OVS

HALF-YEAR FINANCIAL REPORT

AT 31 JULY 2018

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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*
Stefania Criveller	*Director*
Gabriele Del Torchio (1) (2) (3)	*Director*
Stefano Ferraresi	*Director*
Elena Garavaglia (*) (1) (2) (3)	*Director*
Heinz Jürgen Krogner-Kornalik (2) (3)	*Director*
Chiara Mio (1) (3)	*Director*
Marvin Teubner	*Director*

(*) Mrs Elena Garavaglia has been co-opted by the Board of Directors on 20 June 2018.

(1) Member of the Control, Risks and Sustainability Committee

(2) Member of the Appointments and Remuneration Committee

(3) Member of Related Parties Transactions Committee

Board of Statutory Auditors

Stefano Poggi Longostrevi (*)	*Chairman*
Roberto Cortellazzo Wiel	*Standing Auditor*
Eleonora Guerriero	*Standing Auditor*
Antonella Missaglia	*Alternate Auditor*

(*) Chairman of Statutory Auditors since 01 June 2018

Independent auditor

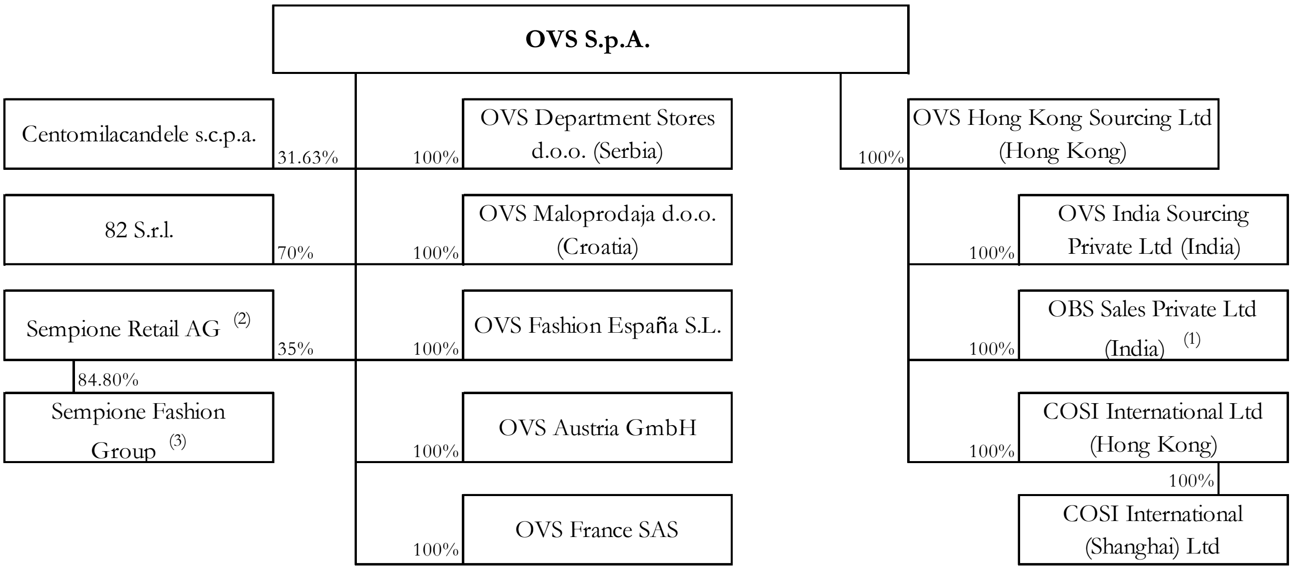
PricewaterhouseCoopers S.p.A.

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
(2) Under closure
(3) Of which the parent company Sempione Fashion AG under insolvency procedure.

REPORT ON OPERATIONS

Information on operations

In the second quarter of 2018 the negative phase of the market that has characterized our sector continued, with a decline of 3.4% in the period. The main reason for this trend was the weather, with a much colder and rainy spring than the seasonal averages, and a too hot summer, which discouraged traffic and purchases. The entire sector has suffered from the negative climatic trends, as testified also by the main European markets where we are operating.

Excluding the sell-in to the companies of the former Sempione Fashion, sales were up 0.9% in the half-year. Like-for-like sales therefore decreased by 3% in the first half, mainly influenced by the following factors: the sharp contraction in the market due to particularly unfavourable weather conditions and a fire on a freight ship containing summer merchandising for about €20m that would have been proposed for sale (the corresponding expected sales missed amounts to about €10m). During the period, 7 full-format DOS and 25 stores in franchising were opened in Italy. International expansion continued, with an increase of 39 stores, including 3 DOS and 36 in franchising (mainly Kids). Among other things, our expansion and consolidation continued in Spain, which now has 54 stores, Serbia (10) and Saudi Arabia (17), while new markets also opened, including Russia and Romania.

As previously announced when the first-quarter results were published, following the positive performance by the 10 stores restructured in the first quarter, the second most important phase of the project was launched in the second quarter, with the refurbishments of another 32 stores in the last two weeks of July, 30 of which have already reopened and have been performing well. On the digital innovation side, several projects have being implemented that will contribute to improving the brand-customer relationship: the OVS ID was launched, representing a premium service to manage an increasingly personalized relationship with customers; the OVS Card becomes digital and allows the customer to be univocally recognized on all OVS touch points. The "My Size" service is operating in all the renovated stores, allowing the customer in the shop to always find the size he / she looks for, in self-service mode via Ipad or assisted by the staff, as in the rest of the network. From the end of September the guest wifi will be available in 50 pilot stores, a free wifi service for customers that will allow them to get engaged with personalized marketing activities.

The e-commerce channel has continued to show strong grow, with sales more than doubling; this growth can be attributed to the ongoing expansion of “ovs.it” and its integration with the physical network, as well as the new agreements forged with the various marketplaces, with whom we operate in important foreign markets.

Adjusted EBITDA remained broadly in line with the first half of 2017, mainly reflecting the network development, a positive gross margin and efficient cost control, which combined allowed us to withstand the anomalous market trends and the fire impact that affected the cargo ship.

The cash absorption of the second quarter, characteristic of the seasonality of the business, has improved compared to the same quarter of 2017 (cash flow: +€16.7 million).

In this regard, it should be noted that on 21 July 2018 Sempione Fashion AG terminated the liquidation sale

phase initiated following the admission of the company to the "provisional composition moratorium" procedure (provisional insolvency procedure) by the court judge, and that on 30 July 2018, after the definitive closure of the stores, the Board of Directors of Sempione Fashion AG, coordinating and consulting with the "provisional" director, filed for bankruptcy, thus concluding the agreement procedure with an outcome that falls within among those already prefigured by OVS.
Consequently - after the favorable opinion of the Committee for Transactions with Related Parties - the Board of Directors of OVS resolved to terminate the Cooperation Agreement signed between the parties on 18 April 2017 and therefore the termination of any commercial relationship between OVS and Sempione Fashion AG deriving from this contract and its subsequent amendments.
It should also be noted that Charles Vögele Austria GmbH, a wholly owned subsidiary of the aforementioned Sempione Fashion AG, deposited, at the end of July, at the competent authorities an application for bankruptcy proceedings without a "self-administrator", which provides for a percentage payment of company creditors.

The economic and equity effects have already been reflected in the results for the first quarter of 2018.

The balance sheet structure is therefore solid, and a detailed action plan is being implemented aimed at reducing the level of inventory, which should lead us in the coming quarters to an improved cash generation deriving from the reduction of working capital. Already in August, actions were carried out in this direction with an excellent trend in promotions.

Main information on operations at 31 July 2018

- ✓ Market share was 7.98%, up 43 bps compared with the first half of 2017 and rising despite the ongoing contraction in the domestic market, due in particular to weather effects.
- ✓ First-half net sales, excluding the sell-in to the Sempione Fashion Group, were €666.4 million, up 0.9% compared with the same period of last year. Like-for-like sales decreased by 3%, influenced by the significant contraction in the market (-3.4%) caused by particularly adverse weather conditions, and a fire on a freight ship that compromised the arrival of merchandise for the spring/summer season.
- ✓ Adjusted EBITDA came in at €81.1 million, down slightly compared with the first half of 2017. This result was achieved thanks to the network development, a sound gross margin and the effective measures implemented on costs, which offset a top line affected by the factors described above. Reported EBITDA was positive at €22.6 million, mainly reflecting, compared with the same period last year, costs allocated in the first quarter for write-downs of balance sheet assets and provisions for liabilities and other charges relating to the Sempione Fashion Group.
- ✓ The network increased by 7 full-format DOS and 64 other stores, mainly Kids stores in franchising abroad.
- ✓ The adjusted net result was €32.8 million, while the IFRS result was €5.1 million. The latter result improved by €21 million in 2018, despite the fact that costs relating to the Sempione Fashion Group had not been realized in the previous year, mainly thanks to the positive non-cash impact of the mark-to-market of forward derivative instruments.
- ✓ The adjusted Net Financial Position of €427.6 million reflected the measures taken to recover from an exceptional level of cash absorption in the first quarter due to the concluding phase of the relationship with the Sempione Fashion Group.

€mln	31 July '18 IFRS	31 July '18 Adjusted& Normalized	31 July '17 IFRS	31 July '17 Adjusted& Normalized	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	720.1	720.1	690.4	690.4	29.7	4.3%
Net Sales excluding sell in SF *	666.4	666.4	660.1	660.1	6.2	0.9%
Gross Profit	392.8	405.4	380.9	394.8	10.6	2.7%
% on net sales	*58.9%*	*60.8%*	*57.7%*	*59.8%*		
EBITDA	22.6	81.1	66.5	82.1	(1.0)	(1.3%)
% on net sales	*3.4%*	*12.2%*	*10.1%*	*12.4%*		
EBIT	(8.6)	54.2	36.5	56.3	(2.1)	(3.7%)
% on net sales	*(1.3%)*	*8.1%*	*5.5%*	*8.5%*		
EBT	13.4	46.3	(14.0)	54.5	(8.2)	(15.0%)
% on net sales	*2.0%*	*7.0%*	*(2.1%)*	*8.3%*		
Net Profit	5.1	32.8	(15.9)	38.4	(5.7)	(14.7%)
% on net sales	*0.8%*	*4.9%*	*(2.4%)*	*5.8%*		
Net Financial Debt	432.2	427.6	408.5	363.3	64.3	17.7%
Market Share (%)		8.0		7.6	0.4	5.7%

The table shows the results adjusted to represent the Group's operating performance net of non-recurring events which are unrelated to ordinary operations. In particular, in the first half-year, the results have mainly been adjusted for provisions already reflected in the data for the first quarter of 2018.

Specifically, EBITDA in the first half of 2018 was mainly affected by: (i) asset write-downs of €50.4 million, relating to receivables from companies of Sempione Fashion Group (Austria, Switzerland and Germany) and merchandise at the same companies; (ii) €6 million relating to one-off costs, mainly legal costs and/or costs connected to the management of changes in the relationship with the Swiss partner (including €3 million already allocated in the first quarter of 2018). The remaining €3 million in the second quarter relate to operating, logistics and other costs required to recover part of the inventory; and (iii) costs of €1.9 million relating to the stock option plan (non-cash costs).

Other adjustment items that impacted EBIT and profit before taxes concerned: (i) costs of €4.3 million related to the amortisation of intangible assets relating to purchase price allocation of previous periods, and (ii) net income of €29.9 million mainly relating to foreign exchange differences arising from the valuation of foreign currency items also with respect to forward derivative instruments and realized exchange differences.

Lastly, net adjusted result reflected taxes recalculated following the aforementioned adjustments, entailing an increase in charges of €5.3 million.

It should be noted that, with regard to the asset write-downs of €50.4 million relating to Swiss retailer Sempione Fashion Group, the costs had already been provisioned in the first quarter of 2018 and these have been confirmed. The allocation of these write-downs (receivables and merchandise) has changed, however, since part of the already written-down merchandise became a receivable after "consignment stock" was implemented.

Finally, it should be noted that net sales reflect the application of the new IFRS 15 standard for which the sales have to be shown net of the estimated returns that the franchisees will make at the end of the season; the impact determines a reduction in turnover of €10 million.

For a better understanding of the company's performance, sales of the first half of 2017 also reflect this correction, with a reduction of €6.7 million.

Normalised consolidated profit performance

The following table shows the consolidated results for the first half of 2018, compared with the same period of 2017 (€ million).

€mln	31 July '18 IFRS	31 July '18 Adjusted& Normalized	31 July '17 IFRS	31 July '17 Adjusted& Normalized	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**720.1**	**720.1**	**690.4**	**690.4**	**29.7**	**4.3%**
Net Sales excluding sell in to Sempione Fashion	**666.4**	**666.4**	**660.1**	**660.1**	**6.2**	**0.9%**
Purchases of consumables	327.3	314.8	309.6	295.7	19.1	6.5%
Gross Margin	**392.8**	**405.4**	**380.9**	**394.8**	**10.6**	**2.7%**
GM%	*58.9%*	*60.8%*	*57.7%*	*59.8%*		
Personnel costs	146.3	144.3	142.8	141.2	3.1	2.2%
Costs for services	97.4	97.3	91.0	91.0	6.4	7.0%
Rent costs	69.6	70.2	67.7	67.6	2.6	3.8%
Provisions	43.2	(0.0)	0.7	0.7	(0.7)	n.a.
Other operating costs	13.7	12.4	12.2	12.2	0.2	1.9%
Total operating costs	370.2	324.3	314.3	312.7	11.6	3.7%
Total operating costs on net sales %	*55.6%*	*48.7%*	*47.6%*	*47.4%*		
EBITDA	**22.6**	**81.1**	**66.5**	**82.1**	**(1.0)**	**(1.3%)**
EBITDA%	*3.4%*	*12.2%*	*10.1%*	*12.4%*		
Depreciation & Amortization	31.1	26.8	30.1	25.8	1.1	4.2%
EBIT	**(8.6)**	**54.2**	**36.5**	**56.3**	**(2.1)**	**(3.7%)**
EBIT %	*(1.3%)*	*8.1%*	*5.5%*	*8.5%*		
Net financial (income)/charges	(22.0)	7.9	50.5	1.8	6.1	n.a.
PBT	**13.4**	**46.3**	**(14.0)**	**54.5**	**(8.2)**	**(15.0%)**
Taxes	8.3	13.6	1.9	16.1	(2.5)	(15.5%)
Net Income	**5.1**	**32.8**	**(15.9)**	**38.4**	**(5.7)**	**(14.7%)**

The following table shows the consolidated results split into business units of the first half of 2018, compared with the same period of 2017 (€ million).

€mln	31 July '18	31 July '17	Chg %
Net Sales			
OVS	554.4	553.8	0.1%
UPIM	112.0	106.3	5.3%
Sempione Fashion AG	53.8	30.3	
Total Net Sales	**720.1**	**690.4**	**4.3%**
EBITDA			
OVS	67.0	70.5	(5.0%)
EBITDA margin	*12.1%*	*12.7%*	
UPIM	14.1	11.6	21.4%
EBITDA margin	*12.6%*	*10.9%*	
Total EBITDA	**81.1**	**82.1**	**(1.3%)**
EBITDA margin	***12.2%***	***12.4%***	
Depreciation	(26.8)	(25.8)	4.2%
EBIT	**54.2**	**56.3**	**(3.7%)**
Net financial income/(charges)	(7.9)	(1.8)	n.a.
PBT	**46.3**	**54.5**	**(15.5%)**
Taxes	(13.6)	(16.1)	
Net Result	**32.8**	**38.4**	**(14.7%)**

Notes to the main items of the income statement

Net Sales

Total sales, excluding the sell-in to the former Sempione Fashion Group, grew by 0.9% compared with the first half of 2017, despite (i) a contraction in the market throughout the half-year (-3.4% year-to-date), mainly due to particularly unfavourable weather conditions, (ii) a fire involving a freight ship that affected supplies for the spring/summer season, and (iii) the refurbishment programme, which involved 42 DOS in total.

OVS brand registered flat sales compared with the first half of the previous year, mainly due, as anticipated, to the market contraction, the refurbishment programme, and the fire involving the cargo ship, mainly affecting OVS merchandising.

Lastly, UPIM continued to grow, with an increase in sales of 5.3%, benefiting from the positive development of the full-format Upim network and Kids franchising (Blukids).

EBITDA

Adjusted EBITDA was €81.1 million, down slightly compared with the first half of last year, both in absolute terms and as a percentage on net sales (12.2% excluding the sell-in to the Sempione Fashion Group).

The EBITDA performances of the brands offset each other in a particularly difficult market context. The OVS brand (-€3.5 million) expects specific activities in the semester to be reflected in future profit, including increased promotional activities also aimed to improve the stock position, and the refurbishment of 42 stores. Meanwhile, Upim (+€2.5 million) pursued its normal path of growth. Both brands benefited from a stable gross margin and from the control of central costs, which enabled the company to maintain adequate profitability in anomalous external factors.

Lastly, it should be noted that the difference between adjusted EBITDA and IFRS one mainly relates to the asset write-downs of 2018 due to the change in the relationship between OVS and the Sempione Fashion AG Group (€50.4 million, including €37.8 million in write-downs of receivables and €12.6 million in write-downs of inventory at the Swiss retailer's companies and €6 million of one-off legal, operating, logistics, and other costs).

Operating Income

The operating income, adjusted to better reflect the company's operating performance, amounted to €54.2 million, slightly down compared to the same period last year, also due to a higher incidence of amortization related to expansion activities, investments and consolidation of the network.

Profit before Tax and Net Result

The adjusted net result was €32.8 million, down €5.7 million compared with the first half of 2017.

The difference mainly reflects higher costs due to the forex delta that the company booked and shows compared to the first six months of the previous year.

IFRS reported net result was €5.1 million, up €21 million compared with the first half of 2017, partly due to the income deriving from mark-to-market accounting (registered as a cost in 2017) which was enough to offset the one-off costs relating to Sempione Fashion.

The tax rate (on the adjusted results) of the first half of 2018 remained stable compared to the same period of last year, not yet benefiting from the positive full-year impacts expected to arise from some tax benefits.

Analysis and details of the consolidated economic results for the first half of 2018

The following table shows the Group's consolidated economic results for the first half of 2018, and shows separately the effect of non-recurring net charges, the charges of stock option plan, and the depreciation from previous year PPA transactions, incomes and charges relating to exchange rate differences, both realized and from the valuation of items in foreign currency (mainly USD) to reporting dates, also with respect to forward derivative instruments contracted.

With reference to the similar exposure for the first half of 2017, only the fair value differential of the valuation of the forward derivative instruments charged to the income statement is shown separately.

(€ mio)	31 July 2018	of which non-recurring	of which Stock Option Plan, derivatives, PPA, foreign exchange differences		31 July 2018 adjusted
Net sales	720.1	0.0	0.0		720.1
Other income	33.2	0.7	0.0		32.5
Revenues and other income	**753.4**	**0.7**	**0.0**		**752.7**
Purchases of consumables	327.3	12.6	0.0		314.8
Personnel cost	146.3	0.0	1.9	(a)	144.4
Other operating costs	257.3	44.7	0.0		212.6
EBITDA	**22.6**	**(56.6)**	**(1.9)**		**81.1**
Depreciation & Amortization	31.1	0.0	4.3	(b)	26.8
EBIT	**(8.6)**	**(56.6)**	**(6.2)**		**54.2**
Net financial income/(charges)	22.0	0.0	29.9	(c)	(7.9)
PBT	**13.4**	**(56.6)**	**23.7**		**46.3**
Taxes	(8.3)	13.6	(8.3)		(13.6)
Net profit	**5.1**	**(43.0)**	**15.4**		**32.8**

(a) they refer to cost of Stock Option Plan.

(b) they refer to depreciation of PPA operations.

(c) they mainly refer to the release of the negative effect accrued at fair value in 2017 (positive effect in the first half of 2018) partly offset by the related exchange rate differences realized for the purchase of goods in foreign currency during the first half of 2018 and foreign residual exchange rate differences of different nature.

The following table presents the consolidated profit performance of the Group for the first half of 2017. .

(€ mio)	31 July 2017	of which non-recurring	reclassification of sales with right of return	of which Stock Option Plan, derivatives, PPA, exchange rate differences		31 July 2017 adjusted
Net sales	697.1	0.0	6.7	0.0		690.4
Other income	30.8	0.0	0.0	0.0		30.8
Revenues and other income	**727.9**	**0.0**	**6.7**	**0.0**		**721.2**
Purchases of consumables	316.2	0.0	6.7	13.9	(a)	295.7
Personnel cost	142.8	0.6	0.0	1.0	(b)	141.2
Other operating costs	202.3	0.0	0.0	0.0		202.3
EBITDA	**66.6**	**(0.6)**	**0.0**	**(14.9)**		**82.1**
Depreciation & Amortization	30.1	0.0	0.0	4.3	(c)	25.8
EBIT	**36.5**	**(0.6)**	**0.0**	**(19.2)**		**56.3**
Net financial income/(charges)	(50.5)	0.0	0.0	(48.7)	(d)	(1.8)
PBT	**(14.0)**	**(0.6)**	**0.0**	**(67.9)**		**54.5**
Taxes	(1.9)	0.1	0.0	14.1		(16.1)
Net profit	**(15.9)**	**(0.5)**	**0.0**	**(53.8)**		**38.4**

(a) the items include exchange rate differences due to hedging derivatives related to purchases of goods in non-euro currencies, reclassified from the item "Financial income/(charges)".

(b) they refer to cost of Stock Option Plan.

(c) they refer to depreciation of PPA operations.

(d) they refer to the negative change in fair value of forward derivatives contracts and the reclassification of positive exchange rate differences for the purchases of goods in foreign currency.

BALANCE SHEET SUMMARY

The following table presents the consolidated statement of financial position of the first six months of 2018, compared with the figures of 31 January 2018 (€ million).

€m	31 July '18	31 January '18	Chg
Trade Receivables	126.9	113.0	13.9
Inventory	423.3	387.9	35.4
Trade Payables	(392.4)	(403.4)	11.0
Net Operating Working Capital	**157.8**	**97.5**	**60.3**
Other assets/(liabilities)	(59.6)	(51.2)	(8.4)
Net Working Capital	**98.2**	**46.3**	**51.9**
Tangible and Intangible Assets	1,367.0	1,365.8	1.2
Net deferred taxes	(119.2)	(134.3)	15.1
Other long term assets/(liabilities)	(13.9)	(14.7)	0.7
Pension funds and other provisions	(48.1)	(43.7)	(4.4)
Net Capital Employed	**1,284.0**	**1,219.5**	**64.5**
Net Equity	851.7	841.7	10.0
Net Financial Debt	432.2	377.8	54.4
Total source of financing	**1,284.0**	**1,219.5**	**64.4**

The company's net invested capital increased by €64.4 million to €1,284 million (+5.2%) compared with January 2018, mainly due to the increase in working capital.

The Group's shareholders' equity, amounting to € 851.7 million, increased by € 10 million (+ 1.2%) due to the positive net result for the period.

NET FINANCIAL POSITION

€mln	31 July '18	31 July '17
Net Debt	**432.2**	**408.5**
Net Debt MTM of Derivatives excluded	**427.6**	**363.3**
EBITDA LTM Adjusted	**195.5**	**193.7**
Leverage on EBITDA	**2.2x**	**1.9x**

At 31 July 2018, the Group's Net Financial Position was €427.6 million net of the mark-to-market effect (-€4.5 million). OVS purchases most of its merchandise in USD, and the accounting effect, significantly lower than in the first half of last year, is due to the realignment between the closing spot exchange rate for the period and contractual forward USD exchange rates on merchandise mainly to be purchased in 2019. The

ratio of Net Financial Position to the EBITDA for the last 12 months, excluding the mark-to-market, was 2.2x, while the ratio considering the average Net Financial Position in the last 12 months was 1.95x. The current spot interest rate is 2.50% + Euribor 3M (currently around 0%).

STATEMENT OF CASH FLOW SUMMARY

The following table shows the cash flow statement, reclassified according to management criteria, for the first six months of 2018 compared to the same period of the previous year (€ million), as well as that one on an annual basis drawn up at the end of the previous year.

€m	31 July '18	31 July '17	31 January '18
EBITDA Adjusted	**81.1**	**82.1**	**196.5**
Adjustments	(58.5)	(15.6)	(21.7)
Change in Net Operating Working Capital	(60.3)	(59.1)	(49.3)
Other changes in Working Capital	(11.3)	(4.9)	9.9
Capex	(32.3)	(31.1)	(68.0)
Operating Cash Flow	**(81.4)**	**(28.5)**	**67.3**
Financial charges	(7.6)	(6.9)	(14.2)
Dividends	0.0	(34.1)	(34.1)
Financial receivables depreciation	0.0	0.0	(5.5)
Corporate taxes & Others	(20.7)	(10.5)	(48.3)
Net Cash Flow (excl derivatives MtM and amortised costs)	**(109.7)**	**(80.0)**	**(34.7)**
MtM derivatives	55.4	(62.6)	(77.3)
Net cash flow	**(54.3)**	**(142.6)**	**(112.0)**

Operating cash flow

Operating cash flow in the first half of 2018 was influenced by the absorption of working capital for trade receivables and inventory relating to Sempione Fashion (totalling €50.4 million). Excluding this effect, the negative flow of €31 million reflects (i) the normal seasonality of the business, (ii) the residual peak in inventory due to the merchandise purchased for Sempione Fashion, and (iii) the increase in the franchising business, which inevitably entails an increase in trade receivables. Net cash flow after accounting for derivatives improved by €88.4 million.

The second quarter of 2018 saw an initial improvement of the cash flow management. A detailed action plan is being implemented aimed at reducing the level of inventory, which should lead us in the coming quarters to an improved cash generation deriving from the reduction of working capital.

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 2018.

Investments

In the first six months of the year, investments of €32.3 million were made, mostly in the Group's growth and relating mainly to (i) new store openings, for around €6 million; (ii) maintenance and updating of the image and layout of the existing network with the aim of responding better with digital tools that are more and more avant-garde to the needs and expectations of our customers, for around €19 million; (iii) the development of IT systems and distribution processes, for around €7 million.

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

It should be recalled that on 26 May 2015, the shareholders' meeting approved the Stock Option Plan for the period 2015-2020, 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, 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. To date, 4,911,375 stock options have been allocated.

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 the same 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 4,080,000.00 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 options are allocated when determined performance targets are met. At the time of writing, 3,935,000 options had been assigned 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

Sempione Retail

Sempione Retail AG, in which OVS S.p.A. holds a minority stake of 35% and that owns the 85% of Sempione Fashion AG (company that has filed for bankruptcy on 30 July 2018 and that has been declared so on the 2nd August 2018), after having fully written down related assets, it is unable to continue its business as a going concern and, according to Swiss law, it will soon enter in a not in bonis enforced liquidation procedure. Considering that, at OVS level, all the assets that refers to Sempione Retail have been already written down, no further impact at profit and loss and balance sheet level are expected from this probable event.

Share buy-back: OVS launches share buy-back programme

OVS S.p.A., implementing the resolution passed by the Shareholders' Meeting of 31 May 2018 wich authorized the Board of Directors to purchase treasury shares not exceeding 10% of the share capital for a period of 18 months from the Shareholders' Meeting resolution, has resolved, starting from 19 September 2018, to begin implementing the mentioned buy-back programme as of today by conferring the relative powers for its launch.

To implement the first part of the programme, OVS will enter into an agreement with a top-tier intermediary for the provision of investment services, in the manner and for the duration deemed most appropriate. The mandated intermediary may then purchase shares of OVS S.p.A. fully independently, in accordance with the contractually pre-established parameters and criteria and with the requirements of the applicable regulations and the Shareholders' Meeting resolution.

Any purchases will be made on the MTA market, pursuant to Article 144-bis, paragraph 1, letter b) of Consob Regulation 11971/1999 and the other applicable provisions, in order to ensure compliance with the principle of equal treatment of shareholders pursuant to Article 132 of the Italian Consolidated Finance Act (T.U.F.), and according to the operational procedures established in the rules of organisation and management of Borsa Italiana S.p.A. OVS will provide the market, in accordance with the provisions in force, with details of any purchase transactions carried out.

As of today, OVS does not hold treasury shares,nor any of its subsidiaries hold any share of the Parent Company.

OVS Brand General Manager

Mr. Ismail Seyis has been appointed as General Manager of the OVS brand, succeeding to Mr. Francesco Sama, as communicated to the market on 7 September 2018. Ismail will bring its contribution to the brand in terms of vision and experience gained in important international groups, after the good results achieved

through the expansion of the business unit dedicated to the international organic growth of the OVS brand managed by him.
Also on behalf of the Board of Directors, the company thanks Mr. Francesco Sama for his contribution over the years.

Business outlook

In the months following the end of the semester, the development and renewal of the network continued, with the opening of further 11 stores, of which 1 full format directly operated, and the change of image of 32 stores. We are convinced that the focus on improving the image of the stores has always been an important lever to increase interest in the brand and to make in-store visits more pleasant. This translates into an increase in traffic and conversions. The first signs are very encouraging, and they confirm the expectations on the good returns on the investment. This has been possible also thanks to the fact that almost all investments in image renewal have been carried out through a vendor financing, with a gradual financial impact over time and aligned with the recovery period in terms of EBITDA growth.
Our company has maintained its focus on social activities. The sixth edition of "Kids creative lab", which involved more than 1,800,000 children, took place with great success. There has also been the third edition of "Arts of Italy": this year the opera and its clothing have been re-interpreted in a modern key, and will be on sale starting from 22nd September 2018 in more than 20 stores and on the web. Great success in the press, with many editorials.
Finally, last week the first two Piombo stores were opened, dedicated to men, with an affordable price positioning and high quality merchandising. We will observe with great interest the developments of this project, which could represent another contributor for further growth in Italy and abroad, as experienced with the Kids stand alone format.

Venice, 19 September 2018

for the Board of Directors

The Chief Executive Officer

Stefano Beraldo

Condensed consolidated half-year financial statements
at 31 July 2018

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 31 JULY 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in thousands of euros)

ASSETS	Note	31.07.2018	of which related parties	31.01.2018	of which related parties
Current assets					
Cash and cash equivalents	*1*	59,042		60,498	
Trade receivables	*2*	126,893	16,931	112,960	35,321
Inventories	*3*	423,322		387,943	
Financial assets	*4*	5,986		0	
Current tax assets	*5*	3,942		24,338	
Other receivables	*6*	41,546	2,011	34,259	
Total current assets		**660,731**		**619,998**	
Non-current assets					
Property, plant and equipment	*7*	277,740		276,513	
Intangible assets	*8*	636,597		636,639	
Goodwill	*9*	452,541		452,541	
Equity investments	*10*	136		136	
Financial assets	*4*	1,459		0	
Other receivables	*6*	5,500		5,080	
Total non-current assets		**1,373,973**		**1,370,909**	
TOTAL ASSETS		**2,034,704**		**1,990,907**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.07.2018	of which related parties	31.01.2018	of which related parties
Current liabilities					
Financial liabilities	*11*	122,958		57,190	
Trade payables	*12*	392,420	3,788	403,406	1,100
Current tax liabilities	*13*	552		1,296	
Other payables	*14*	104,491	645	108,499	1,808
Total current liabilities		**620,421**		**570,391**	
Non-current liabilities					
Financial liabilities	*11*	375,777		381,115	
Employee benefits	*15*	37,810		38,647	
Provisions for risks and charges	*16*	10,300		5,024	
Deferred tax liabilities	*17*	119,217		134,287	
Other payables	*14*	19,443		19,763	
Total non-current liabilities		**562,547**		**578,836**	
TOTAL LIABILITIES		**1,182,968**		**1,149,227**	
SHAREHOLDERS' EQUITY					
Share Capital	*18*	227,000		227,000	
Other reserves	*18*	619,688		609,613	
Net result for the period		5,211		5,135	
GROUP SHAREHOLDERS' EQUITY		**851,899**		**841,748**	
MINORITY INTERESTS	*18*	(163)		(68)	
TOTAL SHAREHOLDERS' EQUITY		**851,736**		**841,680**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,034,704**		**1,990,907**	

CONSOLIDATED INCOME STATEMENT
(amounts in thousands of euros)

	Note	31.07.2018	of which non-recurring	of which related parties	31.07.2017	of which non-recurring	of which related parties
Revenues	*19*	720,141		56,011	697,097		29,892
Other operating income and revenues	*20*	33,219	700	910	30,800		2,046
Total revenues		**753,360**	**700**		**727,897**	**0**	
Purchases of raw materials, consumables and goods	*21*	327,337	12,567	33,833	316,239		15
Staff costs	*22*	146,322	46	2,489	142,803	557	2,071
Depreciation, amortisation and write-downs of assets	*23*	31,136			30,059		
Other operating expenses							
Service costs	*24*	97,406	72	6,734	91,006	29	5,782
Costs for the use of third-party assets	*25*	102,792	82	(140)	98,461	38	(179)
Write-downs and provisions	*26*	43,215	43,215	37,815	660		
Other operating charges	*27*	13,731	1,308	180	12,193		(57)
Result before net financial expenses and taxes		**(8,579)**	**(56,590)**		**36,476**	**(624)**	
Financial income	*28*	714	705	705	491		480
Financial expenses		(7,928)			(7,623)		
Exchange rate gains and losses		29,926			(43,367)		
Gains (losses) from equity investments		(692)	(692)	(692)	(0)		
Net result for the period before tax		**13,441**	**(56,577)**		**(14,023)**	**(624)**	
Taxes	*29*	(8,325)	13,582		(1,854)	150	
Net result for the period		**5,116**	**(42,995)**		**(15,877)**	**(474)**	

Net result for the period attributable to the Group		**5,211**			**(15,877)**		
Net result for the period attributable to minority interests		**(95)**					
Earnings per share (in euros)							
- basic		0.02			(0.07)		
- diluted		0.02			(0.07)		

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

	Note	31.07.2018	31.07.2017
Net result for the period (A)		**5,116**	**(15,877)**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Actuarial gains (losses) for employee benefits	15-18	44	562
- Tax on items recognised in the reserve for actuarial gains (losses)	17-18	(10)	(135)
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**34**	**427**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	18	3,237	(1,897)
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**3,237**	**(1,897)**
Total other items of comprehensive income (B)		**3,271**	**(1,470)**
Total comprehensive income for the period (A) + (B)		**8,387**	**(17,347)**
Total comprehensive income attributable to the Group		8,482	(17,347)
Total comprehensive income attributable to minority interests		(95)	-

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in thousands of euros)

	Note	31.07.2018	31.07.2017
Operating activities			
Net result for the period		5,116	(15,877)
Provision for taxes	*29*	8,325	1,854
Adjustments for:			
Net depreciation, amortisation and write-downs of fixed assets	*23*	31,136	30,059
Net capital losses (gains) on fixed assets		(32)	326
Net financial expenses (income)	*28*	7,906	7,133
Expenses (income) from foreign exchange differences and currency derivatives	*28*	25,444	(19,250)
Loss (gain) on derivatives due to change in fair value	*28*	(55,370)	62,616
Allocations to provisions	*15-16*	5,400	0
Utilisation of provisions	*15-16*	(1,299)	(1,834)
Cash flows from operating activities before changes in working capital		**26,626**	**65,027**
Cash flow generated by change in working capital	*2-3-5-6-12-13-14-17*	(72,863)	(63,140)
Taxes paid		(3,151)	(27,250)
Net interest received (paid)		(7,627)	(6,851)
Realised foreign exchange differences and cash flows from currency derivatives		(20,836)	13,547
Other changes		4,822	(863)
Cash flow generated (absorbed) by operating activities		**(73,029)**	**(19,530)**
Investment activities			
(Investments) in fixed assets	*7-8-9*	(29,074)	(32,482)
Disposals of fixed assets	*7-8-9*	48	77
(Increase) decrease in equity investments	*10*	0	0
Cash out due to business combination during the period		(3,393)	0
Cash flow generated (absorbed) by investment activities		**(32,419)**	**(32,405)**
Financing activities			
Net change in financial assets and liabilities	*4-11*	103,992	60,206
Increase in share capital and reserves		0	0
Dividends distribution		0	(34,050)
Cash flow generated (absorbed) by financing activities		**103,992**	**26,156**
Increase (decrease) in cash and cash equivalents		**(1,456)**	**(25,779)**
Cash and cash equivalents at beginning of the period		**60,498**	**89,713**
Cash and cash equivalents at end of the period		**59,042**	**63,934**

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 shareholders' equity attributable to the OVS Group	Minority interests	Total share-holders' equity
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**	**0**	**871,744**
Allocation of earnings for financial year 2016	-	-	3,825	-	-	-	-	-	74,190	(78,015)	0		0
Dividend distribution (Euro 0.15 per share)	-	-	-	-	-	-	-	-	(34,050)	-	(34,050)		(34,050)
Management incentive plan	-	-	-	-	-	-	1,034	-	-	-	1,034		1,034
Relations with Shareholders	**-**	**-**	**3,825**	**-**	**-**	**-**	**1,034**	**-**	**40,140**	**(78,015)**	**(33,016)**	**-**	**(33,016)**
Net result for the period	-	-	-	-	-	-	-	-	-	(15,877)	(15,877)		(15,877)
Other items of comprehensive income	-	-	-	-	427	(1,897)	-	-	-	-	(1,470)		(1,470)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**427**	**(1,897)**	**-**	**-**	**-**	**(15,877)**	**(17,347)**		**(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**	**0**	**821,381**
Balance at 01 February 2018	**227,000**	**511,995**	**7,917**	**0**	**(1,589)**	**(2,917)**	**6,846**	**2,528**	**84,833**	**5,135**	**841,748**	**(68)**	**841,680**
Allocation of earnings for financial year 2017	-	-	-	-	-	-	-	-	5,135	(5,135)	0		0
Management incentive plan	-	-	-	-	-	-	1,935	-	-	-	1,935		1,935
Relations with Shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**1,935**	**-**	**5,135**	**(5,135)**	**1,935**	**-**	**1,935**
Other changes	-	-	-	-	-	-	-	(266)	-	-	(266)	-	(266)
Net result for the period	-	-	-	-	-	-	-	-	-	5,211	5,211	(95)	5,116
Other items of comprehensive income	-	-	-	-	34	3,237	-	-	-	-	3,271		3,271
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**34**	**3,237**	**-**	**-**	**-**	**5,211**	**8,482**	**(95)**	**8,387**
Balance at 31 July 2018	**227,000**	**511,995**	**7,917**	**0**	**(1,555)**	**320**	**8,781**	**2,262**	**89,968**	**5,211**	**851,899**	**(163)**	**851,736**

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.

These condensed consolidated half-year financial statements at 31 July 2018 have been prepared pursuant to Article 154-*ter* of Legislative Decree 58/1998 and the relevant Consob provisions.

SUMMARY OF ACCOUNTING POLICIES AND VALUATION CRITERIA

Basis of preparation

The condensed consolidated half-year financial statements at 31 July 2018 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 2018 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 2018, prepared pursuant to IFRS.

The condensed consolidated half-year financial statements at 31 July 2018 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 2018 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 the presentation methods used for the consolidated accounting schedules, in the context of the options under IAS 1, the 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 2018.

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 affect 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 the 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 2018 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	EUR	Parent Company
82 S.r.l.	Venice - Mestre	10,000	EUR	70%
Foreign companies				
OVS Department Stores D.O.O.	Belgrade - Serbia	792,948,388	RSD	100%
OVS Maloprodaja D.O.O.	Zagreb - Croatia	20,000	HRK	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 Fashion España S.L.	Madrid - Spain	3,100	EUR	100%
OVS Austria GmbH	Wien - Austria	17,500	EUR	100%
OVS France Sas	Paris - France	30,000	EUR	100%

List of equity investments measured using the equity method:

Centomilacandele S.c.p.A.	Milan	300.000	EUR	31.63%
Sempione Retail AG	Zurich - Switzerland	25.385.526	CHF	35.00%

It should be noted that in the half-year ended 31 July 2018, OVS Austria GmbH and OVS France Sas were incorporated with the aim to start commercial activities in such countries.

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**	**31.07.2018**	**31.01.2018**	**2018**	**2017**
US dollar	USD	1.17	1.25	1.20	1.10
Hong Kong dollar	HKD	9.21	9.74	9.42	8.55
Chinese renminbi	RMB	8.02	7.83	7.71	7.53
Croatian kuna	HRK	7.40	7.43	7.41	7.43
Serbian dinar	RSD	118.25	119.08	118.13	122.76
Indian rupee	INR	80.44	79.18	79.95	71.49

Accounting policies and consolidation criteria

The accounting standards and consolidation criteria used to prepare the condensed consolidated half-year financial statements at 31 July 2018 are consistent with those used to prepare the consolidated financial statements for the year ended 31 January 2018, 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 2018, as they became mandatory following completion of the relative approval procedures by the competent authorities.

Accounting standards, amendments and interpretations applicable from 1 January 2018

The Group adopted IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments on 1 February 2018. No other new standards have come into force since 1 January 2018 and have had significant effects on the Group's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduces a new five-step model that applies 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 was permitted, not yet adopted by OVS Group.

The Group applied IFRS 15 retroactively with cumulative effect on the date of first application (i.e. 1 February 2018). Therefore, the information relating to 2017 has not been restated, i.e. it has been presented in accordance with IAS 18, IAS 11 and the related interpretations.

Further information on the significant changes and their impact is provided below.

a) Sales with a right of return

Previously, the Group recognised the margin related to expected returns from the sale of products as a reduction in revenues and, in a special provision recognised as a credit adjustment, recorded a liability for the same margin (equal to €5,500 thousand at 31 January 2018). in accordance with IFRS 15, the Group records expected returns from the sale of products (equal to €15,165 thousand at 31 July 2018) as a reduction in revenues, and records the cost relating to these returns (equal to €8,965 thousand at 31 July 2018) as a reduction of the cost of sales; in addition, the amount corresponding to the sales value of the expected returns in the "Other payables" item and the amount corresponding to the cost of the items returned are recognised under "Inventories".

b) Rights not exercised by the customer – Breakage amounts

On receiving an advance payment made by the customer, the Group recognises under "Other current liabilities" the amount of the advance payment for the obligation to transfer assets in the future, and derecognises this liability, recognising the revenue, when it transfers the assets.

This accounting treatment is the same as the approach adopted by the Group in previous years.

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 annual reporting periods starting on or after 1 January 2018. 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.

In particular, for financial assets, the new standard uses a single approach based on methods of managing financial instruments and on the characteristics of the contractual cash flows of the financial assets themselves in order to determine the valuation criterion, replacing the different rules envisaged by IAS 39. For financial liabilities, however, the main change introduced concerns the accounting treatment of changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to changes in the creditworthiness of said financial liability. According to the new standard, these changes must be recognised as other comprehensive income and no longer pass through the income statement. The new document includes a single model for the impairment of financial assets based on expected losses. Based on the type of financial assets and liabilities held by the Group, the new classification model for financial instruments has not presented any particular problems. The area of impact has been the consideration of a new model of impairment, particularly for receivables. To this end, a simplified model was adopted, in which the value of the financial assets also reflects a theoretical forecast of default by the counterparty and the ability to recover the asset in the event that said default occurs.

The adoption of this model has had no material effects on the Group's consolidated financial statements.

Lastly, as regards hedge accounting, it should be noted that the Group does not currently have hedging relationships designated as effective hedges.

New accounting standards and interpretations approved by the European Union whose application is not yet mandatory and which have not been adopted in advance by the Group

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, and early application is permitted for entities that have also adopted IFRS 15.

In view of the number of passive lease agreements entered into by the OVS Group relating to its DOS, we anticipate a very significant impact on assets and liabilities, cash flows and profit.

An assessment of the impacts of the entry into force of this standard is under way. The analysis is aimed at identifying, by means of an internal audit that covers the entire scope of consolidation, the various types of agreements and/or cases that may fall within the scope of the standard, in order to identify the information base necessary to estimate the relative economic and financial effects in a timely manner.

Finally, it should be noted that the scope of adoption of IFRS 16 does not correspond solely to leases, but will also include other types of cases.

Accounting standards, amendments and interpretations not yet adopted 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 and not yet adopted by the OVS Group, are shown below:

Description	Approved at the date of this document	Effective date under the standard
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 19 'Plan amendment, Curtailment or Settlemet'	No	Years starting on or after 01 January 2019
Amendment to IAS 28 'Long-term interests in associates and joint ventures'	No	Years starting on or after 01 January 2019
IFRS 16 'Leases'	Si	Years starting on or after 01 January 2019, with early adoption permitted if together with the adoption of IFRS 15
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 2015-2017	No	Years starting on or after 01 January 2019

No accounting standards and/or interpretations for which application is mandatory for periods beginning on or after 1 February 2019 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:

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

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

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

The condensed consolidated half-year financial statements at 31 July 2018 do not include all the information relating to financial risks described in the consolidated financial statements for the year ended 31 January 2018: 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 2018.

Credit risk

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

There were no material concentrations of credit risk in the period under review, except for accrued receivables from the Sempione Fashion Group.

Given that the companies of the Sempione Fashion Group are subject to composition proceedings, the OVS Group has increased the provision for doubtful accounts by another €37.8 million.

To reduce credit risk, the OVS Group also obtains guarantees in the form of sureties in respect of loans granted for the supply of goods. At 31 July 2018, the total guarantee amount was €53.9 million, including €19.9 million in overdue receivables (€50.9 million at 31 January 2018, including €16.3 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 also taking historical data into account, prospective losses to the extent reasonably expected. Positions that are particularly significant, and that are objectively partially or totally irrecoverable, are written down individually.

Trade receivables totalled €126.9 million (€113.0 million at 31 January 2018).

Written-down receivables amounted to €62.0 million (€23.8 million at 31 January 2018).

Overdue receivables amounted to €49.8 million (€43.7 million at 31 January 2018).

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, OVS used in previous years 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.
Given the projections for the 6-month Euribor rate until the expiry of the loan agreement (March 2020), it was decided not to take further action to hedge the risk of interest rate fluctuations.

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.

The OVS Group purchases most of its products for sale from foreign suppliers for which the reference currency is the US Dollar (USD). In order to ensure reliability in the planning of sales prices and the relative industrial margin (understood as the difference between sales prices in EUR and the purchase costs of products in USD), the OVS Group routinely enters into financial derivative contracts designed to stabilise the exchange rate of goods purchases. The nature of these instruments is quite simple, as they are purchases of forward USD currency (forward derivatives) implemented in relation to estimated inflows and with timelines associated with the foreseeable outflow of cash, usually with a time horizon of 12 to 24 months from the date of signing the associated contracts. The instruments in question are initially entered into, in particular, taking into account quantifications (based on estimates) determined on the basis of purchases of the previous collection and considering the business outlook. Such operational hedges of purchase flows take place, in fact, by collection and by month. The instruments are then constantly monitored and updated by the OVS Group in relation to potential changes in purchase and payment flows and therefore to the variable need for stabilisation of exchange rates during the operational development of commercial planning.

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 2018.

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 2018 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.

In the table below, sales of merchandise by the OVS and UPIM brands to the companies of the Sempione Fashion Group, which anyway do not represent an independent operating segment pursuant to IFRS 8, are shown separately.

	31 July 2018				31 July 2017			
(thousands of euros)	OVS	UPIM	Sempione Fashion	Total	OVS	UPIM	Sempione Fashion	Total
Revenues by segment (*)	**554,378**	**111,976**	**53,787**	**720,141**	**553,791**	**106,348**	**30,308**	**690,447**
EBITDA (A)	**64,843**	**13,496**		**78,339**	**69,088**	**11,383**		**80,471**
% of revenues	11.7%	12.1%		10.9%	12.5%	10.7%		11.7%
Non-recurring expenses	506	303		809	559	65		624
Stock Option plan	1,610	325		1,935	853	181		1,034
EBITDA *Adjusted*	**66,959**	**14,123**		**81,082**	**70,500**	**11,629**		**82,129**
% of revenues	12.1%	12.6%		11.3%	12.7%	10.9%		11.9%
Depreciation, amortisation and write-downs of assets (B)				(31,136)				(30,059)
Write-downs and provisions (B)				(55,782)				0
Profit before net financial expenses and taxes (A-B)				**(8,579)**				**50,412**
Financial income				714				491
Financial expenses				(7,928)				(7,623)
Foreign exchange gains and losses				29,926				(57,303)
Gains (losses) from equity investments				(692)				0
Net result before tax				**13,441**				**(14,023)**
Taxes				(8,325)				(1,854)
Net result				**5,116**				**(15,877)**

(*) Sales with a right of return of the first half of 2017, for homogeneity with the first half of 2018, are shown in accordance with the IFRS 15 accounting standard.

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).

		31.07.2018	31.01.2018	change
1	**Cash and banks**	**59,042**	60,498	(1,456)

The balance represents cash and cash equivalents at 31 July 2018 and 31 January 2018 and breaks down as follows (in thousands of euros):

		31.07.2018	31.01.2018	change
1)	Bank and post office deposits	53,448	54,318	(870)
2)	Cheques	4	8	(4)
3)	Cash and cash equivalents on hand	5,590	6,172	(582)
Total		**59,042**	**60,498**	**(1,456)**

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 2018, ordinary current accounts were set up as pledges (last updated on 4 July 2018) to secure the Loan Agreement (described in note 11 below), in the amount of €14,765 thousand, and foreign currency current accounts in the amount of USD11,495 thousand, corresponding to €9,854 thousand, the balance of which is still fully available to the OVS Group.

		31.07.2018	31.01.2018	change
2	**Trade receivables**	**126,893**	112,960	13,933

The breakdown of trade receivables at 31 July 2018 and at 31 January 2018 was as follows (in thousands of euros):

	31.07.2018	31.01.2018	change
Trade receivables			
Receivables for retail sales	901	834	67
Receivables for wholesale sales	102,781	65,748	37,033
Receivables for services rendered	9,138	14,003	(4,865)
Disputed receivables	6,797	6,363	434
Trade receivables from related parties	69,246	49,821	19,425
Subtotal	**188,863**	**136,769**	**52,094**
(Provision for doubtful accounts)	(61,970)	(23,809)	(38,161)
Total	**126,893**	**112,960**	**13,933**

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, collection of which is presumed to be difficult, or for disputes, or, in the majority of cases, for composition proceedings in progress in respect of customers.
Trade receivables from related parties mainly include receivables from companies of the Sempione Fashion Group for €63.7 million, mainly relating to the sale of goods. After Sempione Fashion AG was made subject to a provisional composition moratorium by the judge of the district court of Höfe, Canton of Schwyz, Switzerland, on 30 May 2018, these receivables were written down in the amount of €52.3 million, with a residual value of €11.4 million.
Receivables from Sempione Fashion AG (Switzerland) equivalent to €24.5 million, have been totally written off.
At the end of last July, Charles Vögele Austria GmbH, a wholly owned subsidiary of the aforementioned Sempione Fashion AG, filed with the competent authorities an application for composition proceedings without a “self-administrator”, which provides for a percentage payment to corporate creditors.
Therefore, receivables from the aforementioned Austrian company, amounting to around €14.0 million, have also been almost entirely written off for an amount of €12.9 million, with a residual value of €1.1 million.
Moreover, the balance of receivables from related parties includes receivables from Charles Vögele Deutschland GmbH of €24.2 million, written off for €14.9 million, with a residual value of €9.3 million, considered recoverable.
The item also include receivables from Charles Vögele Slovenia for an amount of €1.0 million, not uncertain.
Lastly, the balance includes receivables from Coin S.r.l. of €5.0 million, related to brokerage fees for purchasing goods (€0.3 million) and receivables from services (€4.7 million).

Also note that trade receivables (mainly for the provision of products to the franchising affiliates) amounting to €107.9 million were also transferred to secure the Loan Agreement at 31 July 2018.

Changes in the provision for doubtful accounts for the half-year ended 31 July 2018 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2018	**24,159**
Allocations in the period	37,815
Utilisations in the period	0
Effect of exchange rate adjustment	(4)
Balance at 31 July 2018	**61,970**

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, except for accrued receivables from the Sempione Fashion Group. In particular, in light of the proceedings that Sempione Fashion AG and Charles Vögele Austria GmbH are undergoing, it was decided that the receivables from these companies would be almost entirely written off due to the substantial allocation made during the half-year.

		31.07.2018	31.01.2018	change
3	**Inventories**	**423,322**	387,943	35,379

The breakdown of inventories is shown in the following table:

(amounts in thousands of euros)	31.07.2018	31.01.2018
Goods	464,848	417,910
Gross stock	**464,848**	**417,910**
Provision for depreciation	(33,038)	(17,134)
Provision for inventory differences	(8,488)	(12,833)
Total provision for stock write-downs	**(41,526)**	**(29,967)**
Total	**423,322**	**387,943**

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

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

The provision for depreciation reflects management's best estimate based on the breakdown by type and season of inventories, considerations arising from past experience and the outlook for sales volumes. The provision for inventory differences includes the estimate of inventory differences at the end of each of the periods under review, in view of the fact that the OVS Group carries out a physical inventory in February and/or June of each year.

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 2018 are shown below:

(amounts in thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2018	**17,134**	**12,833**	**29,967**
Allocation	26,088	5,996	32,084
Utilisation	(10,184)	(10,341)	(20,525)
Balance at 31 July 2018	**33,038**	**8,488**	**41,526**

		31.07.2018	31.01.2018	change
4	**Current financial assets**	**5,986**	0	5,986
4	**Non-current financial assets**	**1,459**	0	1,459

The breakdown of the "Financial assets" item into current and non-current at 31 July 2018 and at 31 January 2018 is shown below:

(amounts in thousands of euros)	31.07.2018	31.01.2018
Derivatives (current portion)	5,986	0
Total current financial assets	**5,986**	**0**
Derivatives (non-current portion)	1,459	0
Financial loan to related company	13,474	12,781
(Provision for doubtful financial accounts)	(13,474)	(12,781)
Total non-current financial assets	**1,459**	**0**
Total	**7,445**	**0**

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 CHF15,240 thousand at 31 July 2018 (including the interest accrued at that date), is a shareholders’ loan subordinated to all the liabilities of Sempione Retail AG and all of its subsidiaries, including Sempione Fashion AG.

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%.

Given the company's position of over-indebtedness, it was decided to entirely write off the financial receivable, including the accrued interest.

		31.07.2018	31.01.2018	change
5	**Current tax assets**	**3,942**	24,338	(20,396)

The balance mainly comprises receivables for the Ires payment on account made in 2017, which exceeded the amount due, net of the tax calculated at 31 July 2018 (€2,612 thousand). The residual amount relates to withholding tax on fees and other tax receivables and receivables for tax withheld at source.

		31.07.2018	31.01.2018	change
6	**Other current receivables**	**41,546**	34,259	7,287
6	**Other non-current receivables**	**5,500**	5,080	420

Other receivables break down as follows:

	31.07.2018	31.01.2018	change
Other receivables	3,623	1,223	2,400
Receivables from insurance companies for claims reimbursements	3,870	172	3,698
Receivables from employees	2,308	2,225	83
Accrued income and prepaid expenses - rents and service charges	22,971	23,557	(586)
Accrued income and prepaid expenses - insurance	976	223	753
Accrued income and prepaid expenses - interest on security deposits	20	27	(7)
Accrued income and prepaid expenses - other	7,778	6,832	946
Total current receivables	**41,546**	**34,259**	**7,287**
Tax receivables	717	714	3
Security deposits	4,560	3,910	650
Minor investments	20	20	0
Other receivables	203	436	(233)
Total non-current receivables	**5,500**	**5,080**	**420**

The "Other receivables" item, included in "Current receivables", relates to guarantee deposits made for new leases amounting to €199 thousand and receivables for business unit disposals amounting to €2,011 thousand, while the remainder refers to social security receivables and advances to suppliers and shippers.

"Receivables from insurance companies" mainly includes the expected reimbursement for an amount of €3.8 million of a damage incurred in April of this year due to a fire on a ship transporting merchandise for the Group.

The item "Accrued income and prepaid expenses - other" primarily includes prepayments of €1,173 thousand for advertising and marketing services, deferrals relating to local taxes for €2,031 thousand and the share of the deferred financial fees (€295 thousand) incurred to obtain medium/long-term revolving lines of credit and to obtain lines of credit described in more detail in the “Financial liabilities” section below.

The 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 2018.

"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 €28 thousand and the medium-/long-term portion of deferred financial fees for €174 thousand.

		31.07.2018	**31.01.2018**	**change**
7	**Property, plant and equipment**	**277,740**	276,513	1,227

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

Investments in the period mainly related to:

- expenses for modernising, renovating and upgrading points of sale 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 2018 a lien was created on property in the amount of €173.4 million.

		31.07.2018	**31.01.2018**	**change**
8	**Intangible assets**	**636,597**	636,639	(42)

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

Intangible assets at 31 July 2018 mainly include the amounts allocated to the OVS Group deriving from the historical acquisition of Gruppo Coin by Icon. At 31 July 2018, 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 €71.3 million, amortised over 20 years (included under "Other intangible assets");
- The Upim franchising network for €28.3 million, amortised over 20 years (included under "Other intangible assets");
- Licences relating to OVS stores for €89.9 million, amortised over 40 years (included under "Concessions, licences and brands");
- Licences relating to Upim stores for €18.5 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.

Considering the listing of OVS on the Stock Exchange at the first half-year 2018, at a level that would have resulted in a total capitalization on the regulated market, temporarily lower than the corresponding booked Net Equity amount, the Group proceeded with an update of the impairment carried out at the end of previous year, in order to confirm the recoverability of the value recorded for intangible assets with an indefinite useful life (goodwill and brands) also at 31 July 2018. This exercise consists of the measurement the value in use of the cash-generating units coinciding with the OVS and UPIM operating segments and comparing the same with the related booked value.
Therefore, maintaining the same methodology implemented at the time of last annual closing, as documented in the related financial statements (to which reference should be made), the most updated cash flows projections were used on a three-year basis and a WACC of 6.73 %, considering the other variables equal.
As a result of this analysis, no write-downs were found to be made to any of the assets in question as of 31 July 2018.
Also with regard to the amounts booked for administrative authorizations as of 31 July 2018 relating to the stores of the OVS Group, no indicators of impairment emerged that could result in write-downs.

Also note that, pursuant to the Loan Agreement, at 31 July 2018 a lien was created on OVS Group brands in the amount of €390.8 million.

		31.07.2018	31.01.2018	change
9	**Goodwill**	**452,541**	452,541	0

The goodwill mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011, for €451,778 thousand and allocated to OVS CGU.

Management considered that the conditions necessary to confirm this amount existed at 31 July 2018, duly considered updated analysis already illustrated with regard to the brands.

		31.07.2018	31.01.2018	change
10	**Equity investments**	**136**	136	0

This item includes the value of the equity investment of 31.63% held by OVS S.p.A. in the Centomilacandele S.c.p.A. consortium for €136 thousand.

It should be noted that the carrying amount of the equity investment in Sempione Retail AG at 31 July 2017, equal to €8,284 thousand, which was equivalent to the capital increases subscribed during 2016, was entirely written off in the financial statements for the year ended 31 January 2018.

		31.07.2018	31.01.2018	change
11	**Current financial liabilities**	**122,958**	57,190	65,768
11	**Non-current financial liabilities**	**375,777**	381,115	(5,338)

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 July 2018 and 31 January 2018 is shown below:

(amounts in thousands of euros)	31.07.2018	31.01.2018
Current bank payables	110,499	3,936
Other current financial payables	12,459	53,254
Current financial liabilities	**122,958**	**57,190**
Non-current bank payables	374,662	372,388
Other non-current financial payables	1,115	8,727
Non-current financial liabilities	**375,777**	**381,115**

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 2018 are shown below:

(amounts in thousands of euros)	Maturity date	Interest rate	At 31 July 2018 Total	of which non-current portion	of which current portion
Facility Revolving	2020	Euribor + 2.50%	94,842	-	94,842
Hot Money		Euribor + 0.5%	5,000	-	5,000
Deutsche Bank		Euribor + 0.6%	6,667	-	6,667
Due for financial expenses			3,990	-	3,990
Current bank payables			**110,499**	**-**	**110,499**
Facility B	2020	Euribor + 2.50%	375,000	375,000	-
Deutsche Bank		Euribor + 0.6%	1,667	1,667	-
Loan ancillary costs			(2,005)	(2,005)	-
Non-current bank payables			**374,662**	**374,662**	**-**

The lines of credit available to the Group at 31 July 2018, 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 other lines relate to “hot money” loans with various credit institutions totalling €26 million and a medium/long-term loan taken out with Deutsche Bank for €10 million. At 31 July 2028, these loans were drawn down in the amounts of €5 million and €8.3 million respectively.

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

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

The applicable interest rate for the other lines referred to above has a variable margin of 0.4% to 1.0%.

At 31 July 2018, the ratio of average financial debt to EBITDA was 1.95. The Margin stays at 2.5%. The next test is scheduled for 31 January 2019.
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, 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 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, based on 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 2018, the ratio of average financial debt to EBITDA was 1.95. 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 2018 and 31 January 2018, determined according to the provisions of the Consob Communication of 28 July 2006 and pursuant to the ESMA/2013/319 Recommendations, is shown below:

(amounts in thousands of euros)	31.07.2018	31.01.2018
Net debt		
A. Cash	59,042	60,498
B. Cash equivalents	-	-
C. Securities held for trading	-	-
D. Liquid assets (A)+(B)+(C)	**59,042**	**60,498**
E. Current financial receivables	**5,986**	**0**
F. Current bank payables	(103,832)	(3,936)
G. Current portion of non-current debt	(6,667)	-
H. Other current financial payables	(12,459)	(53,254)
I. Current debt (F)+(G)+(H)	**(122,958)**	**(57,190)**
J. Net current debt (I)+(E)+(D)	**(57,930)**	**3,308**
K. Non-current bank payables	(374,662)	(372,388)
L. Bonds issued	-	-
M. Other non-current financial payables	(1,115)	(8,727)
N. Non-current debt (K)+(L)+(M)	**(375,777)**	**(381,115)**
O. Net debt (J)+(N)	**(433,707)**	**(377,807)**
Non-current financial receivables	**1,459**	**0**
Net financial position	**(432,248)**	**(377,807)**

Other current and non-current financial payables

The following table shows the breakdown of other current and non-current financial payables at 31 July 2018 and at 31 January 2018.

(amounts in thousands of euros)	31.07.2018	31.01.2018
Derivatives	11,699	52,211
Payables for finance leases	760	1,043
Other current financial payables	**12,459**	**53,254**
Derivatives	274	7,687
Payables for finance leases	841	1,040
Other non-current financial payables	**1,115**	**8,727**

		31.07.2018	31.01.2018	change
12	**Trade payables**	**392,420**	403,406	(10,986)

The breakdown of the "Trade payables" item at 31 July 2018 and 31 January 2018 is provided below:

(amounts in thousands of euros)	31.07.2018	31.01.2018	change
Payables to third-party suppliers	388,632	402,306	(13,674)
Payables to related parties	3,788	1,100	2,688
Trade payables	**392,420**	**403,406**	**(10,986)**

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 €207,523 thousand; it also includes exposure in foreign currency (mainly USD) amounting to USD229,429 thousand, already net of USD4,188 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.

		31.07.2018	31.01.2018	change
13	**Current tax liabilities**	**552**	1,296	(744)

The amount shown relates to current tax payables of OVS Hong Kong Sourcing Limited which will be paid by the end of the financial year. OVS S.p.A. did not record any current tax payables at 31 July 2018, as it had made payments on account in excess of the tax amounts calculated.

		31.07.2018	31.01.2018	change
14	**Other current payables**	**104,491**	108,499	(4,008)
14	**Other non-current payables**	**19,443**	19,763	(320)

The breakdown of the "Other payables" item into current and non-current at 31 July 2018 and at 31 January 2018 is shown below:

	31.07.2018	31.01.2018	change
Payables to employees for unused leave and related contributions	9,342	8,777	565
Payables to employees for deferred salaries, overtime, bonuses and related contributions	19,789	24,881	(5,092)
Payables to Directors and Auditors for emoluments	363	355	8
Other payables	23,661	7,887	15,774
Payables to pension and social security institutions	7,281	7,156	125
VAT payables	19,636	32,584	(12,948)
Other tax payables	1,927	3,459	(1,532)
Other payables - to customers	159	163	(4)
Accrued expenses/deferred income - rents and leasing	6,358	6,920	(562)
Accrued expenses and deferred income - utilities	3,445	3,880	(435)
Accrued expenses and deferred income - insurance	370	574	(204)
Accrued expenses and deferred income - other	12,160	11,863	297
Total current payables	**104,491**	**108,499**	**(4,008)**
Linearisation of rents	12,477	12,469	8
Accrued expenses and deferred income - other	6,966	7,294	(328)
Total non-current payables	**19,443**	**19,763**	**(320)**

"Payables to employees" relates to benefits accrued and not paid out at 31 July 2018.

“Other payables” mainly relates to the recognition of €15,165 thousand for the sales value of expected returns in relation to sales made with right of return, pursuant to IFRS 15.

The balance also includes advance payments by customers for pre-orders of goods and purchases of vouchers amounting to €4,020 thousand, and payables for deposits and securities received from customers to guarantee affiliation agreements, for €3,928 thousand.

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

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 €5,281 thousand in accrued expenses for local taxes, €1,360 thousand for travel expenses, €80 thousand for bank charges, €1,483 thousand in deferred income for contributions payable by partners and lessors and €1,661 thousand in unredeemed reward points relating to customer loyalty programmes.

It also includes €240 thousand relating to the current portion of the extension of the software usage rights granted to Gruppo Coin S.p.A. for a period of five years.

Non-current payables refer, in the amount of €12,477 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 €736 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 €6,230 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.

		31.07.2018	31.01.2018	change
15	**Employee benefits**	**37,810**	38,647	(837)

Changes in employee benefits for the half-year ended 31 July 2018 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2018	**38,647**
Increase in period	382
Actuarial (gains)/losses	(44)
Contributions made/benefits paid	(1,175)
Balance at 31 July 2018	**37,810**

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.

		31.07.2018	31.01.2018	change
16	**Provisions for risks and charges**	**10,300**	5,024	5,276

Changes in the "Provision for risks and charges" item for the half-year ended 31 July 2018 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2018	**5,024**
Allocations in the period	5,400
Utilisations in the period	(124)
Balance at 31 July 2018	**10,300**

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 end of the period.

The allocation of the period, for an amount of€5.4 million, refers to legal or contractual risks related to the management of changes in the relationship with the companies of Sempione Fashion Group.

		31.07.2018	31.01.2018	change
17	**Deferred tax liabilities**	**119,217**	134,287	(15,070)

Changes in the "Deferred tax liabilities" item in the half-year ended 31 July 2018 are shown below:

(amounts in thousands of euros)	**Balance at 31.01.2018**	**Allocated/ released to income statement**	**Allocated/ released to statement of comprehensive income**	**Balance at 31.07.2018**
Provision for stock write-downs	7,187	(133)		7,054
Appropriation for local taxes	1,095	(132)		963
Provisions for risks and charges	1,206	(2,214)		(1,008)
Doubtful accounts	5,500	10,944		16,444
Tangible and intangible assets	(151,201)	(539)		(151,740)
Employee severance benefits calculated according to IAS 19	502		(10)	492
Provision for Collective Agreements	1,013			1,013
Other	411	7,154		7,565
Total net prepaid (deferred)	**(134,287)**	**15,080**	**(10)**	**(119,217)**

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 €851.7 million.
Details of changes in the items included in shareholders' equity are provided in the relative accounting schedule.

18 Share capital

At 31 July 2018, the share capital of OVS S.p.A. amounted to €227,000,000, comprising 227,000,000 ordinary shares with no par value.
OVS was incorporated on 14 May 2014 with share capital of €10,000.
The Transferral of the OVS-Upim Business Unit by the then 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 further capital increase of €87,000,000, taking the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.

18 Other reserves

The breakdown of other reserves is as follows:

The **share premium reserve**, amounting to €512.0 million, derives from increases in the capital of OVS S.p.A., as previously mentioned, and is shown net of listing costs of €7,590 thousand (gross costs of €10,469 thousand and deferred tax of €2,879 thousand).
With regard to the accounting treatment applied to these costs, pursuant to IAS 32, following the positive outcome of the listing process, the ratio between the number of new shares/number of shares post-listing determined the percentage of charges registered as a direct reduction in shareholders' equity, while the remainder was recognised under costs in the income statement.
The **legal reserve** came to €7.9 million, and was created when earnings for previous years were allocated.
There are also **other reserves**, with a positive net balance of €99.8 million, which mainly include retained earnings of €90.0 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")).

18 Minority interest capital and riserve

Minority interests relate to the incorporation, during 2017, of 82 S.r.l., which is 70% owned by OVS S.p.A. and 30% owned by Massimo Piombo. The amount shown includes €3 thousand for share capital and a negative €166 thousand for losses accrued for start-up 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:

	31.07.2018	31.07.2017
Revenues for retail sales	682,304	698,390
VAT on retail sales	(123,171)	(126,112)
Net sales	**559,133**	**572,278**
Revenues from sales to affiliates, administered and wholesale	160,869	124,736
Subtotal net sales	**720,002**	**697,014**
Revenues from services	139	83
Total	**720,141**	**697,097**

20 Other operating income and revenues

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

	31.07.2018	31.07.2017
Revenues from services rendered	20,303	19,635
Rental and leasing revenues	9,737	9,541
Damages	858	19
Capital gains from asset disposals	32	4
Other revenues	2,289	1,601
Total	**33,219**	**30,800**

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 €327,337 thousand.
The item breaks down as follows:

	31.07.2018	31.07.2017
Purchase of raw materials, consumables and goods	363,262	349,754
Change in inventories	(35,925)	(33,515)
Total	**327,337**	**316,239**

22 Staff costs

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

	31.07.2018	31.07.2017
Wages and salaries	108,472	105,982
Social security charges	29,980	29,652
Employee severance benefits	6,463	6,450
Other staff costs	827	283
Directors' fees	580	436
Total	**146,322**	**142,803**

The number of employees, expressed as the full-time equivalent headcount, was 5,445 at the end of the half-year, compared with 5,938 at 31 January 2018.

MANAGEMENT INCENTIVE PLANS

Approval of the 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 provides for the issue of up to 5,107,500 options, which will be freely allocated to the beneficiaries if certain performance targets are met, and confers on each of them the right to subscribe to one ordinary share of the Company for each option assigned.
The same meeting was also convened in an extraordinary session to resolve upon the proposal to give the

Board of Directors, for a period of five years from the date of the resolution, the power to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000, through the issue, in one or more tranches, of up to 5,107,500 ordinary shares with no par value, to be reserved for the beneficiaries of the 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 incentives 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 parameters of EBITDA, as indicated by the Board of Directors after consultation with the Remuneration Committee, for the reference period under the OVS 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 2018, 4,911,375 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 €7,262 thousand (already booked in the amount of €6,225 thousand at 31 January 2018), were recognised with a contra-entry in shareholders' equity.

Approval of the 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 4,080,000.00 new ordinary shares of OVS, to be reserved for the beneficiaries of the Stock Option Plan 2017-2022, with the consequent amendment of Article 5 of the Articles of Association.

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

Implementation of the Stock Option Plan 2017-2022

On 21 September 2017, the Board of Directors, implementing the resolutions passed by the shareholders' meeting of 31 May 2017, 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 31 May 2017, and, for this purpose, resolved upon a capital increase to service the stock option plan called the "Stock Option Plan 2017-2022", which was approved by the same shareholders' meeting. In particular, pursuant to the mandate granted by the extraordinary Shareholders' Meeting of 31 May 2017, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 30 June 2027, by issuing, in one or more tranches, up to 3,935,000 new ordinary shares of OVS 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 2017-2022".

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

The Plan provides for the free allocation to each beneficiary of up to 3,935,000 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, at a price of €6.39 per share. 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.

Beneficiaries will be able to exercise the potentially exercisable options for which the performance objectives have been achieved, to the following extent and within the following periods:

- up to 1/3 of the Options granted, rounded down to the lowest whole unit, after 36 months from the Grant Date (First Vesting Period);
- up to 1/3 of the Options granted, rounded down to the lowest whole unit, after 48 months from the Grant

Date (Second Vesting Period);

- the balance of the potentially exercisable options after 60 months from the Grant Date (Third Vesting Period).

Under no circumstances may the Options exercisable by the beneficiaries be greater in number than those actually accrued by virtue of the achievement of the performance objectives.

The Plan stipulates that beneficiaries may not exercise Options in the 30 calendar days preceding public disclosure of the financial statements and interim financial reports that the Company is required to make public pursuant to the statutory and regulatory provisions from time to time in force and the Regulations of the markets organised and managed by Borsa Italiana. The Board of Directors, after consulting the Nomination and Remuneration Committee, may also provide for additional periods in which the exercise of Options is suspended, or change the periods indicated in the Plan regulations in the event of significant legislative or regulatory changes. As a condition for benefiting from the Plan, the latter provides for the existence and maintenance of an administration and/or employment relationship between the beneficiaries and the company and the subsidiaries. Termination of the relationship in the scenarios provided for in the Plan will affect the exercise of Options by determining the cancellation of the Options themselves, according to the procedures, conditions and terms provided for in the Plan regulations. The Plan also provides for the right to continue to participate in the Plan or, without prejudice to any other contractual proposals put in place by the party that acquires control, the early exercise of the Options if there is a change of control. A “change of control” occurs if one party or parties acting in concert between themselves (other than Gruppo Coin S.p.A. and/or funds assisted and managed by the BC European Capital Funds, CIE Management II Limited and/or any of the entities controlled by the same), directly or indirectly acquire an equity investment in the share capital of OVS, such that:

(i) this party or these parties is/are obliged to make a mandatory public tender offer for the ordinary shares of the Issuer pursuant to the Consolidated Finance Act; or

(ii) this party or these parties appoint(s) or remove(s) all the directors of the Issuer or the majority thereof.

The Options are granted individually and each Option and all the rights incorporated therein are strictly personal, registered, non-transferable *inter vivos* and non-negotiable and therefore cannot be pledged or used for debts or agreements entered into by each of the beneficiaries in respect of OVS and/or the Subsidiaries.

Beneficiaries who are executive directors or managers with strategic responsibilities of OVS, as identified by the Board of Directors, will be obliged to hold continuously, for at least 12 months from the date of exercise, a number of shares at least equal to 20% of the shares subscribed, or purchased as a result of the exercise of the Options, net of the shares transferable for payment of (a) the exercise price of the Options, and (b) tax, social security and welfare charges, where due, related to the exercise of the Options.

Beneficiaries who hold the position of executive directors, in accordance with the recommendations of the Corporate Governance Code, will be obliged, including after the lock-up period indicated above, to hold continuously until the end of the mandate a number of shares at least equal to 20% of the shares subject to the lock-up agreement pursuant to the Plan regulations.

The Plan also includes cancellation and claw-back clauses.

In particular, the Plan stipulates that if the Board of Directors, after consulting the Nomination and Remuneration Committee, ascertains - within a period of three years from the initial exercise date - that the performance objectives were determined on the basis of data that have proven to be manifestly incorrect, or the beneficiary has been convicted by a first-instance ruling of fraudulent conduct, wilful misconduct or gross negligence to the detriment of the company that results in a financial loss for the company or without which the performance objectives would not have been achieved, the Board of Directors, after consulting the Nomination and Remuneration Committee, reserves the right to obtain from the beneficiary responsible for one of the aforementioned deeds and/or events, the cancellation of the exercisable Options or the return of the shares held by the beneficiary, less a number of shares whose value corresponds to the exercise price of the Options and the tax, social security and welfare charges actually paid, or the return of the sale value (less the amount corresponding to the exercise price of the Options and the tax, social security and welfare charges related to the exercise of the Options, possibly also through compensation with the salary and/or severance benefits of the beneficiary) if the beneficiary's shares have already been sold.

At 31 July 2018, 3,935,000 options had been assigned under the new “Stock Option Plan 2017-2022”.

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 €1,520 thousand (already booked in the amount of €621 thousand at 31 January 2018), were recognised with a contra-entry in shareholders' equity.

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

Also note that, as part of the operation to acquire an equity investment in Gruppo Coin by funds assisted by BC Partners, which was completed on 30 June 2011, Icon 1 S.A., a holding company operating under Luxembourg law, issued a series of financial instruments to serve the acquisition, assigned to a range of classes of persons, including some managers at Gruppo Coin and now at the OVS Group.

For details of the characteristics of these financial instruments and the related accounting treatment used by the conferor, Gruppo Coin S.p.A., please see the information provided in the section of the Prospectus prepared for the flotation on the carve-out balances (chapter 20.1.3) published in the "Investor Relations" section of the Company's website.

For completeness of information, it should also be noted that, when another three managers became shareholders of Icon 1 S.A., the characteristics of these instruments were redefined, partly with the aim of rebalancing the position of the managers, which had been prejudiced by the issue by Icon 1 S.A. of a special financial instrument. These changes did not affect the OVS Group's financial position and profit performance, given that in June 2015 the managers added to the initial payments made based on the fair value of the financial instruments, recalculated at the effective date of the changes.

23 Depreciation, amortisation and write-downs of assets

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

	31.07.2018	31.07.2017
Amortisation of intangible assets	8,464	7,548
Depreciation of tangible assets	22,498	21,456
Write-downs of tangible and intangible assets	174	1,055
Total	**31,136**	**30,059**

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:

	31.07.2018	31.07.2017
Advertising	11,677	12,479
Utilities	17,060	16,270
Miscellaneous sales costs	25,433	20,791
Service costs - professional and consulting services	14,540	13,002
Travel and other employee expenses	7,113	6,925
Insurance	1,505	1,833
Maintenance, cleaning and security	17,373	17,248
Service costs - other services	2,601	2,361
Board of Statutory Auditors' fees / Supervisory Body	104	97
Total	**97,406**	**91,006**

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

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

	31.07.2018	31.07.2017
Rental costs and ancillary charges	100,925	96,479
Leasing of plant, equipment and vehicles	1,867	1,982
Total	**102,792**	**98,461**

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:

	31.07.2018	31.07.2017
Doubtful accounts	37,815	660
Provisions for risks	5,400	0
Total	**43,215**	**660**

Please see also note 2 “Trade receivalbes” and note 16 “Provisions for risks and charges”.

27 Other operating expenses: Other operating charges

Other operating charges break down as follows:

	31.07.2018	31.07.2017
Materials and equipment for offices and stores	4,117	4,393
Taxes	5,516	5,037
Capital losses	84	414
Donations	181	331
Corporate expenses	362	425
Other general and administrative expenses	2,031	819
Other operating expenses	1,440	774
Total	**13,731**	**12,193**

28 Financial income (expenses)

FINANCIAL INCOME

	31.07.2018	31.07.2017
Financial income on bank current accounts	8	10
Financial income from miscellaneous sources	1	1
Income from related company	705	480
Total	**714**	**491**

FINANCIAL EXPENSES

	31.07.2018	31.07.2017
Financial expenses on bank current accounts	7	11
Financial expenses on loans	6,326	5,699
Financial expenses payable to other lenders	93	92
Interest cost on provision for employee severance benefits	251	389
Other financial expenses/fees	1,251	1,432
Total	**7,928**	**7,623**

EXCHANGE RATE GAINS AND LOSSES

	31.07.2018	31.07.2017
Foreign exchange gains	269	20,582
Foreign exchange losses	(25,713)	(1,333)
Gains (losses) on the change in fair value of currency derivatives	55,370	(62,616)
Total	**29,926**	**(43,367)**

GAINS (LOSSES) FROM EQUITY INVESTMENTS

	31.07.2018	31.07.2017
Write-downs of equity investments and other long-term equity interests	(692)	(0)
Total	**(692)**	**0**

29 Taxes

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

	31.07.2018	31.07.2017
Current taxes	23,320	2,029
Deferred (prepaid) taxes	(14,995)	(175)
Total	**8,325**	**1,854**

It should be noted that on 9 July 2018, the Financial Police, Venice Tax Police Unit Headquarters, concluded a tax audit towards OVS S.p.A. which began on 13 December 2017 and the Verifiers issued the Report on Findings (PVC).

The tax audit concerned:

- for Irap and Ires purposes, the tax periods 2014, 2015, 2016;
- for VAT purposes, years 2014, 2015, 2016, 2017 partial, until 13 December 2017;
- for the purposes of the withholding agent, years 2014, 2015, 2016, 2017 partial, until 13 December 2017.

The Report on Findings contains some findings, mainly on the subject of VAT, which the Company rebutted by filing *"Memorie al PVC"* at the *"Ufficio Grandi Contribuenti della Direzione Regionale delle Entrate di Venezia"*.

The Company believes that the findings are almost entirely without legal basis and as such, no tax assessments should result as a consequence.

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 31.07.2018	**Period ended 31.07.2017**
Result for the period (in thousands of euros)	5,211	(15,877)
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)	**0.02**	**(0.07)**
Diluted earnings per share (in euros)	**0.02**	**(0.07)**

There were no significant dilutive effects at 31 July 2018 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 related companies owned by Sempione Retail, parent company Gruppo Coin S.p.A. and its subsidiaries.

OVS S.p.A. carries out, for its Parent Company, the subsidiaries and associates, mainly commercial activities relating to the sale of goods, in addition to providing logistics, IT and supply chain services.

The following table summarises the OVS Group's lending and borrowing relationships with related parties, as defined by IAS 24:

(amounts in thousands of euros)	Related parties														
	Gruppo Coin S.p.A.	Coin S.r.l.	Excelsior Milano S.r.l.	COSI - Concept of Style Italy S.p.A.	GCF S.p.A. in liquidazione	Gruppo Coin Interna-tional S.A.	Centomila-candele S.c.p.a.	Sempione Retail AG	Sempione Fashion AG	Charles Vögele (Austria) GmbH	Charles Vögele Deutschland GmbH (*)	Charles Vögele trgovina stekstilom doo (Slovenia)	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade receivables - gross amounts																
At 31 July 2018	441	5,036	54	9	-	-	-	-	24,558	13,981	24,190	977	-	69,246	188,863	36.7%
At 31 January 2018	226	3,703	57	9	4	3	-	-	22,970	12,935	9,226	688	-	49,821	136,769	36.4%
Provision for doubtful accounts																
At 31 July 2018	-	-	-	-	-	-	-	-	(24,558)	(12,857)	(14,900)	-	-	(52,315)	(61,970)	84.4%
At 31 January 2018	-	-	-	-	-	-	-	-	(6,800)	(6,400)	(1,300)	-	-	(14,500)	(23,809)	60.9%
Trade receivables - net amounts																
At 31 July 2018	441	5,036	54	9	-	-	-	-	0	1,124	9,290	977	-	16,931	126,893	13.3%
At 31 January 2018	226	3,703	57	9	4	3	-	-	16,170	6,535	7,926	688	-	35,321	112,960	31.3%
Other current receivables																
At 31 July 2018	-	-	2,011	-	-	-	-	-	-	-	-	-	-	2,011	1,459	n.a.
At 31 January 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	n.a.
Trade payables																
At 31 July 2018	(1,298)	(635)	-	-	-	-	(1,833)	-	(22)	-	-	-	-	(3,788)	(392,420)	1.0%
At 31 January 2018	(27)	(90)	-	-	-	-	-	-	(983)	-	-	-	-	(1,100)	(403,406)	0.3%
Other current payables																
At 31 July 2018	-	-	-	-	-	-	-	-	-	-	-	-	(645)	(645)	(104,491)	0.6%
At 31 January 2018	-	-	-	-	-	-	-	-	-	-	-	-	(1,808)	(1,808)	(108,499)	1.7%

(*) It should be noted that on 20 April 2018 Charles Vögele Deutschland GmbH was sold to a third-party operator, therefore as from that date, the aforementioned company no longer holds the status of related party.

With regard to 31 July 2018, commercial relations with Coin S.r.l. mainly relate to the provision of services and the renting of commercial premises. The item "Other current receivables" shows the advance paid to Coin S.r.l. for the option to purchase Piacenza business unit for an amount of €2,084 thousand, net of the adjustments due for the acquisition of both Ferrara and Parma business units, which have already occurred.

Relations with the companies of the Sempione Retail Group mainly relate to the provision of goods and associated services.

Relations 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 relations of the OVS Group with related parties:

(amounts in thousands of euros)	Related parties													
	Gruppo Coin S.p.A.	Coin S.r.l.	Excelsior Milano S.r.l.	Centomila-candele S.c.p.a.	Sempione Retail AG	Sempione Fashion AG	Charles Vögele Deutschland GmbH (*)	Charles Vögele (Austria) GmbH	Charles Vögele trgovina stekstilom doo (Slovenia)	Charles Vögele Hungaria KFT	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Period ended 31 July 2018														
Revenues	-	435	-	-	-	20,449	14,968	18,126	925	1,108	-	56,011	720,141	7.8%
Other operating income and revenues	182	722	6	-	-	-	-	-	-	-	-	910	33,219	2.7%
Purchases of raw materials, consumables and goods	-	(4)	-	-	-	(18,931)	(14,841)	-	(57)	-	-	(33,833)	(327,337)	10.3%
Staff costs	-	-	-	-	-	311	-	-	-	-	(2,800)	(2,489)	(146,322)	1.7%
Service costs	-	(46)	-	(6,694)	-	6	-	-	-	-	-	(6,734)	(97,406)	6.9%
Costs for the use of third-party assets	(608)	748	-	-	-	-	-	-	-	-	-	140	(102,792)	(0.1)%
Write-downs and provisions	-	-	-	-	-	(17,758)	(13,600)	(6,457)	-	-	-	(37,815)	(43,215)	87.5%
Other operating charges	-	(169)	(11)	-	-	-	-	-	-	-	-	(180)	(13,731)	1.3%
Financial income	-	-	-	-	705	-	-	-	-	-	-	705	714	98.8%
Gains (losses) from equity investments	-	-	-	-	(692)	-	-	-	-	-	-	(692)	(692)	100.0%
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)%
Write-downs and provisions	-	-	-	-	-	-	-	-	-	-	-	0	(660)	0.0%
Other operating charges	-	-	-	-	-	22	4	7	24	-	-	57	(12,193)	(0.5)%
Financial income	-	-	-	-	480	-	-	-	-	-	-	480	491	97.8%
Gains (losses) from equity investments	-	-	-	-	-	-	-	-	-	-	-	0	(0)	0.0%

(*) It should be noted that on 20 April 2018 Charles Vögele Deutschland GmbH was sold to a third-party operator, therefore as from that date, the aforementioned company no longer holds the status of related party.

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 S.r.l., included in the "Revenues" item;

• transfers of goods to the companies of the Sempione Retail Group, included in the “Revenues” item;

• the provision of services and chargebacks to Coin S.r.l. of costs for central IT, logistics and leasing services incurred by OVS Group, included in the "Other income and operating revenues" item;

• purchases of goods from the companies of the Sempione Retail Group after buy-back transactions, included in the item "Purchases of raw materials, consumables and goods";

• the provision of services relating to the purchase of electricity by Centomilacandele S.c.p.A., included in the "Service costs" item;

and

• the write-down of the financial receivable from Sempione Retail AG, included in the “Gains (losses) from equity investments” item;

• 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:

(amounts in thousands of euros)	Related parties															
	Gruppo Coin S.p.A.	Coin S.r.l.	Excelsior Verona S.r.l. in liquidazione	GCF S.p.A. in liquidazione	Centomila-candele S.c.p.a.	Gruppo Coin International S.A.	Sempione Retail AG	Sempione Fashion AG	Charles Vögele Deutschland GmbH (*)	Charles Vögele (Austria) GmbH	Charles Vögele trgovina stekstilom doo (Slovenia)	Charles Vögele Hungaria KFT	Directors and managers with strategic responsibilities	Total	Total cash flow from the cash flow statement	Percentage of balance sheet item
Period ended 31 July 2018																
Cash flow generated (absorbed) by operating activities	-	(785)	-	4	(7,485)	3	-	(932)	-	400	569	1,108	(2,795)	(9,913)	(73,029)	13.6%
Cash flow generated (absorbed) by investing activities	-	(3,393)	-	-	-	-	-	-	-	-	-	-	-	(3,393)	(32,419)	10.5%
Cash flow generated (absorbed) by financing activities	-	-	-	-	-	-	-	-	-	-	-	-	-	0	103,992	0.0%
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)%

(*) It should be noted that on 20 April 2018 Charles Vögele Deutschland GmbH was sold to a third-party operator, therefore as from that date, the aforementioned company no longer holds the status of related party.

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

OTHER INFORMATION

Contingent liabilities

It should be noted that, other than what is described in Note 16, “Provisions for risks and charges”, no other potential risks exist, worthy of reporting.

Sureties and guarantees with third parties

These came to €72,462 thousand (€70,075 thousand at 31 January 2018) 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 points of sale 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 €174.9 million.

Directors' and Statutory Auditors' fees

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

(amounts in thousands of euros)	Directors	Auditors
Period ended 31 July 2018	477	76
Period ended 31 July 2017	357	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 2018, no atypical and/or unusual operations were entered into as defined by the Communication, except as indicated below.

In fact, due to the financial difficulties arising for the Swiss and Austrian companies of the Sempione Fashion Group, on 13 April 2018 OVS and Sempione Fashion have agreed to amend the operational terms by which their commercial cooperation is to be executed, according the consignment stock model; as a result, OVS has bought back the goods previously sold to Sempione Fashion in exchange for the payment of the corresponding price part in cash and part through compensation.

In particular, such transaction has allowed to achieve: (i) the purchase of goods in a total amount of €32.3 million through a combined transaction by which OVS has paid €7.9 million in cash while offsetting the residual amount of €24.4 million through compensation; and (ii) the launch of the stock consignment model in Switzerland and Austria.

As already described in the Report on Operations, given the admission of the aforementioned companies to the provisional bankruptcy proceedings, on 30 July 2018 OVS resolved to terminate the Cooperation Agreement signed between the parties on 18 April 2017 and therefore the termination of any commercial relationship between OVS and the same companies deriving from this contract and its subsequent amendments.

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 2018 were influenced by net non-recurring expenses of €42,995 thousand.

	31.07.2018	31.07.2017
Other operating income and revenues	(700)	0
Purchases of raw materials, consumables and goods	12,567	0
Staff costs	46	557
Service costs	72	29
Costs for the use of third-party assets	82	38
Write-downs and provisions	43,215	0
Other operating charges	1,308	0
Financial (income) / charges	(13)	0
Taxes	(13,582)	(150)
Total	**42,995**	**474**

Non-recurring charges mainly refer to:

- €12,567 thousand of write-downs relating to merchandise at the companies of the Sempione Fashion Group, recovery of which is difficult, recognised under "Purchases of raw materials, consumables and goods";

- €37,815 thousand for write-downs of receivables from the companies of the Sempione Fashion Group after the launch of the composition proceedings, recognised under "Write-downs and provisions";

- €5,400 thousand relating to provisions for legal costs connected to the change in the relationship with the Swiss partner, recognised under "Write-downs and provisions".

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 2018.

Appendices:

1: Property, plant and equipment at 31 July 2018;
2: Intangible assets at 31 July 2018.

APPENDIX 1

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

	Balance at 31.01.2018	Movements during the period				Balance at 31.07.2018
		Purchases	Sales / disposals		Amortisation / write-downs	
Leasehold improvements						
initial cost	211,701	4,086	(2,417)		0	213,370
write-downs	0	0	0		0	0
amortisation	(156,780)	0	2,346		(4,454)	(158,888)
net	**54,921**	**4,086**	**(71)**		**(4,454)**	**54,482**
Land and buildings						
initial cost	34,782	530	0		0	35,312
write-downs	0	0	0		0	0
amortisation	(9,334)	0	0		(360)	(9,694)
net	**25,448**	**530**	**0**		**(360)**	**25,618**
Plant and machinery						
initial cost	301,623	4,713	(627)		0	305,709
write-downs	0	0	0		0	0
amortisation	(214,193)	0	613		(6,702)	(220,282)
net	**87,430**	**4,713**	**(14)**		**(6,702)**	**85,427**
Industrial and commercial equipment						
initial cost	339,969	12,085	(6,382)		0	345,672
write-downs	0	0	0		0	0
amortisation	(245,235)	0	6,284		(9,705)	(248,656)
net	**94,734**	**12,085**	**(98)**		**(9,705)**	**97,016**
Other assets						
initial cost	61,111	1,396	(39)		0	62,468
write-downs	0	0	0		0	0
amortisation	(53,032)	0	32		(1,277)	(54,277)
net	**8,079**	**1,396**	**(7)**		**(1,277)**	**8,191**
Assets under construction and payments on account						
initial cost	5,901	4,226	(3,121)		0	7,006
write-downs	0	0	0		0	0
amortisation	0	0	0		0	0
net	**5,901**	**4,226**	**(3,121)**	(1)	**0**	**7,006**
Total						
initial cost	955,087	27,036	(12,586)		0	969,537
write-downs	0	0	0		0	0
amortisation	(678,574)	0	9,275		(22,498)	(691,797)
net	**276,513**	**27,036**	**(3,311)**	(2)	**(22,498)**	**277,740**

(1) Of this amount, € 3,121 thousand represents assets under construction at 31/01/2018, reclassified to the specific asset categories in the first half of 2018.
(2) Includes € 174 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 31.01.2018	Movements during the period			Balance at 31.07.2018
		Purchases	Sales / disposals	Amortisation / write-downs	
Rights to industrial patents and intellectual property rights					
initial cost	135,439	5,504	0	0	140,943
write-downs	0	0	0	0	0
amortisation	(113,442)	0	0	(3,807)	(117,249)
net	**21,997**	**5,504**	**0**	**(3,807)**	**23,694**
Concessions, licences and trademarks					
initial cost	520,051	1,349	0	0	521,400
write-downs	(5,439)	0	0	0	(5,439)
amortisation	(6,858)	0	0	(540)	(7,398)
net	**507,754**	**1,349**	**0**	**(540)**	**508,563**
Assets under construction and payments on account					
initial cost	1,363	1,335	(938)	0	1,760
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**1,363**	**1,335**	**(938)** (1)	**0**	**1,760**
Other intangible assets					
initial cost	164,284	1,172	0	0	165,456
write-downs	0	0	0	0	0
amortisation	(58,759)	0	0	(4,117)	(62,876)
net	**105,525**	**1,172**	**0**	**(4,117)**	**102,580**
Total					
initial cost	821,137	9,360	(938)	0	829,559
write-downs	(5,439)	0	0	0	(5,439)
amortisation	(179,059)	0	0	(8,464)	(187,523)
net	**636,639**	**9,360**	**(938)**	**(8,464)**	**636,597**
Goodwill					
initial cost	452,541	0	0	0	452,541
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**452,541**	**0**	**0**	**0**	**452,541**

(1) Of this amount, € 938 thousand represents assets under construction at 31/01/2018, reclassified to the specific asset categories in the first half of 2018.

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 2018 to 31 July 2018.

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 2018 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, 19 September 2018

Stefano Beraldo	**Nicola Perin**
Chief Executive Officer	Director responsible for preparing the company's accounting statements

pwc

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of OVS SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of OVS SpA and its subsidiaries ("OVS Group") as of 31 July 2018, 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 2018 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 2018

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 pwc

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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Treviso, 21 September 2018

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

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