**	**10.0**	**22.4%**
Tax	16.1	13.7	2.4	17.2%
Net Profit	**38.4**	**30.8**	**7.6**	**24.8%**

€mln	31 july '17	31 july '16	Chg	Chg %
Net Sales				
OVS	574.8	539.3	35.5	6.6%
UPIM	122.2	100.8	21.5	21.3%
Total Net Sales	**697.1**	**640.1**	**57.0**	**8.9%**
EBITDA				
OVS	70.5	67.1	3.5	5.2%
EBITDA margin	*12.3%*	*12.4%*		
UPIM	11.6	8.0	3.6	44.5%
EBITDA margin	*9.5%*	*8.0%*		
Total EBITDA	**82.1**	**75.1**	**7.0**	**9.4%**
EBITDA margin	***11.8%***	***11.7%***		
Depreciation	25.8	24.1	(1.7)	7.0%
EBIT	**56.3**	**51.0**	**5.3**	**10.3%**
Net financial income/(charges)	1.8	6.5	(4.7)	(72.6%)
EBT	**54.5**	**44.5**	**10.0**	**22.4%**
Taxes	16.1	13.7	2.4	17.2%
Net Result	**38.4**	**30.8**	**7.6**	**24.8%**

Net Sales

Total sales grew by 57.0 million of Euro (+8.9%), with a positive contribution from network development (+4.1%) and the initial effects of the Commercial Agreement with Charles Vögele (+4.8%), while the like-for-like scope registered a flat performance, reflecting a particularly unfavourable market in July (-2.8%) which partially offset the positive results seen in May.

OVS registered an increase in sales of 6.6% (or 35.5 million of Euro), driven by the steady expansion of the direct network. The trend could have been more positive if there had not been changes to customs procedures that led to delays in goods imports.

UPIM registered strong sales growth of 21.3% (or 21.5 million of Euro), benefiting from the more than positive development of the full-format network and kids franchising (Blukids).

EBITDA

EBITDA was 82.1 million of Euro, representing 11.8% of net sales, up by 7.0 million of Euro (+9.4%) and by around 10bps, compared with a figure of 75.1 million of Euro in the same period of 2016.

Both brands made positive contributions to this performance, thanks to (i) an improvement in the gross margin as a result of ongoing actions taken in the supply chain (displacement of part of procurement to lower-cost countries) and a better sales performance in May, which lessened the impact of mark downs, and (ii) further benefits in terms of operating leverage due to profitable new openings and network restructurings.

The EBITDA of the OVS brand increased by 3.4 million of Euro (+5.2% compared to 31 July 2016), while the EBITDA of the UPIM brand grew by 3.6 million of Euro (+44.5%).

Operating Income

Thanks to the positive EBITDA performance, operating income came in at 56.3 million, up 5.3 million of Euro or +10.3% 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

It should be noted that, at the end of the half-year the result was affected by an accounting entry of 62.6 million of Euro arising from the mark-to-market fair value measurement. The cost entry is a non-cash item deriving from the difference between the hedging exchange rate for the expected purchase of goods in 2018 in USD and the effective EUR/USD exchange rate at the end of the first half of 2017.

This resulted in a loss of 15.9 million of Euro for the period. Normalising this impact, profit before tax was 54.5 million of Euro, up 10.0 million of Euro (+22.4%) compared with the first half of 2016. This performance was buoyed by the operating result and a decrease in financial expenses.

Net profit normalised was 38.4 million of Euro, up 7.6 million of Euro year on year.

Summary consolidated statement of financial position

€m	31 july '17	31 january '17	Chg
Trade Receivables	99.7	75.3	24.4
Inventory	373.8	340.6	33.2
Trade Payables	(366.2)	(367.7)	1.5
Net Operating Working Capital	**107.3**	**48.2**	**59.1**
Other assets/(liabilities)	(47.7)	(79.0)	31.3
Net Working Capital	**59.6**	**(30.9)**	**90.4**
Tangible and Intangible Assets	1,369.9	1,368.9	1.0
Net deferred taxes	(141.0)	(140.9)	(0.0)
Other long term assets/(liabilities)	(13.0)	(11.8)	(1.2)
Pension funds and other provisions	(45.7)	(47.7)	2.0
Net Capital Employed	**1,229.8**	**1,137.6**	**92.3**
Net Equity	821.4	871.7	(50.4)
Net Financial Debt	408.5	265.8	142.6
Total source of financing	**1,229.8**	**1,137.6**	**92.3**

Net Financial Position

At 31 July 2017, after the payment of 34.1 million of Euro in dividends in June, the Group's net financial position was 408.5 million of Euro. The booking of currency derivatives at fair value had an effect of 45.2 million of Euro, due to the trend in the euro/dollar exchange rate in the second part of the half-year. The ratio of net financial position to EBITDA for the last 12 months is 1.9x. The current spot interest rate is 2.50% + Euribor 3M (currently around 0%).

Capital structure

The OVS Group's net invested capital of 1,229.8 million of Euro increased by 92.3 million of Euro (+8.1%), largely in line with turnover and network growth.

Shareholders' equity

Shareholders' equity, equal to 821.4 million of Euro, decreased of 50.4 million of Euro (or -5.8%), in particular due to the payment of 34.1 million of Euro in dividends.

Consolidated statement of cash flows

€m	31 july '17	31 july '16	31 january '17
EBITDA	**82.1**	**75.1**	**186.7**
Change in Net Operating Working Capital	(59.1)	(59.6)	(56.3)
Other changes in Working Capital	(4.9)	(9.9)	7.3
Capex	(31.1)	(29.7)	(62.5)
Operating Cash Flow	**(12.9)**	**(24.1)**	**75.2**
Financial charges	(6.9)	(7.5)	(15.3)
Severance indemnity payment	(1.0)	(0.9)	(2.1)
Corporate taxes	(27.3)	(10.9)	(36.6)
Dividends	(34.1)	(34.1)	(34.1)
Partecipation Sempione Retail AG	0.0	0.0	(13.8)
Others	2.1	(0.9)	(3.2)
Net Cash Flow (excl derivatives MtM and amortised costs)	**(80.0)**	**(78.4)**	**(29.9)**
MtM derivatives	(62.6)	(8.3)	(0.9)
Net cash flow	**(142.6)**	**(86.7)**	**(30.8)**

Operating cash flow

Operating cash flow improved by 11.2 million of Euro in the first half, compared with the first half of 2016. The negative flow of 12.9 million of Euro represents the typical seasonal nature of the business. The greater cash generation is mainly due to an improvement in EBITDA. Growth in inventory was in line with the first half of 2016 and with the dynamics of the business. The increase in net working capital remained under control, in line with the activities implemented and with the higher volumes managed due to the acceleration of the Group's international expansion. Net cash flow was in line with the previous year, despite larger cash outflows for tax, due to payment deferments benefited from in previous years.

Consolidated profit performance in the first half of 2017

The following table shows the Group's consolidated results for the first half of 2017, including the effect of non-recurring expenses, the Stock Option Plan, amortisation of PPA operations, the fair value of derivatives held for trading and foreign exchange gains and losses (recorded under financial income from net foreign exchange gains) on forward instruments relating to this period:

€mln	31 July 2017	of which non-recurring		of which stock option plan, derivatives, PPA, exchange rate differences		31 July 2017 adjusted
Revenues and income	**727.9**	**0.0**		**0.0**		**727.9**
Purchases of consumables	316.2	0.0		13.9	(a)	302.3
Staff costs	142.8	0.6		1.0		141.2
Depreciation, amortisation and write-downs of assets	30.1	0.0		4.3		25.8
Other operating expenses	202.3	0.0		0.0		202.3
Total operating costs	**691.4**	**0.6**		**19.2**		**671.6**
Net financial gains (losses) and foreign exchange differences	(50.5)	0.0		(48.7)	(a) (b)	(1.8)
Profit before taxes	**(14.0)**	**(0.6)**		**(67.9)**		**54.5**
Taxes	(1.9)	0.1	(c)	14.1	(c)	(16.1)
Net result	**(15.9)**	**(0.5)**		**(53.8)**		**38.4**

(a) The items include exchange rate differences due to hedging derivatives related to purchases of goods in non-euro currencies, positive for €13.9 million in the first half of 2017, reclassified from the item "Net financial income (charges)".
(b) Adjusted in the change of the mark-to-market value of the semester, negative for €62.6 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 2016.

€mln	31 July 2016	of which non-recurring		of which stock option plan, derivatives, PPA, exchange rate differences		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.

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 2017.

Investments

In the first six months of the year, investments of 31.1 million of Euro were made, mostly in the Group's growth and relating mainly to (i) new store openings, for around 12 million of Euro; (ii) the maintenance and restructuring of the existing sales network, for around 12 million of Euro; (iii) the development of IT systems, for around 6 million of Euro.

Related-party transactions

Detailed information is provided on relations with related parties in the Notes to the condensed consolidated financial statements.

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 Group'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 Euro 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, 4,861,375 stock options are assigned.

It should also be noted that the shareholders' meeting of 31 May 2017 approved a new stock option plan, called the "Stock Option Plan 2017-2022", reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries, which may be implemented using either (i) treasury shares bought back under the authorisation pursuant to Article 2357 of the Italian Civil Code granted by the shareholders' meeting from time to time; or (ii) shares deriving from a capital increase by the Board of Directors, after the granting of a mandate to increase the share capital pursuant to Article 2443 of the Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Civil Code, for a total maximum nominal amount of €4,080,000.00, through the issue, in one or more tranches, of up to 4,080,000 new ordinary shares of OVS, to be reserved for the beneficiaries of the "Stock Option Plan 2017-2022".
The new Plan is also 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 free allocation to each beneficiary of up to 4,080,000 options, which give the right to subscribe or purchase ordinary shares of OVS in the ratio of one share for each option exercised. The options are allocated when determined performance targets are met.
At the time of writing, there have been no option allocations under the new "Stock Option Plan 2017-2022".

For details of the Plan, see the reports 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 date

There were no significant events after the reporting date.

Business outlook

The network expansion continued in the first part of the second half-year, with another 17 stores added to date, including 16 in franchising (mainly full-format) and 1 full-format DOS. The autumn/winter season got off to a good start in Italy and abroad, due to favourable weather in September, boosted by the arrival of typical autumn weather.

It is also worth to mention the success of the red carpet during the Venice International Film Festival where our famous model Bianca Balti has been mentioned by the most influence fashion magazines for wearing one of the best dresses of the event.

Regarding the process of converting the Charles Vögele network in Switzerland into the OVS format, around 70 stores have opened to date (after closing for a couple of weeks on average for renovation and replenishment), from a scheduled overall number of 143 conversions. The conversion process is therefore fully in line with the execution schedule, which provides for completion of all the store conversions by mid-November 2017. The converted stores are all reporting performances in line with expectations.

Venice, 20 September 2017

for the Board of Directors
The Chief Executive Officer

Stefano Beraldo

Condensed consolidated half-year financial statements at 31 July 2017

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 31 JULY 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in thousands of euros)

ASSETS	Note	31.07.2017	of which related parties	31.01.2017	of which related parties
Current assets					
Cash and banks	*1*	63,934		89,713	
Trade receivables	*2*	99,674	14,322	75,259	6,608
Inventories	*3*	373,785		340,577	
Financial assets	*4*	0		18,897	
Current tax assets	*5*	11,746		1,120	
Other receivables	*6*	34,389		31,059	
Total current assets		**583,528**		**556,625**	
Non-current assets					
Property, plant and equipment	*7*	269,931		267,359	
Intangible assets	*8*	638,372		639,924	
Goodwill	*9*	453,165		453,165	
Equity investments	*10*	8,420		8,420	
Financial assets	*4*	11,478	11,478	5,491	5,491
Other receivables	*6*	5,255		5,220	
Total non-current assets		**1,386,621**		**1,379,579**	
TOTAL ASSETS		**1,970,149**		**1,936,204**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.07.2017	of which related parties	31.01.2017	of which related parties
Current liabilities					
Financial liabilities	*11*	98,163		6,559	
Trade payables	*12*	366,176	1,861	367,662	1,245
Current tax liabilities	*13*	0		15,796	11,460
Other payables	*14*	93,867	999	95,420	2,018
Total current liabilities		**558,206**		**485,437**	
Non-current liabilities					
Financial liabilities	*11*	385,716		373,363	
Employee benefits	*15*	38,717		39,906	
Provisions for risks and charges	*16*	6,934		7,785	
Deferred tax liabilities	*17*	140,979		140,939	
Other payables	*14*	18,216		17,030	
Total non-current liabilities		**590,562**		**579,023**	
TOTAL LIABILITIES		**1,148,768**		**1,064,460**	
SHAREHOLDERS' EQUITY					
Share capital	*18*	227,000		227,000	
Other reserves	*18*	610,258		566,729	
Net result for the period		(15,877)		78,015	
TOTAL SHAREHOLDERS' EQUITY		**821,381**		**871,744**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,970,149**		**1,936,204**	

CONSOLIDATED INCOME STATEMENT
(amounts in thousands of euros)

	Note	31.07.2017	of which non-recurring	of which related parties	31.07.2016	of which non-recurring	of which related parties
Revenues	*19*	697,097		29,892	640,106		286
Other operating income and revenues	*20*	30,800		2,046	28,112		
Total revenues		**727,897**	**0**		**668,218**	**0**	
Purchases of raw materials, consumables and goods	*21*	316,239		15	275,518		2
Staff costs	*22*	142,803	557	2,071	135,440	194	2,670
Depreciation, amortisation and write-downs of assets	*23*	30,059			28,376		
Other operating expenses							
Service costs	*24*	91,006	29	5,782	82,656	657	5,937
Costs for the use of third-party assets	*25*	98,461	38	(179)	96,043	17	192
Write-downs and provisions	*26*	660					
Other operating charges	*27*	12,193		(57)	11,837	1,364	1
Result before net financial expenses and taxes		**36,476**	**(624)**		**38,348**	**(2,232)**	
Financial income	*28*	491		480	24		
Financial expenses		(7,623)			(7,603)		
Exchange rate gains and losses		(43,367)			(2,341)		
Gains (losses) from equity investments		0			0		
Net result for the period before tax		**(14,023)**	**(624)**		**28,428**	**(2,232)**	**0**
Taxes	*29*	(1,854)	150		(10,499)	614	
Net result for the period		**(15,877)**	**(474)**		**17,929**	**(1,618)**	**0**
Net result for the period attributable to the Group		**(15,877)**			**17,929**		
Net result for the period attributable to minority interests		**0**			**0**		
Earnings per share (in euro)							
- basic		(0.07)			0.08		
- diluted		(0.07)			0.08		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(amounts in thousands of euros)

	Note	31.07.2017	31.07.2016
Net result for the period (A)		**(15,877)**	**17,929**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Actuarial gains (losses) for employee benefits	15-18	562	(3,124)
- Tax on items recognised in the reserve for actuarial gains (losses)	17-18	(135)	699
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**427**	**(2,425)**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	18	(1,897)	(42)
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**(1,897)**	**(42)**
Total other items of comprehensive income (B)		**(1,470)**	**(2,467)**
Total comprehensive income for the period (A) + (B)		**(17,347)**	**15,462**
Total comprehensive income attributable to the Group		(17,347)	15,462
Total comprehensive income attributable to minority interests		-	-

CONSOLIDATED STATEMENT OF CASH FLOWS
(amounts in thousands of euros)

	Note	31.07.2017	31.07.2016
Operating activities			
Net result for the period		(15,877)	17,929
Provision for taxes	*29*	1,854	10,499
Adjustments for:			
Net depreciation, amortisation and write-downs of fixed assets	*23*	30,059	28,376
Net capital losses (gains) on fixed assets		326	38
Net financial expenses (income)	*28*	7,133	7,573
Expenses (income) from foreign exchange differences and currency derivatives	*28*	(19,250)	(5,947)
Loss (gain) on derivatives due to change in fair value	*28*	62,616	8,294
Allocations to provisions	*15-16*	0	0
Utilisation of provisions	*15-16*	(1,834)	(1,214)
Cash flows from operating activities before changes in working capital		**65,027**	**65,548**
Cash flow generated by change in working capital	*2-3-5-6-12-13-14-17*	(63,140)	(65,973)
Taxes paid		(27,250)	(10,942)
Net interest received (paid)		(6,851)	(8,018)
Realised foreign exchange differences and cash flows from currency derivatives		13,547	5,995
Other changes		(863)	1,179
Cash flow generated (absorbed) by operating activities		**(19,530)**	**(12,211)**
Investment activities			
(Investments) in fixed assets	*7-8-9*	(32,482)	(33,429)
Disposals of fixed assets	*7-8-9*	77	64
(Increase) decrease in equity investments	*10*	0	0
Cash flow generated (absorbed) by investment activities		**(32,405)**	**(33,365)**
Financing activities			
Net change in financial assets and liabilities	*4-11*	60,206	9,775
Increase in share capital and reserves		0	0
Dividends distribution		(34,050)	(34,050)
Cash flow generated (absorbed) by financing activities		**26,156**	**(24,275)**
Increase (decrease) in cash and cash equivalents		**(25,779)**	**(69,851)**
Cash and cash equivalents at beginning of the period		**89,713**	**125,636**
Cash and cash equivalents at end of the period		**63,934**	**55,785**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(amounts in 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 01 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
Relations with Shareholders	-	-	**4,092**	-	-	-	**1,221**	-	**48,485**	**(86,627)**	**(32,829)**
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**
Balance at 01 February 2017	**227,000**	**511,995**	**4,092**	**0**	**(1,360)**	**971**	**3,882**	**2,456**	**44,693**	**78,015**	**871,744**
Allocation of earnings for financial year 2016	-	-	3,825	-	-	-	-	-	74,190	(78,015)	0
Dividends distribution (Euro 0.15 per share)	-	-	-	-	-	-	-	-	(34,050)	-	(34,050)
Management incentive plan	-	-	-	-	-	-	1,034	-	-	-	1,034
Relations with Shareholders			**3,825**				**1,034**		**40,140**	**(78,015)**	**(33,016)**
Net result for the period	-	-	-	-	-	-	-	-	-	(15,877)	(15,877)
Other items of comprehensive income	-	-	-	-	427	(1,897)	-	-	-	-	(1,470)
Total comprehensive income for the period	-	-	-	-	**427**	**(1,897)**	-	-	-	**(15,877)**	**(17,347)**
Balance at 31 July 2017	**227,000**	**511,995**	**7,917**	**0**	**(933)**	**(926)**	**4,916**	**2,456**	**84,833**	**(15,877)**	**821,381**

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 the Company's shares on the Mercato Telematico Azionario (MTA), organised and managed by OVS S.p.A.
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.

The condensed consolidated half-year financial statements at 31 July 2017 were prepared pursuant to Article 154-*ter* of Legislative Decree 58/1998 as well as Consob Regulations.

SUMMARY OF ACCOUNTING STANDARDS AND VALUATION CRITERIA USED

Basis of preparation

The condensed consolidated half-year financial statements at 31 July 2017 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 at 31 July 2017 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 2017, prepared pursuant to IFRS.

The condensed consolidated half-year financial statements at 31 July 2017 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 2017 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 Group 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.

PricewaterhouseCoopers S.p.A. has performed a limited audit on the condensed consolidated half-year financial statements at 31 July 2017.

Use of estimates in the preparation of the financial statements

When preparing these condensed consolidated half-year financial statements and the relative notes, the managers of the OVS Group were required to make estimates and assumptions which have affected the values of the assets and liabilities in the financial statements and the relative disclosure. The final results of the accounting entries for which the above estimates and assumptions were used may differ from those reported in financial statements, which recognise the effects of the occurrence of the event subject to estimation.

Moreover, certain valuation processes, particularly those that are more complex, 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 needed 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 2017 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	745,156,428	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%
OVS Fashion España S.L.	Madrid - Spain	3,100.00	EUR	100%

List of equity investments measured using the equity method:

Centomilacandele S.c.p.A.	Milan	300,000.00	EUR	31.63%
Sempione Retail AG	Zurich - Switzerland	25,385,526.00	CHF	35.00%

In the half-year ended 31 July 2017, 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**	**31.07.2017**	**31.01.2017**	**2017**	**2016**
US dollar	USD	1.17	1.08	1.10	1.12
Hong Kong dollar	HKD	9.16	8.34	8.55	8.69
Chinese renminbi	RMB	7.89	7.40	7.53	7.34
Croatian kuna	HRK	7.41	7.48	7.43	7.53
Serbian dinar	RSD	120.14	123.99	122.76	123.04
Bulgarian lev	BGN	1.96	1.96	1.96	1.96
Indian rupee	INR	75.27	72.80	71.49	75.18

Accounting policies and consolidation criteria

The accounting standards and consolidation criteria used to prepare the condensed consolidated half-year financial statements at 31 July 2017 are consistent with those used to prepare the consolidated financial statements for the year ended 31 January 2017, 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 2017, as they became mandatory following completion of the relative approval procedures by the competent authorities.

Accounting standards, amendments and interpretations applicable from 1 January 2017

As no new IFRS accounting standards, amendments and interpretations came into effect on 1 January 2017, the Group has prepared the half-year financial Report using the same accounting standards as those used for the consolidated financial statements for the year ended 31 January 2017.

New accounting standards and interpretations approved by the European Union and effective for financial years starting on or after 31 January 2018

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduces a new five-step model that will apply to revenue from contracts with customers. It replaces all current requirements in IFRSs relating to recognition of revenue (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). IFRS 15 requires the recognition of revenue in an amount reflecting the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. The standard will be effective for annual reporting periods starting on or after 1 January 2018, with full or modified retrospective application. Early application is permitted.

The Group plans to implement the new standard from the mandatory effective date and is still assessing whether to apply the full or modified retrospective approach. During the first half of 2017, the Group carried out a preliminary assessment of the impact of IFRS 15 by simulating the application of the standard to contracts in the main revenue streams identified at Group level. This assessment may be subject to change as a result of the more detailed analysis currently under way. In particular, analyses are ongoing to assess the possible impacts arising from the application of IFRS 15 and to identify methods for representing the effects when the new standards are first adopted, also taking account of the options provided for.

The preliminary results of the assessment of application of IFRS 15 highlighted the following matter:

(a) Sale of goods in the retail and wholesale sectors

The Group does not expect the application of IFRS 15 to contracts with customers in which the sale of goods is the only obligation to have a material impact on the Group, especially with regard to retail flows. The Group expects that revenue recognition will take place as soon as control of the asset has been transferred to the customer, generally at the time of delivery of the asset, which is similar to what happens under the standards currently applied.

IFRS 15 also stipulates that the variable component of the consideration should be estimated on the date when the contract is signed, and should be taken into account when control of the assets is transferred and the right to obtain the consideration therefore arises. The Group therefore considered the presence and nature of the variable consideration in the current portfolio of contracts with major customers, and has retrieved the available information and processes in order to consider any impacts arising from the application of the new standard.

As part of the process of identifying the various performance obligations, the right of return in respect of the affiliates was eventually identified as an element that could result in deferred recognition of revenue compared with the current accounting treatment.

(b) Presentation and disclosure requirements

The provisions of IFRS 15 concerning presentation and disclosure requirements, which are fundamentally new, are more detailed than those of the current standards. The Group is still analysing the effects on the required information and therefore on the systems, internal control, policies and procedures needed to collect and present this information. However, since the analysis of contracts and revenue streams shows a predominance of revenue recognition at a point in time, and in view of the results of the assessment, the Group does not expect to encounter significant implementation difficulties when addressing the need to include additional disclosure.

IFRS 9 – Financial Instruments

On 22 November 2016, the European Union issued Regulation 2016/2067, which approved IFRS 9 - Financial Instruments, replacing IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all aspects relating to the accounting of financial instruments, including classification and measurement, impairment and hedge accounting. The standard will be effective for financial years starting on or after 1 January 2018; early application is permitted. With the exception of hedge accounting (which is applied prospectively, with some exceptions), retrospective application of the principle is required, but the provision of comparative information is not mandatory. The Group will adopt the new standard from the effective date. The Group does not expect the application of the classification and measurement requirements of IFRS 9 to have material effects on its financial statements, including in respect of expected losses on receivables, although it reserves the right to carry out a more detailed analysis. Lastly, as regards hedge accounting, it should be noted that the Group does not currently have hedging relationships designated as effective hedges under IAS 39.

IFRS 16 – Leasing

IFRS 16 was published in January 2016 and will replace IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines principles for the recognition, measurement, presentation and disclosure of leases (agreements that confer the right to use third-party assets), and requires lessees to account for all lease agreements in the financial statements based on a single model, similar to that used to account for finance leases under IAS 17. The standard provides for two exemptions for lessee recognition of lease agreements for "low value" assets (such as personal computers) and short-term lease agreements (e.g. agreements ending within 12 months or less). At the beginning of the lease agreement, the lessee will recognise a liability for fixed lease payments and an intangible asset that represents the right to use the underlying asset for the duration of the lease. Lessees will have to recognise interest expense for lease liabilities and amortisation of the right to the intangible assets separately. Lessees will also have to remeasure lease liabilities when certain events occur (for example, a change in the terms of the lease agreement, or a change in future lease payments resulting from the change in an index or rate used to determine those payments). The lessee will generally recognise the amount of lease liability remeasurement as an adjustment to the right to use the asset.

IFRS 16 will be effective for annual reporting periods starting on or after 1 January 2019, or subsequently with full or modified retrospective application (the EU approval process is still ongoing). Early application is

permitted, but not before the entity has adopted IFRS 15. The transitional measures provided by the standard offer some relief. The Group plans to apply the new standard from the mandatory effective date.
In view of the number of passive lease agreements entered into by the OVS Group relating to its DOS, it is reasonable to anticipate a very significant impact on its assets and liabilities, cash flows and profit. Therefore, the assessment of the effects associated with this new standard is also part of a broader project that was launched in the first half of 2017, the analyses of which are still ongoing.

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 but not yet adopted by OVS Group, are set out below:

Description	Approved at the date of this document	Effective date under the standard
IFRIC 22 Foreign Currency Transactions and Advance Consideration	No	Years starting on or after 01 January 2018
Amendment to IAS 40: Transfers of Investment property	No	Years starting on or after 01 January 2018
Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts	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’: Sale or contribution of assets between an investor and its associate/joint venture	No	Suspended
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
IFRS 9 'Financial Instruments'	Yes	Years starting on or after 01 January 2018
IFRS 15 'Revenues from contracts with customers'	Yes	Years starting on or after 01 January 2018
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
IFRIC 23 Uncertainty over Income Tax Treatments	No	Years starting on or after 01 January 2019
IFRS 17 Insurance Contracts	No	Years starting on or after 01 January 2021
Annual improvements cycles 2014-2016	No	Years starting on or after 01 January 2017

No accounting standards and/or interpretations for which application is mandatory for periods beginning on or after 1 February 2017 have been applied early.

INFORMATION ON FINANCIAL RISKS

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

- credit risk (relating both to normal commercial relationships with customers and to financing activity);
- liquidity risk (relating to the availability of financial resources and access to the credit market, and to financial instruments in general); and
- market risk (defined as foreign exchange risk and interest rate risk).

The condensed consolidated half-year financial statements at 31 July 2017 do not include all the information relating to financial risks described in the consolidated financial statements for the year ended 31 January 2017: 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 2017.

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 2017, the total guarantee amount was €45.6 million, including €17.7 million in overdue receivables (€43.5 million at 31 January 2017, including €15.7 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 €99.7 million (€75.3 million at 31 January 2017).

Written-down receivables amounted to €8.9 million (€8.1 million at 31 January 2017).

Overdue receivables not written down, as the situation with regard to collection is not critical, amounted to €13.1 million (€19.4 million at 31 January 2017).

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 capital and 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 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.

To manage these risks, however, 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, which 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 2017.

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 2017 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.
Trade receivables and payables were measured at their amortised cost as this 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 2017			31 July 2016		
(thousands of euros)	**OVS**	**UPIM**	**Total**	**OVS**	**UPIM**	**Total**
Revenues by segment	**574,849**	**122,248**	**697,097**	**539,325**	**100,781**	**640,106**
EBITDA (A) (*)	**69,139**	**11,332**	**80,471**	**64,216**	**7,418**	**71,634**
% of revenues	12.0%	9.3%	11.5%	11.9%	7.4%	11.2%
Non-recurring expenses	559	65	624	1,829	403	2,232
Stock Option plan	853	181	1,034	1,029	192	1,221
EBITDA *Adjusted*	**70,551**	**11,578**	**82,129**	**67,074**	**8,013**	**75,087**
% of revenues	12.3%	9.5%	11.8%	12.4%	8.0%	11.7%
Depreciation, amortisation and write-downs of assets (B)			(30,059)			(28,376)
Profit before net financial expenses and taxes (A-B)			**50,412**			**43,258**
Financial income			491			24
Financial expenses			(7,623)			(7,603)
Foreign exchange gains and losses			(57,303)			(7,251)
Gains (losses) from equity investments			0			0
Net result before tax			**(14,023)**			**28,428**
Taxes			(1,854)			(10,499)
Net result			**(15,877)**			**17,929**

(*) The item include exchange rate differences due to hedging derivatives related to purchases of goods in non-euro currencies, positive for €13.9 million in the first half of 2017 (positive for €4.9 million in the first half of 2016) reclassified from 'Financial income/(expenses)'.

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 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).

		31.07.2017	31.01.2017	change
1	**Cash and banks**	**63,934**	89,713	(25,779)

The balance represents cash and cash equivalents at 31 July 2017 and 31 January 2017 and breaks down as follows (in thousands of euros):

		31.07.2017	31.01.2017	change
1)	Bank and post office deposits	56,589	83,562	(26,973)
2)	Cheques	8	9	(1)
3)	Cash and cash equivalents on hand	7,337	6,142	1,195
Total		**63,934**	**89,713**	**(25,779)**

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

In addition, at 31 July 2017, ordinary current accounts were set up as pledges to secure the Loan Agreement (described in note 11 below), in the amount of €39,501 thousand, and foreign currency current accounts in the amount of USD24,620 thousand, corresponding to €21,625 thousand, the balance of which is still fully available to the OVS Group.

		31.07.2017	31.01.2017	change
2	**Trade receivables**	**99,674**	75,259	24,415

The breakdown of trade receivables at 31 July 2017 and at 31 January 2017 was as follows (in thousands of euros):

	31.07.2017	31.01.2017	change
Trade receivables			
Receivables for retail sales	784	858	(74)
Receivables for wholesale sales	85,476	61,477	23,999
Receivables for services rendered	1,180	8,513	(7,333)
Disputed receivables	6,781	6,115	666
Trade receivables from related parties	14,322	6,608	7,714
Subtotal	**108,543**	**83,571**	**24,972**
(Provision for doubtful accounts)	(8,869)	(8,312)	(557)
Total	**99,674**	**75,259**	**24,415**

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 S.p.A. of €1.4 million, related to services, and from Coin S.r.l., for €5.2 million, related to brokerage fees for procurement (€1.2 million) and for services (€4.0 million). The amount also includes receivables from the commercial companies of the Charles Vögele Group for €7.5 million, mainly for the sale of goods.

Also note that trade receivables (mainly for the provision of products to the franchising affiliates) amounting to €93.2 million were also transferred to secure the Loan Agreement at 31 July 2017.

Changes in the provision for doubtful accounts for the half-year ended 31 July 2017 are shown below:

(thousands of euros)	
Balance at 31 January 2017	**8,312**
Allocations in the period	660
Utilisations in the period	(103)
Balance at 31 July 2017	**8,869**

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.

		31.07.2017	31.01.2017	change
3	**Inventories**	**373,785**	340,577	33,208

The breakdown of inventories is shown in the following table:

(thousands of euros)	31.07.2017	31.01.2017
Goods	397,261	366,706
Gross stock	**397,261**	**366,706**
Provision for depreciation	(16,849)	(17,249)
Provision for inventory differences	(6,627)	(8,880)
Total provisions for stock write-downs	**(23,476)**	**(26,129)**
Total	**373,785**	**340,577**

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 estimated 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 2017 are shown below:

(thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2017	**17,249**	**8,880**	**26,129**
Allocation	8,194	6,950	15,144
Utilisation	(8,594)	(9,203)	(17,797)
Balance at 31 July 2017	**16,849**	**6,627**	**23,476**

		31.07.2017	31.01.2017	change
4	**Current financial assets**	**0**	18,897	(18,897)
4	**Non-current financial assets**	**11,478**	5,491	5,987

The breakdown of the "Financial assets" item into current and non-current at 31 July 2017 and at 31 January 2017 is shown below:

(thousands of euros)	31.07.2017	31.01.2017
Derivatives (current portion)	0	18,897
Total current financial assets	**0**	**18,897**
Derivatives (non-current portion)	0	0
Financial loan to related company	11,478	5,491
Total non-current financial assets	**11,478**	**5,491**
Total	**11,478**	**24,388**

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

The amount of non-current financial assets relates to the loan granted in several tranches to Sempione Retail AG. This loan (the "Shareholders' Loan Agreement"), which stood at CHF11,995 thousand at 31 July 2017, is a shareholders' loan subordinated to all the liabilities of Sempione Retail AG and all of its subsidiaries, including Charles Vögele.

Repayment will be made in a lump sum (bullet loan) on a date to be agreed, but at least six months after the due date of the debt disbursed by third parties other than the shareholders. The shareholders' loan is interest-bearing and provides for the payment of interest every six months. The annual interest rate is calculated as the sum of:

- the basic rate, i.e. the interbank rate with a floor equal to 0 and a cap equal to the maximum interest rate applicable for intra-group financing according to the Swiss Federal Tax Administration;

- a spread, calculated in turn as the sum of:

  - the spread applied to loans made to Sempione Retail by third parties other than shareholders (pursuant to the Credit Facility Agreement entered into between Sempione Retail and a banking syndicate);
  - plus 2%.

		31.07.2017	31.01.2017	change
5	**Current tax assets**	**11,746**	1,120	10,626

The balance mainly consists of receivables for the IRES payment on account made in July 2017 (€10,916 thousand), withholding tax on fees (€488 thousand) and other tax receivables and receivables for tax withheld at source. It should be noted that the Group has no IRES-taxable income recorded at the balance sheet date for the half-year Report.

		31.07.2017	31.01.2017	change
6	**Other current receivables**	**34,389**	31,059	3,330
6	**Other non-current receivables**	**5,255**	5,220	35

Other receivables break down as follows:

(thousands of euros)	31.07.2017	31.01.2017	change
Other receivables	1,909	657	1,252
Receivables from insurance companies for claims reimbursements	135	169	(34)
Receivables from employees	2,201	1,517	684
Accrued income and prepaid expenses - rents and service charges	21,679	22,275	(596)
Accrued income and prepaid expenses - insurance	1,150	143	1,007
Accrued income and prepaid expenses - interest on security deposits	29	30	(1)
Accrued income and prepaid expenses - other	7,286	6,268	1,018
Total current receivables	**34,389**	**31,059**	**3,330**
Tax receivables	714	1,072	(358)
Security deposits	3,889	3,383	506
Minor investments	20	20	0
Other receivables	632	745	(113)
Total non-current receivables	**5,255**	**5,220**	**35**

The "Other current receivables" item relates to guarantee deposits made for new leases amounting to €982 thousand and receivables for business unit disposals amounting to €160 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 in 2015 (€33 thousand) and damage to goods in transit (€82 thousand).

The item "Accrued income and prepaid expenses - other" primarily includes prepayments for advertising and marketing services of €1,639 thousand and the share of deferred financial fees (€300 thousand) incurred to obtain revolving lines of credit and to obtain lines of credit described in more detail in the "Financial liabilities" section below.

The residual amount mainly refers to prepaid expenses on utilities costs, costs for services and reimbursement of training costs.

Also note that insurance receivables amounting to €0.1 million were transferred to secure the Loan Agreement at 31 July 2017.

"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 €165 thousand and the medium-/long-term portion of deferred financial fees for €468 thousand.

		31.07.2017	31.01.2017	change
7	**Property, plant and equipment**	**269,931**	267,359	2,572

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.

Leasehold improvements, allocated to the items in question, mainly relate to renovations of stores not under direct ownership.

In addition, pursuant to the Loan Agreement, at 31 July 2017 a lien was created on property in the amount of €167.6 million.

		31.07.2017	31.01.2017	change
8	**Intangible assets**	**638,372**	639,924	(1,552)

Appendix 2 to these notes shows the change for each item in the period.

Intangible assets at 31 July 2017 mainly include the amounts allocated to the OVS Group deriving from the acquisition of Gruppo Coin by Icon. At 31 July 2017, 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 €76.8 million, amortised over 20 years (included under "Other intangible assets");
- The Upim franchising network for €30.5 million, amortised over 20 years (included under "Other intangible assets");
- Licences relating to OVS stores for €91.8 million, amortised over 40 years (included under "Concessions, licences and brands");
- Licences relating to Upim stores for €18.3 million, amortised over 40 years (included under "Concessions, licences and brands");
- Licences relating to former Bernardi stores for €3.6 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 2017 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 stores indicating impairment, the Company calculated value in use for each store. No write-downs of licences arose from the analysis carried out for the half-year ended 31 July 2017.

Also note that, pursuant to the Loan Agreement, at 31 July 2017 a lien was created on OVS Group brands in the amount of €390.8 million.

		31.07.2017	31.01.2017	change
9	**Goodwill**	**453,165**	453,165	0

The goodwill allocated to the OVS Group mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011 for €451,778 thousand, while €624 thousand is attributable to the acquisition of OVS Fashion España SL in 2016.
Management considered that the conditions necessary to confirm this amount existed at 31 July 2017, since the testing carried out revealed no evidence of impairment that could result in the writing down of the goodwill allocated to the OVS CGU, the Upim CGU and the OVS and Upim brands.

		31.07.2017	31.01.2017	change
10	**Equity investments**	**8,420**	8,420	0

This item includes €8,284 thousand for the 35% equity investment in associate Sempione Retail AG, acquired by OVS S.p.A. in 2016, and €136 thousand for the 31.63% equity investment in consortium Centomilacandele S.c.p.a. held by OVS S.p.A..
It should be noted that the carrying amount of the equity investment in Sempione Retail AG at 31 July 2017 was equivalent to the capital increases subscribed during 2016, totalling €8,284 thousand. In line with the accounting principles and consolidation criteria described above, the same will be valued at equity with the first available consolidated financial statements of the Sempione Retail Group.

Based on the management data held by the Company relating to the Charles Vögele Group, there are no indicators of a loss in the value of the investment.

		31.07.2017	31.01.2017	change
11	**Current financial liabilities**	**98,163**	6,559	91,604
11	**Non-current financial liabilities**	**385,716**	373,363	12,353

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 July 2017 and 31 January 2017 is shown below:

(thousands of euros)	31.07.2017	31.01.2017
Current bank payables	64,140	3,958
Other current financial payables	34,023	2,601
Current financial liabilities	**98,163**	**6,559**
Non-current bank payables	371,780	371,190
Other non-current financial payables	13,936	2,173
Non-current financial liabilities	**385,716**	**373,363**

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 2017 are shown below:

(thousands of euros)	Maturity date	Interest rate	At 31 July 2017		
			Total	of which non-current portion	of which current portion
Facility Revolving	2020	Euribor + 2.50%	45,000	-	45,000
Hot Money (1)		Euribor + 1.00%	5,000		5,000
Hot Money (2)		0.40%	10,000		10,000
Due for financial expenses			4,031	-	4,031
Bank current account liabilities			109	-	109
Current bank payables			**64,140**	**-**	**64,140**
Facility B	2020	Euribor + 2.50%	375,000	375,000	-
Finance costs			(3,220)	(3,220)	-
Non-current bank payables			**371,780**	**371,780**	**-**

The lines of credit available to the Group, at 31 July 2017, refer to the loan agreement signed on 23 January 2015 and disbursed on 2 March 2015 (the “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 now equal to the sum of (i) the margin of 2.5% 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 or quarterly or half-yearly basis for the Revolving Line (unless otherwise agreed between the parties).

The Margin may be reduced or increased further 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 (not audited) at 31 July, drawn up pursuant to IFRS. Specifically, the 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 2017, the ratio of average financial debt to EBITDA was 1.78. The Margin will therefore stay at 2.5%. The next test is scheduled for 31 January 2018.

The final due date of the 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 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 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 Loan Agreement provides that, to ensure that the relative obligations are met, the following guarantees are made in favour of the banking syndicate on its 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 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 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 (in particular 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 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 ratio 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 the OVS Group, except for the test of July 2015 and January 2016, in which average net debt was calculated based on the final value of each month that had actually passed since the disbursement date. As previously mentioned, at 31 July 2017, the ratio of average financial debt to EBITDA was 1.78. The obligation is therefore completely fulfilled.

The 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, Banca IMI 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 2017 and 31 January 2017, 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)	31.07.2017	31.01.2017
Net debt		
A. Cash	63,934	89,713
B. Cash equivalents	-	-
C. Securities held for trading	-	-
D. Liquid assets (A)+(B)+(C)	**63,934**	**89,713**
E. Current financial receivables	**-**	**18,897**
F. Current bank payables	(64,140)	(3,958)
G. Current portion of non-current debt	-	-
H. Other current financial payables	(34,023)	(2,601)
I. Current debt (F)+(G)+(H)	**(98,163)**	**(6,559)**
J. Net current debt (I)+(E)+(D)	**(34,229)**	**102,051**
K. Non-current bank payables	(371,780)	(371,190)
L. Bonds issued	-	-
M. Other non-current financial payables	(13,936)	(2,173)
N. Non-current debt (K)+(L)+(M)	**(385,716)**	**(373,363)**
O. Net debt (J)+(N)	**(419,945)**	**(271,312)**
Non-current financial receivables	**11,478**	**5,491**
Net financial position	**(408,467)**	**(265,821)**

Other current and non-current financial payables

The following table shows the breakdown of other current and non-current financial payables at 31 July 2017 and at 31 January 2017.

(thousands of euros)	31.07.2017	31.01.2017
Payables for finance leases	1,147	1,142
Derivatives	32,821	1,404
Other loans and minor financial payables	55	55
Other current financial payables	**34,023**	**2,601**
Payables for finance leases	1,512	2,052
Derivatives	12,424	121
Other loans and minor financial payables	-	-
Other non-current financial payables	**13,936**	**2,173**

		31.07.2017	31.01.2017	change
12	**Trade payables**	**366,176**	367,662	(1,486)

The breakdown of the "Trade payables" item at 31 July 2017 and 31 January 2017 is provided below:

(thousands of euros)	31.07.2017	31.01.2017	change
Payables to third-party suppliers	364,315	366,417	(2,102)
Payables to related parties	1,861	1,245	616
Trade payables	**366,176**	**367,662**	**(1,486)**

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 €212,068 thousand; it also includes exposure in foreign currency (mainly USD) amounting to USD230,378 thousand, already net of USD440 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.

		31.07.2017	31.01.2017	change
13	**Current tax liabilities**	**0**	15,796	(15,796)

The Group did not record any current tax payables at 31 July 2017, as it had made payments on account in excess of the tax amounts calculated.

The amount shown at 31 January 2017 included IRES (corporation tax) payables of €3.7 million and IRAP (regional production tax) payables of €0.2 million (net of payments on account and tax credits of €21.5 million and €5.4 million respectively), as well as taxes paid by the foreign companies for the year.

This item also included payables to Gruppo Coin S.p.A. for the acquisition of part of the excess IRES resulting from the 2016 Consolidated Corporate Income Tax Return (CNM) submitted by Gruppo Coin S.p.A., amounting to €11,460 thousand.

		31.07.2017	31.01.2017	change
14	**Other current payables**	**93,867**	95,420	(1,553)
14	**Other non-current payables**	**18,216**	17,030	1,186

The breakdown of the "Other payables" item into current and non-current at 31 July 2017 and at 31 January 2017 is shown below:

(thousands of euros)	31.07.2017	31.01.2017	change
Payables to employees for unused leave and related contributions	8,516	7,840	676
Payables to employees for deferred salaries, overtime, bonuses and related contributions	19,992	21,771	(1,779)
Payables to Directors and Auditors for emoluments	496	388	108
Other payables	6,807	6,682	125
Payables to pension and social security institutions	6,987	6,658	329
VAT payables	29,088	29,048	40
Other tax payables	2,024	3,109	(1,085)
Other payables - to customers	154	129	25
Accrued expenses/deferred income - rents and leasing	7,026	9,088	(2,062)
Accrued expenses and deferred income - utilities	2,916	2,437	479
Accrued expenses and deferred income - insurance	151	401	(250)
Accrued expenses and deferred income - other	9,710	7,869	1,841
Total current payables	**93,867**	**95,420**	**(1,553)**
Linearisation of rents	12,075	12,179	(104)
Accrued expenses and deferred income - other	6,141	4,851	1,290
Total non-current payables	**18,216**	**17,030**	**1,186**

"Payables to employees" relates to benefits accrued and not paid out at 31 July 2017.

"Other payables" mainly refers to customer advances to book goods and purchases of goods vouchers for €3,610 thousand, payables for deposits received from customers as guarantees for an affiliation agreement for €2,681 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.

The "Other accrued expenses/deferred income" item includes €4,005 thousand in accrued expenses for local taxes, €2,075 thousand for travel expenses, €360 thousand for bank charges and €1,218 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 €240 thousand).

Non-current payables relate, in the amount of €12,075 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 €240 thousand already mentioned in the previous item and €816 thousand relating to the deferral of the contribution 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.

This item also includes €5,084 thousand as the non-current portion of deferred income for contributions recognised by lessors after store restructurings and conversions. These contributions were discounted based on the term of the lease.

		31.07.2017	31.01.2017	change
15	**Employee benefits**	**38,717**	39,906	(1,189)

Changes in employee benefits for the half-year ended 31 July 2017 are shown below:

(thousands of euros)	
Balance at 31 January 2017	**39,906**
Increase in period	355
Actuarial (gains)/losses	(561)
Contributions made/benefits paid	(983)
Balance at 31 July 2017	**38,717**

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.

		31.07.2017	31.01.2017	change
16	**Provisions for risks and charges**	**6,934**	7,785	(851)

Changes in the "Provision for risks and charges" item for the half-year ended 31 July 2017 are shown below:

(thousands of euros)	
Balance at 31 January 2017	**7,785**
Allocations in the period	0
Utilisations in the period	(851)
Balance at 31 July 2017	**6,934**

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.

		31.07.2017	31.01.2017	change
17	**Deferred tax liabilities**	**140,979**	140,939	40

Changes in the "Deferred tax liabilities" item in the half-year ended 31 July 2017 are shown below:

(thousands of euros)	Balance at 31.01.2017	Allocated/ released to income statement	Allocated/ released to statement of comprehensive income	Balance at 31.07.2017
Provision for stock write-downs	6,258	(678)	0	5,580
Appropriation for local taxes	880	(217)	0	663
Provisions for risks and charges	1,868	(204)	0	1,664
Doubtful accounts	2,526	(539)	0	1,987
Tangible and intangible assets	(155,808)	(278)	0	(156,086)
Tax losses	0	2,362	0	2,362
Employee severance benefits calculated according to IAS 19	429	0	(134)	295
Provision for Collective Agreements	419	0	0	419
Other minor	2,489	(352)	0	2,137
Total net prepaid (deferred)	**(140,939)**	**94**	**(134)**	**(140,979)**

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 was €821.4 million.
Details of changes in the items included in shareholders' equity are provided in the relative accounting schedule.

18 Share capital

At 31 July 2017, 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 current €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 €7.9 million, and was created when earnings for the years ended 31 January 2016 and 31 January 2017 were allocated.
There are also **other reserves**, with a positive net balance of €90.3 million, which mainly include retained earnings of €84.8 million, the effects of the direct recognition in shareholders' equity of actuarial gains/(losses) relating to employee severance benefits, the translation reserve and the effects of booking management incentive plans in equity reserves in accordance with the provisions of IFRS 2 (see also note 22 "Staff costs").

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:

	31.07.2017	31.07.2016
Revenues from retail sales	698,390	677,886
VAT on retail sales	(126,112)	(122,451)
Net sales	**572,278**	**555,435**
Revenues from sales to affiliates, administered and wholesale	124,736	84,623
Subtotal net sales	**697,014**	**640,058**
Revenues from services	83	48
Total	**697,097**	**640,106**

20 Other operating income and revenues

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

	31.07.2017	31.07.2016
Revenues from services rendered	19,635	17,269
Rental and leasing revenues	9,541	9,178
Damages	19	52
Capital gains from asset disposals	4	3
Other revenues	1,601	1,610
Total	**30,800**	**28,112**

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 stores.

The item "Rental income and leases" mainly includes rent from concession partners at OVS and Upim stores.

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 consist of purchases of products for sale and amount to €316,239 thousand.
The item breaks down as follows:

	31.07.2017	31.07.2016
Purchases of raw materials, consumables and goods	349,754	303,746
Change in inventories	(33,515)	(28,228)
Total	**316,239**	**275,518**

22 Staff costs

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

	31.07.2017	31.07.2016
Wages and salaries	105,982	100,395
Social security charges	29,652	28,258
Employee severance benefits	6,450	6,146
Other staff costs	283	245
Directors' fees	436	396
Total	**142,803**	**135,440**

The number of employees, expressed as the full-time equivalent headcount, was 5,876 at the end of the half-year, compared with 5,788 at 31 January 2017.

MANAGEMENT INCENTIVE PLANS

Approval of Stock Option Plan 2015-2020

On 26 May 2015, the shareholders' meeting approved the Stock Option Plan 2015-2020 (hereinafter, the "Plan"), to be implemented through the free granting of 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 development of the Company and the Group.
The Plan expects up to 5,107,500 options, to 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 "Stock Option Plan 2015-2020", with the consequent amendment of Article 5 of the Articles of Association.

Implementation of the "Stock Option Plan 2015-2020"

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 called the "Stock Option Plan 2015-2020", 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 "Stock Option Plan 2015-2020".

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

The reasons for the adoption of the Stock Option Plan 2015-2020, 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 incentivises managers and key personnel of the Company and the Subsidiaries, linking the variable portion of the remuneration to the Group'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 Nomination 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 2017, 4,861,375 option rights had been granted in to separate tranches, 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 €4,916 thousand (already booked in the amount of €3,882 thousand at 31 January 2017), were recognised with a contra-entry in shareholders' equity.

Approval of “Stock Option Plan 2017-2022”

The shareholders' meeting of 31 May 2017 approved a new stock option plan, called the "Stock Option Plan 2017-2022", reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries, which may be implemented using either (i) treasury shares bought back under the authorisation pursuant to Article 2357 of the Italian Civil Code granted by the shareholders' meeting from time to time; or (ii) shares arising from a capital increase by the Board of Directors, after the granting of a mandate to increase the share capital pursuant to Article 2443 of the Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Civil Code, for a total maximum nominal amount of €4,080,000.00, through the issue, in one or more tranches, of up to 4,080,000 new ordinary shares of OVS, to be reserved for the beneficiaries of the "Stock Option Plan 2017-2022".

The new Plan is also intended to create value for shareholders by improving long-term corporate performance and attracting personnel that play a key role in the Group's development.

The Plan provides for the free allocation to each beneficiary of up to 4,080,000 options, which give the right to subscribe or purchase ordinary shares of OVS in the ratio of one share for each option exercised.

The Company will make available to beneficiaries the ordinary shares of OVS to which they are entitled after the exercise of the Options within the time limits and by the methods established in the Plan regulations. The ordinary shares of the Company allocated to beneficiaries after the exercise of the Options will carry ordinary rights, the same as those of the ordinary shares of the Company outstanding on the allocation date, and will therefore carry the coupons in effect at that date.

The Plan will expire on 30 June 2027 and provides for a vesting period of at least three years for Options allocated to beneficiaries. Each beneficiary may exercise the Options allocated on condition that specific annual performance targets are met, relating to OVS's consolidated EBITDA.

The strike price of the shares is set as the arithmetic mean of the official prices of the OVS share on the MTA in the 30 calendar days preceding the date of allocation of the Options to the beneficiaries by the Board of Directors. A mechanism is in place to adjust the strike price of the Shares in case of dividend distribution during the vesting period and until the time at which the Options become exercisable.

At the time of writing, there have been no option allocations under the new "Stock Option Plan 2017-2022".

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:

	31.07.2017	31.07.2016
Amortisation of intangible assets	7,548	7,122
Depreciation of tangible assets	21,456	20,779
Write-downs of tangible and intangible assets	1,055	475
Total	**30,059**	**28,376**

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:

	31.07.2017	31.07.2016
Advertising	12,479	11,606
Utilities	16,270	16,071
Miscellaneous sales costs	20,791	19,357
Service costs - professional and consulting services	13,002	9,362
Travel and other employee expenses	6,925	6,272
Insurance	1,833	1,748
Maintenance, cleaning and security	17,248	16,000
Service costs - other services	2,361	2,146
Board of Statutory Auditors' fees / Supervisory Body	97	94
Total	**91,006**	**82,656**

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

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

	31.07.2017	31.07.2016
Rental expenses and related charges	96,479	93,298
Leasing of plant, equipment and vehicles	1,982	2,745
Total	**98,461**	**96,043**

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

26 Other operating expenses: Write-downs and provisions

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

	31.07.2017	31.07.2016
Doubtful accounts	660	0
Provisions for risks	0	0
Total	**660**	**0**

27 Other operating expenses: Other operating charges

Other operating charges break down as follows:

	31.07.2017	31.07.2016
Materials and equipment for offices and stores	4,393	3,718
Taxes	5,037	5,026
Capital losses	414	125
Donations	331	229
Corporate expenses	425	255
Other general and administrative expenses	819	1,900
Other operating expenses	774	584
Total	**12,193**	**11,837**

28 Financial income (expenses)

FINANCIAL INCOME

	31.07.2017	31.07.2016
Financial income on bank current accounts	10	23
Financial income from miscellaneous sources	1	1
Income from related company	480	0
Total	**491**	**24**

FINANCIAL EXPENSES

	31.07.2017	31.07.2016
Financial expenses on bank current accounts	11	12
Financial expenses on loans	5,699	5,499
Financial expenses payable to other lenders	92	111
Interest cost on provision for employee severance benefits	389	356
Other financial expenses/fees	1,432	1,625
Total	**7,623**	**7,603**

EXCHANGE RATE GAINS AND LOSSES

	31.07.2017	31.07.2016
Foreign exchange gains	20,582	7,694
Foreign exchange losses	(1,333)	(1,747)
Gains (losses) on the change in fair value of currency derivatives	(62,616)	(8,288)
Total	**(43,367)**	**(2,341)**

29 Taxes

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

	31.07.2017	31.07.2016
Current taxes	2,029	11,016
Deferred (prepaid) taxes	(175)	(517)
Total	**1,854**	**10,499**

EARNINGS PER SHARE

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

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

	Period ended 31.07.2017	Period ended 31.07.2016
Result for the period (in thousands of euros)	(15,877)	17,929
Number of ordinary shares at the end of the period	227,000,000	227,000,000
Average weighted number of shares outstanding for the calculation of basic earnings per share	227,000,000	227,000,000
Basic earnings per share (in euros)	**(0.07)**	**0.08**
Diluted earnings per share (in euros)	**(0.07)**	**0.08**

There were no significant dilutive effects at 31 July 2017 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, in addition to the relationships with commercial companies of Charles Vögele Group.

The following table summarises OVS Group'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. in liquidazione	GCF S.p.A.	Gruppo Coin Interna-tional S.A.	Centomila-candele S.c.p.a.	Sempione Retail AG	Charles Vögele Mode AG	Charles Vögele Deutschland GmbH	Charles Vögele (Austria) GmbH	Charles Vögele trgovina stekstilom doo (Slovenia)	Coin S.r.l.	Excelsior Milano S.r.l.	Directors and Managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade receivables																	
At 31 July 2017	1,361	5	-	5	2	-	277	(1,093)	4,507	3,917	154	5,159	28	-	14,322	99,674	14.4%
At 31 January 2017	1,004	5	2	5	2	-	128	3,531	-	-	-	1,927	4	-	6,608	75,259	8.8%
Non-current financial assets																	
At 31 July 2017	-	-	-	-	-	-	11,478	-	-	-	-	-	-	-	11,478	11,478	100.0%
At 31 January 2017	-	-	-	-	-	-	5,491	-	-	-	-	-	-	-	5,491	5,491	100.0%
Trade payables																	
At 31 July 2017	-	-	-	-	-	(1,755)	-	-	-	-	-	(106)	-	-	(1,861)	(366,176)	0.5%
At 31 January 2017	-	-	-	-	-	(1,237)	-	-	-	-	-	(8)	-	-	(1,245)	(367,662)	0.3%
Current tax liabilities																	
At 31 July 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	n.a.
At 31 January 2017	(11,460)	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,460)	(15,796)	72.6%
Other current payables																	
At 31 July 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	(999)	(999)	(93,867)	1.1%
At 31 January 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,018)	(2,018)	(95,420)	2.1%

With regard to 31 July 2017, commercial relations with Gruppo Coin and its subsidiaries mainly relate to the provision of services and goods brokerage fees.

Receivables from the Charles Vögele Group mainly relate to receivables for the sale of goods to the Group's commercial companies.

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 the OVS Group with related parties:

(thousands of euros)	Related parties													
	Gruppo Coin S.p.A.	Coin S.r.l.	COSI - Concept of Style Italy S.p.A.	Excelsior Milano S.r.l.	Centomila-candele S.c.p.a.	Sempione Retail AG	Charles Vögele Mode AG	Charles Vögele Deutschland GmbH	Charles Vögele (Austria) GmbH	Charles Vögele trgovina stekstilom doo (Slovenia)	Directors and Managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Period ended 31 July 2017														
Revenues	-	509	-	-	-	-	11,051	8,265	7,392	2,675	-	29,892	697,097	4.3%
Other operating income and revenues	226	1,198	-	20	-	-	412	26	39	125	-	2,046	30,800	6.6%
Purchases of raw materials, consumables and goods	-	(15)	-	-	-	-	-	-	-	-	-	(15)	(316,239)	0.0%
Staff costs	-	-	-	-	-	-	559	-	-	-	(2,630)	(2,071)	(142,803)	1.5%
Service costs	(2)	(58)	-	-	(6,206)	-	476	1	1	5	-	(5,783)	(91,006)	6.4%
Costs for the use of third-party assets	(816)	995	-	-	-	-	-	-	-	-	-	179	(98,461)	(0.2)%
Other operating charges	-	-	-	-	-	-	22	4	7	24	-	57	(12,193)	(0.5)%
Financial income	-	-	-	-	-	480	-	-	-	-	-	480	491	97.8%

(thousands of euros)	Related parties													
	Gruppo Coin S.p.A.	Coin S.r.l.	COSI - Concept of Style Italy S.p.A.	Excelsior Milano S.r.l.	Centomila-candele S.c.p.a.	Sempione Retail AG	Charles Vögele Mode AG	Charles Vögele Deutschland GmbH	Charles Vögele (Austria) GmbH	Charles Vögele trgovina stekstilom doo (Slovenia)	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%

The main economic relationships with related parties are as follows:

- goods brokerage fees for services provided by subsidiary OVS Hong Kong Sourcing Limited to Coin, included in the "Revenues" item;

- sale of goods to the commercial companies of the Charles Vögele Group by OVS S.p.A., included in the "Revenues" item;

- chargebacks to Gruppo Coin and Coin of costs for central IT, logistics and leasing services incurred by OVS Group, included in the "Other income and operating revenues" item;

- the provision of services relating to the purchase of electricity by Centomilacandele S.c.p.a., included in the "Service costs" items;

and

- interest accrued on financial receivables from Sempione Retail AG, included in the item "Financial income".

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

(thousands of euros)	Related parties												
	Gruppo Coin S.p.A.	Coin S.r.l.	Excelsior Verona S.r.l. in liquidazione	Centomila-candele S.c.p.a.	Sempione Retail AG	Charles Vögele Mode AG	Charles Vögele Deutschland GmbH	Charles Vögele (Austria) GmbH	Charles Vögele trgovina stekstilom doo (Slovenia)	Directors and Managers with strategic responsibilities	Total	Total cash flow from the cash flow statement	Percentage of balance sheet item
Period ended 31 July 2017													
Cash flow generated (absorbed) by operating activities	(12,243)	148	2	(7,223)	-	17,144	3,947	3,522	2,676	(2,968)	5,005	(19,530)	(25.6)%
Cash flow generated (absorbed) by investing activities	-	-	-	-	-	-	-	-	-	-	0	(32,405)	0.0%
Cash flow generated (absorbed) by financing activities	-	-	-	-	(5,685)	-	-	-	-	-	(5,685)	26,156	(21.7)%
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 investing activities	-	-	-	-	-	-	-	-	-	-	0	(33,365)	0.0%
Cash flow generated (absorbed) by financing activities	-	-	-	-	-	-	-	-	-	-	0	(24,275)	0.0%

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

OTHER INFORMATION

Contingent liabilities

As well as the items described in note 16 "Provisions for risks and charges", it should be noted that, on 4 September 2015, Gruppo Coin S.p.A. and OVS S.p.A. received a writ of 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 in August 2012 of stores by Bernardi Group S.p.A. to Gruppo Coin S.p.A. and their subsequent conferment by Gruppo Coin S.p.A. to OVS S.p.A. in July 2014. The plaintiff asked for transfer of the stores sold to Gruppo Coin S.p.A. and the conferment of these stores to OVS S.p.A. to be revoked, as well as damages of approximately €8,600,000, equal to the alleged price of the assets sold to Gruppo Coin S.p.A.. Gruppo Coin S.p.A. and OVS S.p.A. promptly instructed their lawyers to defend their interests and appeared before the court. Negotiations then took place with the Procedure of Bernardi Group, which resulted in the formulation by OVS S.p.A. and Gruppo Coin S.p.A. on 10 July 2017 of a settlement proposal that was accepted by the extraordinary administration of Bernardi Group S.p.A. on 27 July 2017. This agreement entailed a total disbursement of €3,500 thousand, of which €1,458 thousand was sustained by OVS S.p.A..

Sureties and guarantees granted to third parties

These came to €69,931 thousand (€59,370 thousand at 31 January 2017) 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 agreements, this clause is assumed to cover a period of 12 months. The consequent commitment relates to one year's rent and amounts to €173.6 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 2017	357	76
Period ended 31 July 2016	315	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 2017, 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 2017 were influenced by net non-recurring expenses of €474 thousand.

	31.07.2017	31.07.2016
Staff costs	557	194
Service costs	29	657
Costs for the use of third-party assets	38	17
Other operating charges	0	1,364
Taxes	(150)	(614)
Total	**474**	**1,618**

Non-recurring expenses mainly relate to €535 thousand for transactions with employees, recognised under "Staff costs".

Significant events after the reporting date

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 2017.

Appendices:

1. Property, plant and equipment at 31 July 2017;
2. Intangible assets at 31 July 2017.

APPENDIX 1

Property, plant and equipment
The composition and changes during the period were as follows (amounts in thousands of euros):

	Balance at 31.01.2017	Movements during the period			Balance at 31.07.2017
		Purchases	Sales/disposals	Amortisation/ write-downs	
Leasehold improvements					
initial cost	207,158	4,195	(3,187)	0	208,166
write-downs	0	0	0	0	0
amortisation	(151,621)	0	2,839	(4,441)	(153,223)
net	**55,537**	**4,195**	**(348)**	**(4,441)**	**54,943**
Land and buildings					
initial cost	34,350	223	0	0	34,573
write-downs	0	0	0	0	0
amortisation	(8,627)	0	0	(352)	(8,979)
net	**25,723**	**223**	**0**	**(352)**	**25,594**
Plant and machinery					
initial cost	289,017	6,301	(2,188)	0	293,130
write-downs	0	0	0	0	0
amortisation	(203,807)	0	1,800	(6,405)	(208,412)
net	**85,210**	**6,301**	**(388)**	**(6,405)**	**84,718**
Industrial and commercial equipment					
initial cost	325,541	9,714	(4,000)	0	331,255
write-downs	0	0	0	0	0
amortisation	(234,782)	0	3,286	(9,227)	(240,723)
net	**90,759**	**9,714**	**(714)**	**(9,227)**	**90,532**
Other assets					
initial cost	57,263	1,816	(18)	0	59,061
write-downs	0	0	0	0	0
amortisation	(50,855)	0	10	(1,031)	(51,876)
net	**6,408**	**1,816**	**(8)**	**(1,031)**	**7,185**
Assets under construction and payments on account					
initial cost	3,722	4,658	(1,421)	0	6,959
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**3,722**	**4,658**	**(1,421)** (1)	**0**	**6,959**
Total					
initial cost	917,051	26,907	(10,814)	0	933,144
write-downs	0	0	0	0	0
amortisation	(649,692)	0	7,935	(21,456)	(663,213)
net	**267,359**	**26,907**	**(2,879)** (2)	**(21,456)**	**269,931**

(1) Of this amount, €1,421 thousand represents assets under construction at 31/01/2017, reclassified to the specific asset categories in the first half of 2017.
(2) Includes €1,055 thousand relating to fixed assets disposed of and written down in the period due to the closure of p.o.s..

APPENDIX 2

Intangible assets
The composition and changes during the period were as follows (amounts in thousands of euros):

	Balance at 31.01.2017	Movements during the period Purchases	Sales/disposals	Amortisation/ write-downs	Balance at 31.07.2017
Rights to industrial patents and intellectual property rights					
initial cost	125,084	3,715	0	0	128,799
write-downs	0	0	0	0	0
amortisation	(106,828)	0	0	(3,042)	(109,870)
net	**18,256**	**3,715**	**0**	**(3,042)**	**18,929**
Concessions, licences and trademarks					
initial cost	519,934	0	(391)	0	519,543
write-downs	(5,121)	0	383	0	(4,738)
amortisation	(5,788)	0	8	(536)	(6,316)
net	**509,025**	**0**	**0**	**(536)**	**508,489**
Assets under construction and payments on account					
initial cost	681	1,052	(17)	0	1,716
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**681**	**1,052**	**(17)** (1)	**0**	**1,716**
Other intangible assets					
initial cost	162,968	1,246	(258)	0	163,956
write-downs	0	0	0	0	0
amortisation	(51,006)	0	258	(3,970)	(54,718)
net	**111,962**	**1,246**	**0**	**(3,970)**	**109,238**
Total					
initial cost	808,667	6,013	(666)	0	814,014
write-downs	(5,121)	0	383	0	(4,738)
amortisation	(163,622)	0	266	(7,548)	(170,904)
net	**639,924**	**6,013**	**(17)**	**(7,548)**	**638,372**
Goodwill					
initial cost	453,165	0	0	0	453,165
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**453,165**	**0**	**0**	**0**	**453,165**

(1) Of this amount, €17 thousand represents assets under construction at 31/01/2017, reclassified to the specific asset categories in the first half of 2017.

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, the Chief Executive Officer, and Nicola Perin, 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 01 February 2017 to 31 July 2017.

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 2017 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, 20 September 2017

Stefano Beraldo
Chief Executive Officer

Nicola Perin
Director responsible for preparing
the corporate accounting statements

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 ("OVS Group") as of 31 July 2017, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cashflows and the 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

2017 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, 21 September 2017

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

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