OVS

HALF-YEAR FINANCIAL REPORT

AT 31 JULY 2019

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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

*Franco Moscetti **	*Chairman*
Giovanni Tamburi (2)	*Vice-Chairman*
Stefano Beraldo	*Chief Executive Officer and General Manager*
Gabriele Del Torchio (1) (2)	*Director*
Elena Garavaglia (1) (2)	*Director*
Alessandra Gritti	*Director*
Heinz Jürgen Krogner-Kornalik (2)	*Director*
Massimiliano Magrini	*Director*
Chiara Mio (1)	*Director*

*Franco Moscetti was appointed by the Shareholders' Meeting of 31 May 2019, following the resignation of Chairman Nicholas Stathopoulos on 11 March 2019, with effect from 31 May 2019.

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

(2) Member of the Appointments and Remuneration Committee

Board of Statutory Auditors

*Stefano Poggi Longostrevi **	*Chairman*
Roberto Cortellazzo Wiel	*Standing Auditor*
Eleonora Guerriero	*Standing Auditor*
Antonella Missaglia	*Alternate Auditor*
*Emanuela Italia Fusa ***	*Alternate Auditor*

*Stefano Poggi Longostrevi is currently Chairman of the Board of Statutory Auditors as of 1 June 2018, having been reappointed by the Shareholders' Meeting of 31 May 2019.

** Emanuela Italia Fusa was appointed by the Shareholders' Meeting of 31 May 2019.

Independent auditor

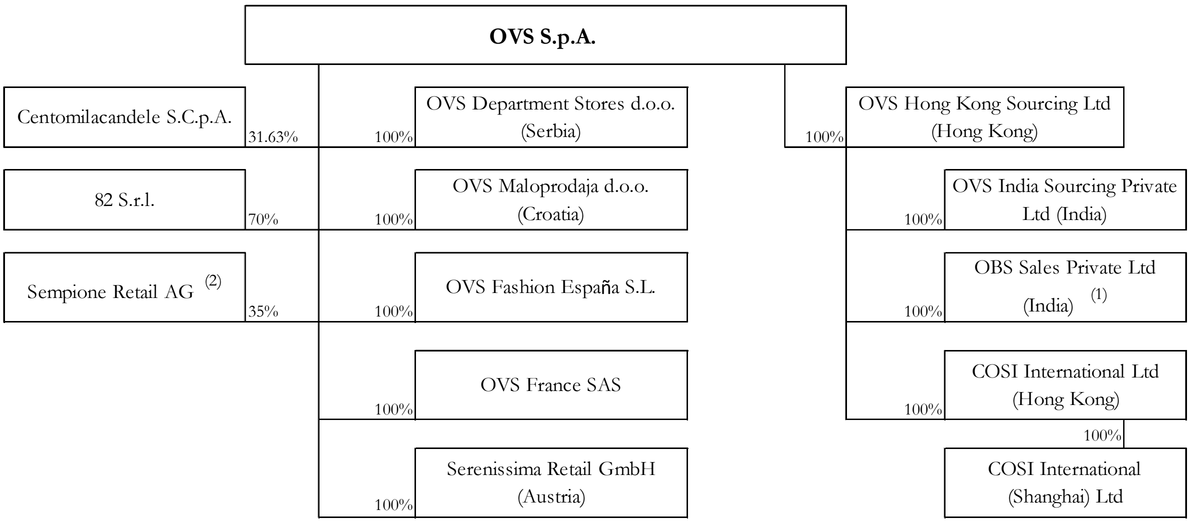
PricewaterhouseCoopers S.p.A.

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) Declaration of bankruptcy dated November 06, 2018

INTERIM REPORT ON OPERATIONS

Important changes to the international accounting standards referred to in the preparation of the OVS Group's Half-year Financial Report at 31 July 2019 entered into force in 2019.
Accordingly, the comments on operating performance and the main economic and financial results achieved in the first half of 2019 are preceded by the following methodological note.

Introduction

The Half-year Financial Report at 31 July 2019 was prepared in accordance with the international accounting standard for financial interim reporting (IAS 34 - Interim Financial Statements) and consists of:

- Consolidated statement of financial position
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of cash flows
- Consolidated statement of changes in shareholders' equity
- Notes to the condensed consolidated half-year financial statements at 31 July 2019.

It should be noted that in this Interim Report on Operations, in addition to the indicators provided for in the financial statements and in compliance with the International Financial Reporting Standards (IFRS), some alternative performance indicators used by management to monitor and assess the Group's performance are also presented. In particular, with the introduction of the new international IFRS 16 accounting standard, relating to the accounting treatment of leases, with effect from 1 February 2019, a number of adjustments were introduced to make the figures at 31 July 2019 comparable with those of previous periods. These regarded: EBITDA, operating result, result for the period, net invested capital, net financial position and cash flow generated by operating activity, as detailed below. As 2019 is the first year of adoption of the new standard, the results for the half-year are commented on excluding IFRS 16 in order to maintain a consistent basis of comparison with the corresponding period in 2018. The impacts of its adoption have therefore been identified separately.

The consolidated income statement for the first half of 2019 is shown below, including and excluding the effects of the new accounting standard.

€mln	31 July '19 Reported	*IFRS 16 Impacts*	31 July '19 excl. IFRS 16
Revenues	650.6	-	650.6
Other operating income and revenues	30.7	*2.4*	33.1
Total revenues	**681.3**	***2.4***	**683.7**
Purchases of consumables	286.0	-	286.0
Staff costs	143.6	-	143.6
Depreciation, amortization and write-downs of assets	106.7	*(74.1)*	32.6
Other operating expenses			
Service costs	87.0	*0.6*	87.6
Costs for the use of third-party assets	14.2	*89.3*	103.5
Write-downs and provisions	1.3	-	1.3
Other operating costs	11.9	*(0.2)*	11.7
Results before net financial expenses and taxes	**30.6**	***(13.2)***	**17.4**
Financial income	0.6	*(0.6)*	0.0
Financial expenses	(35.0)	*26.0*	(9.0)
Exchange rate gains and losses	14.6	-	14.6
Gains (losses) from equity investments	0.0	-	0.0
Net result for the period before tax	**10.8**	***12.2***	**23.0**
Taxes	(5.5)	*(3.4)*	(8.9)
Net Income for the period	**5.3**	***8.8***	**14.1**

€mln	31 July '19 Reported	*IFRS 16 Impacts*	31 July '19 excl. IFRS 16
Net Sales	**650.6**		**650.6**
Gross Profit	**364.6**		**364.6**
% on net sales	*56.0%*		*56.0%*
EBITDA	**137.3**	***(87.3)***	**50.0**
% on net sales	*21.1%*		*7.7%*
EBIT	**30.6**	***(13.2)***	**17.4**
% on net sales	*4.7%*		*2.7%*
EBT	**10.8**	***12.2***	**23.0**
% on net sales	*1.7%*		*3.5%*
Net Profit for the period	**5.3**	***8.8***	**14.1**
% on net sales	*0.8%*		*2.2%*

As already indicated in the introduction, with the adoption of the new IFRS 16 accounting standard from 1 February 2019, the main economic and financial indicators have been significantly affected and are not comparable with data from previous periods. With regard to the above economic data, the recognition of €74.1 million in depreciation of right of use assets under property, plant and equipment, together with

€25.4 million in net interest expenses in net lease liabilities, replacing €87.3 million in net rental costs (for leases and sub-leases under this new standard), resulted in an increase in the operating result and EBITDA compared with the 2018 comparative figures. In particular, it should be noted that the combination of amortisation on a straight-line basis of right of use assets and the use of an incremental borrowing rate (IBR) to determine lease liabilities (discounting future rental payments), with respect to IAS 17, resulted in higher financial expenses in the income statement in the first years of the leases and in subsequently decreasing financial expenses. Therefore, in order to make these figures comparable, albeit not perfectly (given the non-linear incidence of interest on lease liabilities in the periods), in the year of transition (2019) the operating result and EBITDA were reworked ("excluding IFRS 16") as shown in the above tables.

The following table shows the reclassified consolidated statement of financial position at 31 July 2019, including and excluding the effects of IFRS 16.

€m	31 July '19 Reported	*IFRS 16 Impacts*	31 July '19 excl. IFRS 16
Trade Receivables	100.6	*(0.0)*	100.6
Inventory	411.2	*0.0*	411.2
Trade Payables	(312.3)	*(0.6)*	(312.9)
Trade Working Capital	**199.5**	***(0.6)***	**198.9**
Other assets/(liabilities)	(92.2)	*20.4*	(71.8)
Net Working Capital	**107.3**	***19.8***	**127.1**
Tangible and Intangible Assets	2,214.3	*(867.5)*	1,346.8
Net deferred taxes	(123.1)	*(2.4)*	(125.6)
Other long term assets/(liabilities)	(12.2)	*(11.8)*	(24.0)
Pension funds and other provisions	(44.3)	*0.0*	(44.3)
Net Capital Employed	**2,142.0**	***(862.0)***	**1,280.0**
Net Equity	875.3	*6.3*	881.6
Net Financial Debt	1,266.7	*(868.3)*	398.4
Total source of financing	**2,142.0**	***(862.0)***	**1,280.0**

Performance

The Group's profitability for the first half of the year was in line with expectations, despite the fact that – as reported when the first-quarter 2019 results were published – the target market contracted significantly in April and May (by 9.4% and 10.9%, respectively) due to a delay in the start of the spring-summer season. The weather then stabilised in June, and Group sales outperformed their target market.
Actions to restore appropriate stock level conditions are bearing fruit. The cautious purchasing policy that characterised the first half of 2019 led to significant cash generation. Net cash flow improved by €72 million in the first six months compared with the same period a year earlier: in particular, in the second quarter, cash flows were positive by €31.8 million, a performance never achieved in the second quarter since the Group's listing. As a result, the half-year closed with a €14 million improvement in the net financial position compared with 31 July 2018.
EBITDA in the first half of 2019 reflected the final phase of the exceptional promotional activities marking out the OVS brand in the last 12 months. Since July the recovery in margins expected for the second half of the year has been put in place.

Strategy of break-even point reduction, due mainly to lower rental costs, and the focus on cash generation, are now fully operating.

There are numerous activities put in place to allow the company to be reactive and fast:

- sourcing with new, local suppliers for goods most influenced by the fashion factor and the climate;
- new agreements with suppliers in order to control in-season purchases;
- better management post-distribution in stores; and
- new uniform stock management between the various business units.

Key information on operations at 31 July 2019

The results for the first six months of 2019 confirmed the positive change that was already evident in the first quarter.
Market share stood at 8%, up slightly compared with the first half of 2018.
There was a slight decline in sales, to some extent anticipated, due in part to fewer purchases made in order to prioritise stock rejuvenation. Once again, the market was affected by unusual weather, with April and May being particularly tight (the target market contracted by 9.4% and 10.9%, respectively, while in February-July the decline was 3.7%). Net sales for the first half were €650.6 million (down 2.4% compared with the previous year). Like-for-like sales were down 4%.
Adjusted EBITDA was €62.5 million, in line with expectations and lower than in the first half of 2018 due to the planned second and final phase of extraordinary promotional activities launched in the second half of 2018, which were also intended to continue improving stock levels. Reported EBITDA was positive for €137.3 million, mainly due to the adoption of IFRS 16, which reflects lower rental costs of €87.3 million.
In the first half of 2019, the scope increased by 23 stores, including 13 DOS in Italy.
The adjusted result for the period was €16.8 million, down mainly due to the decrease in EBITDA. The Reported result for the period was €5.3 million. For more information on the impact of the adoption of IFRS 16, see the more detailed sections below.
The adjusted net financial position was €413.6 million, an improvement of €14 million on 31 July 2018. The goods management policy adopted was the main factor that accelerated cash generation, enabling the Group to produce €31.8 million in the second quarter of the year alone (compared with an absorption of €4 million in the same period of the previous year).

€mln	31 July 19 Reported	31 July 19 Adjusted	31 July 18 Reported	31 July 18 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	650.6	650.6	720.1	720.1	(69.5)	(9.7%)
Net Sales excluding sell in SF *	650.6	650.6	666.4	666.4	(15.7)	(2.4%)
Gross Profit	364.6	374.8	392.8	405.4	(30.5)	(7.5%)
% on net sales	*56.0%*	*57.6%*	*58.9%*	*60.8%*		
EBITDA	137.3	62.5	22.6	81.1	(18.6)	(22.9%)
% on net sales	*21.1%*	*9.6%*	*3.4%*	*12.2%*		
EBIT	30.6	34.2	(8.6)	54.2	(20.0)	(36.9%)
% on net sales	*4.7%*	*5.3%*	*-1.3%*	*8.1%*		
EBT	10.8	25.2	13.4	46.3	(21.1)	(45.5%)
% on net sales	*1.7%*	*3.9%*	*2.0%*	*7.0%*		
Net Profit	5.3	16.8	5.1	32.8	(15.9)	(48.6%)
% on net sales	*0.8%*	*2.6%*	*0.8%*	*4.9%*		
Net Financial Debt	1,266.7	413.6	432.2	427.6	(14.0)	(3.3%)
Market Share (%)		8.0		8.0		0.4%

It should be noted that the net sales used in the calculation of the financial KPIs in the first half of 2018 do not include sales deriving from the cooperation agreement with the former Swiss Sempione Fashion Group.

The table shows the results adjusted to represent the Group's operating performance net of non-recurring events which are unrelated to ordinary operations and the effects of the adoption of IFRS 16 from 1 February 2019.
In particular, in the first half of 2019 the results were adjusted, mainly to strip out the impacts related to IFRS 16, as follows: €87.3 million on EBITDA, €13.2 million on EBIT, -€8.8 million on the Reported result for the period.
EBITDA in the first half of 2019 was also adjusted as follows: (i) €10.2 million in net foreign exchange gains for forward hedging on purchases of goods in foreign currency, reclassified from "Net financial expenses (income) to "Purchases of raw materials, consumables and goods", (ii) €1.0 million in one-off costs; and (iii) €1.3 million in costs relating to stock option plans (non-cash costs).
Other adjustments that impacted EBIT and profit before tax concerned: (i) costs of €4.3 million related to the amortisation of intangible assets relating to purchase price allocation, and (ii) adjusted financial income of €14.6 million, mainly relating to foreign exchange differences arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange differences (the latter reclassified to "Purchases of raw materials, consumables and goods").
Lastly, the Reported result for the period reflected taxes recalculated following the aforementioned adjustments, entailing an increase in expenses of €2.9 million.

In the first half of 2018, the results were mainly adjusted for provisions already reflected in the data for the first quarter of 2018.
EBITDA in the first half of 2018 was primarily affected by: (i) asset write-downs of €50.4 million, relating to receivables from Sempione Fashion AG and goods at the companies of the Sempione Group (Austria and Switzerland); (ii) €6 million relating to one-off costs, mainly legal in nature and/or connected to the management of changes in the relationship with our 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 adjustments that impacted EBIT and profit before tax concerned: (i) costs of €4.3 million related to the amortisation of intangible assets relating to purchase price allocation, and (ii) adjusted financial income of €29.9 million, mainly relating to foreign exchange differences arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange differences.
Lastly, the Reported result for the period reflected taxes recalculated following the aforementioned adjustments, entailing an increase in expenses of €5.3 million.
In the first half of 2018, the statement of financial position assets relating to Swiss group Sempione Fashion AG continued to include a write-down of €50.4 million relating to receivables and inventories, already shown in the first-quarter figures. The allocation of this write-down (receivables and goods) changed, however, because, due to consignment stock operations, a portion of the goods already written down had become a receivable.

Normalised consolidated results

The following table shows the consolidated results by nature for the first six months of 2019, compared with those for the same period of the previous year (in millions of euros).

€mln	31 July 19 Reported	31 July 19 Adjusted	31 July 18 Reported	31 July 18 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**650.6**	**650.6**	**720.1**	**720.1**	**(69.5)**	**(9.7%)**
Net Sales excluding sell in to Sempione Fashion	**650.6**	**650.6**	**666.4**	**666.4**	**(15.7)**	**(2.4%)**
Purchases of consumables	286.0	275.8	327.3	314.8	(39.0)	(12.4%)
Gross Margin	**364.6**	**374.8**	**392.8**	**405.4**	**(30.5)**	**(7.5%)**
GM%	*56.0%*	*57.6%*	*58.9%*	*60.8%*		
Personnel costs	143.6	142.2	146.3	144.3	(2.2)	(1.5%)
Costs for services	87.0	87.4	97.4	97.3	(10.0)	(10.2%)
Rent costs	(16.5)	70.4	69.6	70.2	0.2	0.3%
Provisions	1.3	1.3	43.2	(0.0)	1.3	n.a.
Other operating costs	11.9	11.0	13.7	12.4	(1.4)	(11.3%)
Total operating costs	227.3	312.3	370.2	324.3	(12.0)	(3.7%)
EBITDA	**137.3**	**62.5**	**22.6**	**81.1**	**(18.6)**	**(22.9%)**
EBITDA%	*21.1%*	*9.6%*	*3.4%*	*12.2%*		
Depreciation & Amortization	106.7	28.3	31.1	26.8	1.5	5.4%
EBIT	**30.6**	**34.2**	**(8.6)**	**54.2**	**(20.0)**	**(36.9%)**
EBIT %	*4.7%*	*5.3%*	*-1.3%*	*8.1%*		
Net financial (income)/charges	19.8	9.0	(22.0)	7.9	1.1	13.6%
PBT	**10.8**	**25.2**	**13.4**	**46.3**	**(21.1)**	**(45.5%)**
Taxes	5.5	8.4	8.3	13.6	(5.2)	(38.0%)
Net Income	**5.3**	**16.8**	**5.1**	**32.8**	**(15.9)**	**(48.6%)**

It should be noted that the net sales used in the calculation of the financial KPIs in the first half of 2018 do not include sales deriving from the cooperation agreement with the former Swiss Sempione Fashion Group.

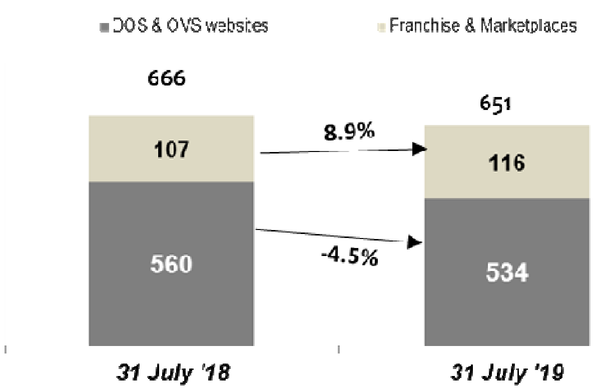
The following table shows the consolidated results by business segment for the first six months of 2019, compared with those for the same period of the previous year (in millions of euros).

€mln	31 July '19	31 July '18	Chg %
Net Sales			
OVS	530.9	554.4	-4.2%
UPIM	119.7	112.0	6.9%
Sempione Fashion AG	0.0	53.8	-100.0%
Total Net Sales	**650.6**	**720.1**	**-9.7%**
EBITDA			
OVS	49.0	67.0	-26.8%
EBITDA margin	*9.2%*	*12.1%*	
UPIM	13.5	14.1	-4.6%
EBITDA margin	*11.3%*	*12.6%*	
Total EBITDA	**62.5**	**81.1**	**-22.9%**
EBITDA margin	***9.6%***	***12.2%***	
Depreciation	(28.3)	(26.8)	5.4%
EBIT	**34.2**	**54.2**	**-36.9%**
Net financial income/(charges)	(9.0)	(7.9)	13.6%
PBT	**25.2**	**46.3**	**-45.5%**
Taxes	(8.4)	(13.6)	-38.0%
Net Result	**16.8**	**32.8**	**-48.6%**

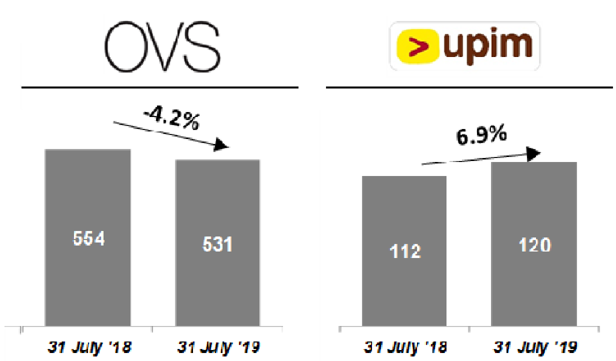
Notes to the main items in the income statement

Net sales

NET SALES: aggregate performance[1]



NET SALES: performance by brand[1]

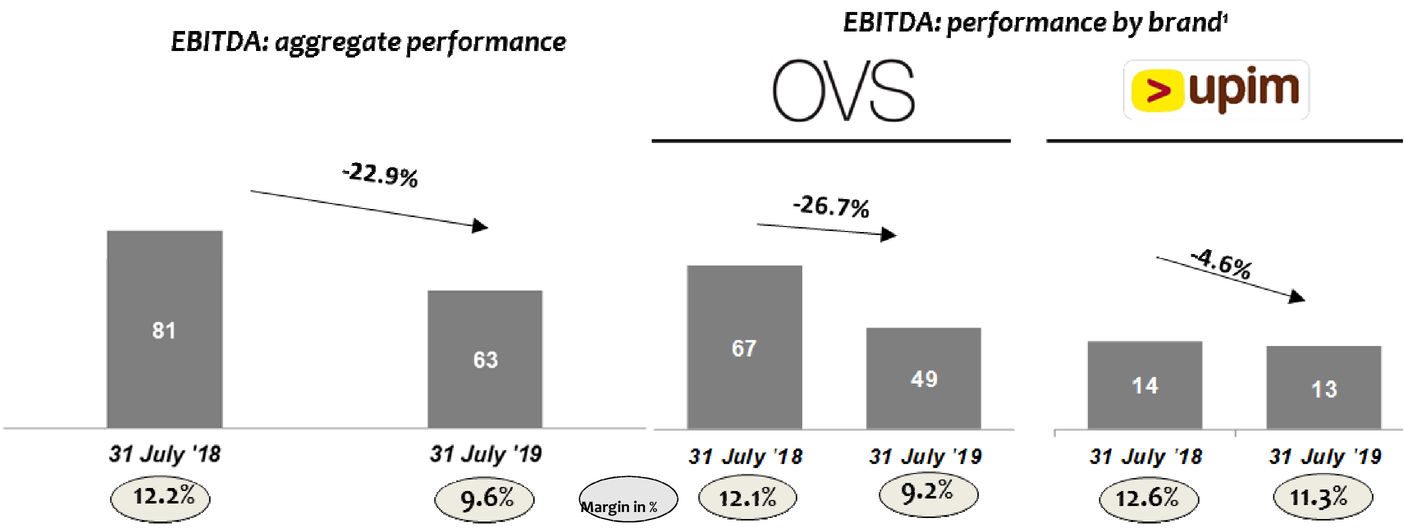


1. Excluding sell-in to Sempione Fashion AG.

Total sales in the first half came in at €650.6 million, down by 2.4% compared with the same period of 2018. They were adversely affected by a first half characterised by the sharp market contraction in April

and May, significant in terms of both volumes sold and margins, and lower purchases of goods, mainly OVS-branded, which, while it helped to reduce inventory, also inevitably resulted in lower sales.
Franchising network sales increased by 8.9%, partly due to the greater number of openings in the last 12 months. Direct network sales made a significant contribution to reducing stocks.

EBITDA



1) EBITDA % on sales has been calculated excluding sell-in to the former Sempione Fashion AG.

As planned, EBITDA in the first half of 2019 was characterised by the final phase of the exceptional promotional activities marking out the OVS brand in the last 12 months. These activities came to an end in July, and the recovery in margins expected for the second half of the year had begun in August and is still continuing.
Adjusted EBITDA was €62.5 million, down compared with the first half of the previous year, both in absolute terms and as a proportion of net sales. This decrease, due in large part to non-recurring aspects, characterised the OVS brand. UPIM's result was unchanged, adversely affected only by the difficult months of April and May.
Decrease in margins was partially offset by the cost-saving activity that began last year: although the promotional activity was exceptional, ending in the first half of 2019, the revision of the Group's break-even point will continue during the year and its results will last.

Result for the period

The adjusted result for the period was €16.8 million, down €15.9 million compared with the first half of 2018. The change is attributable to the decrease in adjusted EBITDA, as a result of the effects previously analysed, partially offset by lower taxes.

The Reported result for the period was €5.3 million, in line with the first half of 2018, amounting to €5.1 million. However it should be noted that it underwent a significant negative impact in accounting terms of €8.8 million due to the first-time adoption of IFRS 16.

The tax rate (on the adjusted result) for the first half of 2019 remained essentially unchanged compared with the same period of the previous year, and to date has not benefited from possible expected positive effects on the entire year deriving from certain tax concessions.

Analysis and details of the consolidated results in the first half of 2019

The following table shows the consolidated results of OVS S.p.A. for the first half of 2019 and the first half of 2018, presenting separately the effect of non-recurring net expenses, stock option plan charges, amortisation charges arising from PPA in previous years, and income and expenses relating to foreign differences, whether realised or due to the valuation of items denominated in foreign currency (mainly USD) at the reporting date, including with respect to forward derivatives entered into. With regard to the same presentation for the first half of 2018, only the fair value differential from the valuation of forward derivatives allocated to the income statement is shown separately.

€mln	31 July '19 Reported	of which non-recurring	of which Stock Option plan, derivatives, PPA, foreign exchange differences	of which IFRS 16	31 July '19 Adjusted	31 July '18 Reported	of which non-recurring	of which Stock Option plan, derivatives, PPA	31 July '18 Adjusted
Net Sales	**650.6**				**650.6**	**720.1**			**720.1**
Net Sales excluding sell in to SF	**650.6**				**650.6**	**666.4**			**666.4**
Purchases of consumables	286.0		10.2 (a)		275.8	327.3	12.6		314.8
Gross Margin (A)	**364.6**				**374.8**	**392.8**			**405.4**
GM%	*56.0%*				*57.6%*	*58.9%*			*60.8%*
Personnel costs	143.6	0.1	1.3 (b)		142.2	146.3	0.0	1.9 (b)	144.3
Costs for services	87.0	0.2		(0.6)	87.4	97.4	0.1		97.3
Costs for the use of third-party assets, net of other operating income	(16.5)			(86.9)	70.4	69.6	(0.6)		70.2
Provisions	1.3				1.3	43.2	43.2		(0.0)
Other operating costs	11.9	0.7		0.2	11.0	13.7	1.3		12.4
Other operating costs (B)	**227.3**	**1.0**	**1.3**	**(87.3)**	**312.3**	**370.2**	**44.0**	**1.9**	**324.3**
EBITDA (A - B)	**137.3**	**(1.0)**	**(11.5)**	**87.3**	**62.5**	**22.6**	**(56.6)**	**(1.9)**	**81.1**
EBITDA%	*21.1%*				*9.6%*	*3.4%*			*12.2%*
Depreciation, amortization and write-downs of assets	106.7		4.3 (c)	74.1	28.3	31.1		4.3 (c)	26.8
EBIT	**30.6**	**(1.0)**	**(15.8)**	**13.2**	**34.2**	**(8.6)**	**(56.6)**	**(6.2)**	**54.2**
EBIT %	*4.7%*				*5.3%*	*-1.3%*			*8.1%*
Net financial (income)/charges	19.8		14.6 (d)	(25.4)	9.0	(22.0)	(0.0)	29.9 (d)	7.9
PBT	**10.8**	**(1.0)**	**(1.2)**	**(12.2)**	**25.2**	**13.4**	**(56.6)**	**23.7**	**46.3**
Taxes	5.5	0.2	(0.7)	3.4	8.4	8.3	13.6	(8.3)	13.6
Net Income	**5.3**	**(0.8)**	**(2.0)**	**(8.8)**	**16.8**	**5.1**	**(43.0)**	**15.4**	**32.8**

It should be noted that the net sales used in the calculation of the financial KPIs in the first half of 2018 do not include sales deriving from the cooperation agreement with the former Swiss Sempione Fashion Group.

(a) These relate to foreign exchange differences for forward hedging on purchases of goods in foreign currency, reclassified from "Net financial expenses (income) to "Purchases of raw materials, consumables and goods"
(b) These relate to costs recognised in the period relating to stock option plans
(c) These relate to the amortisation of intangible assets deriving from PPA
(d) These mainly relate to foreign exchange differences arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange differences (the latter reclassified to "Purchases of raw materials, consumables and goods").

Summary statement of financial position

The following table shows the consolidated statement of financial position for the first six months of 2019, compared with figures at 31 January 2019 and with first half of 2018 (in millions of euros).

€mln	31 July '19 Excl. IFRS 16	31 January '19	31 July '18	chg. Jul'19 vs Jam'19	chg. Jul'19 vs Jul'18
Trade Receivables	100.6	98.4	126.9	2.2	(26.3)
Inventory	411.2	411.0	423.3	0.3	(12.1)
Trade Payables	(312.9)	(351.0)	(392.4)	38.0	79.5
Trade Working Capital	**198.9**	**158.4**	**157.8**	**40.5**	**41.1**
Other assets/(liabilities)	(71.8)	(86.3)	(59.6)	14.5	(12.2)
Net Working Capital	**127.1**	**72.1**	**98.2**	**54.9**	**28.8**
Tangible and Intangible Assets	1,346.8	1,359.5	1,367.0	(12.7)	(20.2)
Net deferred taxes	(125.6)	(124.4)	(119.2)	(1.2)	(6.4)
Other long term assets/(liabilities)	(24.0)	(31.4)	(13.9)	7.5	(10.0)
Pension funds and other provisions	(44.3)	(43.2)	(48.1)	(1.1)	3.8
Net Capital Employed	**1,280.0**	**1,232.6**	**1,284.0**	**47.4**	**(4.0)**
Net Equity	881.6	867.7	851.7	13.9	29.9
Net Financial Debt	398.4	364.9	432.2	33.5	(33.9)
Total source of financing	**1,280.0**	**1,232.6**	**1,284.0**	**47.4**	**(4.0)**

Net invested capital, excluding the impact of the adoption of IFRS 16, was €1,280.0 million, up by €47.4 million (+3.8%) compared with January 2019, mainly due to the increase in working capital, which reflected lower trade payables.

The Group's shareholders' equity, amounting to €881.6 million, was up by €13.9 million (+1.6%), mainly reflecting the positive result for the period of €14.1 million.

Net financial position

€mln	31 July '19 Excl. IFRS 16	31 July '18
Net Debt	398.4	432.2
Net Debt MTM of Derivatives excluded	**413.6**	**427.6**
EBITDA LTM Adjusted	**125.7**	**195.5**
Leverage on EBITDA	**3.3x**	**2.2x**

At 31 July 2019, the Group's net financial position was €413.6 million net of the mark-to-market effect (positive for €15.2 million) and the adoption of IFRS 16 (€868.3 million more net liabilities). It was therefore €14 million lower than in the previous year.

The ratio of net financial position to EBITDA for the last 12 months, excluding the mark-to-market effect and the adoption of IFRS 16, was 3.3, while the ratio on the net financial position in the last 12 months was 3.4. The increase is due to two factors: (i) the decrease in EBITDA in the second half of 2018 and the first half of 2019, as a result of the exceptional promotional activities implemented, and (ii) an average net financial position in the last 12 months affected by the peak in debt due to the increase in working capital caused by the past commercial relations with the Swiss former customer, Sempione Fashion. The net financial position is steadily decreasing from this peak. The interest rate for the period was 3% + Euribor 3m, but the increase in leverage will result in the application of a spot interest rate of 3.50% + Euribor 3M.

Summary consolidated statement of cash flows

The following table shows the statement of cash flows, restated from an operational perspective, for the first six months of 2019, compared with the same period of the previous year (in millions of euros).

€mln	31 July '19 Excl. IFRS 16	31 July '18	Chg.
EBITDA Adjusted	**62.5**	**81.1**	**(18.6)**
Adjustments	(2.3)	(58.5)	56.2
Change in Trade Working Capital	(40.5)	(60.3)	19.8
Other changes in Working Capital	(19.5)	(11.3)	(8.2)
Capex	(19.9)	(32.3)	12.4
Operating Cash Flow	**(19.6)**	**(81.4)**	**61.8**
Financial charges	(8.1)	(7.6)	(0.5)
Severance indemnity payment	(1.3)	(1.2)	(0.1)
Corporate taxes & Others	(1.6)	(3.2)	1.6
Others	(7.2)	(16.4)	9.2
Net Cash Flow (excl derivatives MtM and IFRS 16)	**(37.8)**	**(109.7)**	**71.9**

Operating cash flow

The adjusted EBITDA performance, which was down compared with the previous year, was comfortably offset by the performance in terms of cash flows: operating cash flow in the first half of 2019 was up by approximately €62 million, a marked improvement compared with the same period of the previous year.

In addition to the absence of asset write-downs that characterised the first half of 2018, a significant contribution to this performance was due to good management of working capital, particularly inventory. Despite the seasonal component of the business, which is historically characterised in the first half by an

increase in inventory due to the arrival of the autumn/winter collection, stocks were €12.1 million lower than at 31 July 2018.
Net cash flow before accounting for derivatives and IFRS 16 improved by €71.9 million. In the second quarter of 2019, the Group generated €31.8 million in cash (the most since its listing), compared with approximately €4 million absorbed in the same period of 2018. As a result, the net financial position was considerably lower than at 31 July 2018.

Significant events occured during the first six months of 2019

On 11 March 2019, the shareholder Gruppo Coin S.p.A. (now Icon S.p.A.), as the seller, sold its equity investment (17.835%) in the Issuer, OVS S.p.A., to Tamburi Investment Partners S.p.A. (hereinafter "TIP"), as the buyer; as a result of this acquisition, TIP, already a shareholder of OVS with an equity investment of approximately 4.912%, has a total stake of 22.747% in OVS's share capital.
Referring to the press releases issued on 11 March and 13 March, on 11 March 2019, the non-executive directors Stefano Ferraresi, Stefania Criveller and Marvin Teubner tendered their resignations and on 13 March 2019, the Board of Directors of OVS S.p.A. therefore decided to co-opt three new members, namely Giovanni Tamburi, Alessandra Gritti and Massimiliano Magrini, pursuant to Article 2386 of the Italian Civil Code and Article 13.4 of the Articles of Association (all non-executive and the latter also satisfying the independence requirements laid down in applicable legislation and the Corporate Governance Code). These resignations and the co-option were related to the said transaction.
On the basis of communications received by the Issuer in relation to significant equity investments, to date no party has declared that it exercises control.
Under the existing loan agreement, it should be noted that the new corporate structure and the new Board of Directors do not constitute a "change of control".
On 31 May 2019 the Ordinary Shareholders' Meeting of the holding company OVS S.p.A. approved the Financial Statements of OVS S.p.A. as of 31 January 2019. The Shareholders' Meeting also approved the proposal of the Board of Directors not to distribute dividends with reference to the result for the year ended 31 January 2019. For further details, reference is also made to the statement of changes in consolidated shareholders' equity.
The Shareholders' Meeting also approved, as required by current legislation, with a non-binding resolution, the first section of the Remuneration Report prepared in accordance with articles 123-ter of Legislative Decree no. 58/1998 (the "TUF") and 84-quater of Consob Regulation n. 11971/1999 (the "Issuers Regulation").
The same ordinary Shareholders' Meeting approved, pursuant to art. 114-bis of the TUF, the adoption of a stock incentive plan called the "Stock Option Plan 2019-2022" (the "Plan"), the characteristics of which are given in the following paragraph "Stock Option Plans".
The Shareholders' Meeting approved also the Plan for the purchase of treasury shares, proposed by the Board of Directors meeting on 17 April 2019, subject to revocation of the previous plan approved by the

Shareholders' Meeting of 31 May 2018, which remained partially unexecuted. The program provides for the purchase and disposal of treasury shares, up to a maximum number which, taking into account the ordinary shares held from time to time in the portfolio of the Company and its subsidiaries, does not exceed 10% of the share capital.
Finally the Shareholders’ Meeting proceeded to integrate the Board of Directors, with a view to continuity, confirming the directors Giovanni Tamburi, Alessandra Gritti, Massimiliano Magrini, co-opted on 13 March 2019, presented by the shareholder TIP and Elena Garavaglia, co-opted on 20 June 2018, presented by institutional investors and who had been drawn upon at the time of co-optation from the so-called minority list of the Shareholders’ Meeting of 31 May 2017, which had proceeded to appoint the current Board of Directors in its original composition.
The Shareholders’ Meeting also appointed, and elected Chairman of the Board of Directors, Franco Moscetti, presented by the shareholder TIP, to replace Nicholas Stathopoulos, whose resignation was effective from the date of the same Shareholders’ Meeting.

Management of financial risks

Management of financial risks is described in detail in the note entitled “Information on financial risks” in the notes to the condensed consolidated half-year financial statements at 31 July 2019.

Investments

In the first six months of the year, investments of €19.9 million were made, mostly in the Group's growth and mainly relating to (i) new store openings, for around €4 million; (ii) the upgrading of some stores in the network in order to update their image and various maintenance activities on the existing sales network, for around €9 million; and (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 half-year financial statements.

Treasury shares

The Company holds a total of 809,226 treasury shares purchased in 2018, equivalent to 0.356% of the share capital, for a total amount of €1,496 thousand.
There were no additional purchases or disposals in the first half of 2019.

Stock option plans

It should be recalled that on 26 May 2015, the Shareholders' Meeting approved a stock option plan for the period 2015-2020, which will be implemented through the allocation of free options for subscription to newly issued ordinary 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 who 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 Parent Company for each option assigned.
The same Shareholders' 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 carry out an increase in share capital, pursuant to Article 2443 of the Italian Civil Code, divisible and excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000.00, 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.
At 31 July 2019, 3,369,100 options have been assigned under the "Stock Option Plan 2015-2020".

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 carry out an increase in share capital pursuant to Article 2443 of the Civil Code, divisible and 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 who 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 will mature when determined performance targets are met.
At 31 July 2019, 2,355,500 options have been assigned under the “Stock Option Plan 2017-2022”.

Finally, the Ordinary Shareholders’ Meeting of 31 May 2019 approved, pursuant to Article 114-*bis* of the TUF, the adoption of an incentive plan named the “Stock Option Plan 2019-2022”, to be implemented through the allocation of free options for subscription to newly issued ordinary 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 pursuant to Article 93 of Legislative Decree 58 of 24 February 1998, who will be identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the “Beneficiaries”).
The Plan is intended to create value for shareholders by improving long-term corporate performance and by attracting and retaining personnel that play a key role in the Group's development, in order to align the interests of the Beneficiaries with those of the Group's shareholders.
Up to 5,000,000 options will be issued under the Plan, which will be freely allocated to the Beneficiaries. Each Beneficiary may exercise the options effectively accrued depending on the fulfilment of a condition of access to the Plan (Gate) and a performance condition linked to a predefined value of three-year cumulative EBITDA. Each option will confer on each Beneficiary the right to subscribe for one ordinary share of the Parent Company for each option assigned.
The exercise price of the shares is set at €1.85.
At 31 July 2019, 5,000,000 options have been assigned under the “Stock Option Plan 2019-2022”.
For details of the Plan, see the reports of the Board of Directors and the information documents, pursuant to Article 84-*bis* of Consob Regulation 11971/1999, which are available on the Company website at www.ovscorporate.it, in the Governance/Shareholders' Meeting section.

Significant events after the reporting date

As indicated in the context of the approval of the annual consolidated financial statements related to the financial year ending on 31 January 2019, the refinancing process of the whole financial package continued during the first semester 2019 in accordance to the timetable set out with the support of the financial advisor, the legal counsel and the lenders. Further to such process, on 18 September 2019, OVS S.p.A. received the letter of proposal of an amendment and restatement agreement related to the existing Facilities Agreement executed by the agent and the finance parties; such amendment and restatement agreement (the "Amendment and Restatement Agreement") is aimed at implementing certain contractual amendments previously proposed by the company to the finance parties.

In particular the amendments concern, amongst other things:

(i) the extension of the termination date applicable to the Facility B and the Revolving Facility from 2 March 2020 to 2 March 2023;

(ii) the partial repayment of the Facility B for an amount equal to euro 25,000,000 as condition precedent to the effectiveness of the Amendment and Restatement Agreement. After such repayment the portion of the commitment held by each finance party under the Facilities Agreement may vary;

(iii) the tranching of the remaining Facility B in two tranches, i.e. a Facility B1, for an amount equal to euro 250,000,000, terminating on 2 March 2023, and an amortized Facility B2, for an amount equal to euro 100,000,000, which shall be repaid in six half-yearly instalments having equal value starting from 28 February 2020 (the last instalment being due on 28 August 2022);

(iv) the inclusion of a period of limitation to the utilisation of the Revolving Facility, whose amount remains unchanged, equal to euro 100,000,000, and whose termination date is set on 2 March 2023; such limitation entails that the utilisations of the Revolving Facility less existing cash and cash equivalent shall not exceed euro 25,000,000 for a period of at least 5 days in each financial year (the "Clean down period"); not less than six months shall elapse between two such testing periods;

(v) the inclusion of a mandatory prepayment circumstance, starting from the financial year ending on 31 January 2021, to be made proportionally to the amount of excess cash (if any) ("Cash sweep"), to be used for the repayment of the Facility B1 and, once the Facility B1 has been repaid in full, *pro rata* for the repayment of the instalments of the Facility B2;

(vi) certain limitations to the distribution of dividends linked to certain leverage ratios: in particular, dividends shall not be distributed should the leverage ratio be equal to or greater than 2.25x; should the leverage ratio be lower than such threshold, any distribution shall, in any case, be conditional upon, among others, compliance with the requirements concerning the aforementioned Cash Sweep and, as regards the distribution related to the result of the financial year 2019, a maximum threshold equal to euro 10,000,000 or 3% dividend yield, if lower;

(vii) certain amendments to the financial covenants currently included in the Facilities Agreement;

(viii) the amendment of the change of control definition currently included in the Facilities Agreement favorably for the company, also in light of the current shareholding structure as a listed company; and

(ix) an increase in the margin applicable to the financial package which, depending on the different facilities, varies from 25 to 50 bps.

Following the receipt of the proposal letter of the aforementioned Amendment and Restatement Agreement, OVS S.p.A., as holding company, has executed on the date hereof, 19 September 2019, the related acceptance letter. Within 15 business days OVS S.p.A. shall proceed with the satisfaction of the conditions precedent set out in the Amendment and Restatement Agreement, in order for such agreement, and the amendments set out therein, to become effective.
No other material events have occured since 31 July 2019.

Business outlook

In September, we launch a communication campaign dedicated to the beauty of the diversity of ways of being. We hope our customers will appreciate the great work done on the product, which involved extensive modernisation, in menswear under the stylistic direction of Massimo Piombo.

At the same time, the newly opened and restructured stores, thanks to their new natural elements, including floral references and wood, will welcome customers in an even more comfortable.
The UPIM brand has demonstrated its high capacity to develop both in urban centres and in suburbs. The results seen so far, including in small centres and shop-in-shops within hypermarkets, point towards a clear brand evolution, oriented to the needs of the family.
In particular, the excellent performance achieved in hypermarkets has led to an escalation in contacts, also with other groups.

Digitalisation continues with a view to improving operations, and is also the driving factor in cutting-edge services for our customer. The personal digital shopper initiative, “OVS ID”, and many other initiatives that will take place in the second half of the year, are tangible testimony to this.

Sustainability initiatives continue. Specifically, OVS was the first Italian company to support the Better Cotton Initiative (BCI), the international organisation aimed at radically improving the impact of the global cotton industry. BCI placed OVS among the top 15 most virtuous businesses in the world (out of over 100 associated companies), for having helped to increase purchasing from more sustainable crops. In this regard, by the end of next year, 100% of the cotton used in the OVS collections will be sustainable and will include organic cotton and cotton from BCI or recycled crops. This is a fundamental objective for the entire Group, which, in terms of environmental impact, will correspond to a saving of around 14 billion litres of water and a significant reduction in pesticides (15 tonnes) and Co_2 (around 6,000 tonnes).

Venice, 19 September 2019

For the Board of Directors

The Chief Executive Officer

Stefano Beraldo

Condensed consolidated half-year financial statements at 31 July 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in thousands of euros)

ASSETS	Note	31.07.2019	of which related parties	31.01.2019	of which related parties
Current assets					
Cash and cash equivalents	*1*	57,346		27,876	
Trade receivables	*2*	100,576	2,039	98,426	5,128
Inventories	*3*	411,221		410,955	
Financial assets	*4*	15,195		11,797	
Financial assets for leases	*5*	5,220	1,166	0	0
Current tax assets	*6*	4,555		9,565	
Other receivables	*7*	17,955		33,968	
Total current assets		**612,068**		**592,587**	
Non-current assets					
Property, plant and equipment	*8*	265,345		273,874	
Right of use	*9*	868,331		0	
Intangible assets	*10*	627,993		632,987	
Goodwill	*11*	452,541		452,541	
Equity investments	*12*	136		136	
Financial assets	*4*	0		172	
Financial assets for leases	*5*	14,923	3,288	0	0
Other receivables	*7*	10,769		4,425	
Total non-current assets		**2,240,038**		**1,364,135**	
TOTAL ASSETS		**2,852,106**		**1,956,722**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.07.2019	of which related parties	31.01.2019	of which related parties
Current liabilities					
Financial liabilities	*13*	470,085		30,569	
Financial liabilities for leases	*14*	166,092		0	
Trade payables	*15*	312,332	1,825	350,981	1,981
Current tax liabilities	*16*	0		0	
Other payables	*17*	114,675	1,618	129,787	371
Total current liabilities		**1,063,184**		**511,337**	
Non-current liabilities					
Financial liabilities	*13*	0		374,190	
Financial liabilities for leases	*14*	723,194		0	
Employee benefits	*18*	39,222		38,348	
Provisions for risks and charges	*19*	5,090		4,873	
Deferred tax liabilities	*20*	123,147		124,435	
Other payables	*17*	22,964		35,840	
Total non-current liabilities		**913,617**		**577,686**	
TOTAL LIABILITIES		**1,976,801**		**1,089,023**	
SHAREHOLDERS' EQUITY					
Share Capital	*21*	227,000		227,000	
Treasury shares	*21*	(1,496)		(1,496)	
Other reserves	*21*	644,771		616,934	
Net result for the period		5,302		25,540	
GROUP SHAREHOLDERS' EQUITY		**875,577**		**867,978**	
MINORITY INTERESTS	*21*	(272)		(279)	
TOTAL SHAREHOLDERS' EQUITY		**875,305**		**867,699**	
TOTAL LIABILITIES AND SHAREHOLERS' EQUITY		**2,852,106**		**1,956,722**	

CONSOLIDATED INCOME STATEMENT
(amounts in thousands of euros)

	Note	31.07.2019	of which non-recurring	of which related parties	31.07.2018	of which non-recurring	of which related parties
Revenues	*22*	650,615		723	720,141		56,011
Other operating income and revenues	*23*	30,652		786	33,219	700	910
Total revenues		**681,267**	**0**		**753,360**	**700**	
Purchase of raw materials, consumables and goods	*24*	286,020			327,337	12,567	33,833
Staff costs	*25*	143,569	105	3,662	146,322	46	2,489
Depreciation, amortisation and write-downs of assets	*26*	106,668			31,136		
Other operating expenses							
Service costs	*27*	87,013	198	6,644	97,406	72	6,734
Costs for the use of third-party assets	*28*	14,154		(158)	102,792	82	(140)
Write-downs and provisions	*29*	1,318			43,215	43,215	37,815
Other operating charges	*30*	11,911	720		13,731	1,308	180
Result before net financial expenses and taxes		**30,614**	**(1,023)**		**(8,579)**	**(56,590)**	
Financial income	*31*	621		135	714	705	705
Financial expenses	*31*	(35,005)		20	(7,928)		
Exchange rate gains and losses	*31*	14,594			29,926		
Gains (losses) from equity investments	*31*	0			(692)	(692)	(692)
Net result for the period before tax		**10,824**	**(1,023)**		**13,441**	**(56,577)**	
Taxes	*32*	(5,515)	246		(8,325)	13,582	
Net Result for the period		**5,309**	**(777)**		**5,116**	**(42,995)**	
Net result for the year attributable to the Group		**5,302**			**5,211**		
Net result for the period attributable to minority interests		**7**			**(95)**		
Earnings per share (in euros)							
- basic		0.02			0.02		
- diluted		0.02			0.02		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of euros)

	Note	31.07.2019	31.07.2018
Net result for the period (A)		**5,309**	**5,116**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Actuarial gains (losses) for employee benefits	18-21	(1,630)	44
- Tax on items recognised in the reserve for actuarial gains (losses)	20-21	391	(10)
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**(1,239)**	**34**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	21	(201)	3,237
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**(201)**	**3,237**
Total other items of comprehensive income (B)		**(1,440)**	**3,271**
Total comprehensive income for the year (A) + (B)		**3,869**	**8,387**
Total comprehensive income attributable to the Group		3,862	8,482
Total comprehensive income attributable to minority interests		7	(95)

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in thousands of euros)

	Note	31.07.2019	31.07.2018
Operating activities			
Net result for the period		5,309	5,116
Provision for taxes	32	5,515	8,325
Adjustments for:			
Net depreciation, amortisation and write-downs of fixed assets	26	106,668	31,136
Net capital losses (gains) on fixed assets		33	(32)
Net financial expenses (income), leasing effects included	31	34,384	7,906
Expenses (income) from foreign exchange differences and currency derivatives	31	(10,139)	25,444
Loss (gain) on derivatives due to change in fair value	31	(4,455)	(55,370)
Allocations to provisions	18-19	500	5,400
Utilisation of provisions	18-19	(1,573)	(1,299)
Cash flows from operating activities before changes in working capital		**136,242**	**26,626**
Cash flow generated by change in working capital	2-3-6-7-15-16-17-20	(68,341)	(72,863)
Taxes paid		(1,600)	(3,151)
Net interest received (paid), leasing effects included		(33,195)	(7,627)
Realised foreign exchange differences and cash flows from currency derivatives		10,957	(20,836)
Other changes		1,078	4,822
Cash flow generated (absorbed) by operating activities		**45,141**	**(73,029)**
Investment activities			
(Investments) in fixed assets	8-9-10-11	(20,155)	(29,074)
Disposals of fixed assets	8-9-10-11	87	48
(Increase) decrease in equity investments	12	0	0
Cash out due to business combination during the period		0	(3,393)
Cash flow generated (absorbed) by investment activities		**(20,068)**	**(32,419)**
Financing activities			
Net change in financial assets and liabilities	4-13	65,452	103,992
Repayment of lease liabilities/Collection of assets for leases	5-14	(61,055)	0
Increase in share capital and reserves		0	0
Dividends distribution		0	0
Cash flow generated (absorbed) by financing activities		**4,397**	**103,992**
Increase (decrease) in cash and cash equivalents		**29,470**	**(1,456)**
Cash and cash equivalents at beginning of period		**27,876**	**60,498**
Cash and cash equivalents at end of period		**57,346**	**59,042**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in thousands of euros)

	Share capital	Share premium reserve	Legal reserve	Treasure shares	Reserve for actuarial gains (losses)	Translation reserve	IFRS 2 reserve	Other reserves	Retained earnings	Net result for the period	Total share-holders' equity attributable to the OVS Group	Minority interests	Total share-holders' equity
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**
Balance at 01 February 2019	**227,000**	**511,995**	**7,917**	**(1,496)**	**(2,532)**	**549**	**7,095**	**1,882**	**90,028**	**25,540**	**867,978**	**(279)**	**867,699**
- Allocation of earnings for financial year 2018	-	-	*1,967*	-	-	-	-	-	*23,573*	*(25,540)*	*0*	-	*0*
- Management incentive plan	-	-	-	-	-	-	*413*	-	*865*	-	*1,278*	-	*1,278*
Relations with Shareholders	-	-	1,967	-	-	-	413	-	24,438	(25,540)	1,278	-	1,278
IFRS 16 impact	-	-	-	-	-	-	-	2,459	-	-	2,459	-	2,459
- Net result for the period	-	-	-	-	-	-	-	-	-	*5,302*	*5,302*	*0*	*5,309*
- Other items of comprehensive income	-	-	-	-	*(1,239)*	*(201)*	-	-	-	-	*(1,440)*	-	*(1,440)*
Total comprehensive income for the period	-	-	-	-	(1,239)	(201)	-	-	-	5,302	3,862	7	3,869
Balance at 31 July 2019	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,771)**	**348**	**7,508**	**4,341**	**114,466**	**5,302**	**875,577**	**(272)**	**875,305**

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, increasing 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 2019 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 2019 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 2019 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 2019, prepared pursuant to IFRS.

The condensed consolidated half-year financial statements at 31 July 2019 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 2019 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 the result 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 result for the period and each item of income and expense not posted to the income statement but recognised directly in shareholders' 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 have been prepared using the conventional historical cost method, altered as required for the valuation of some derivatives.
Please see the Report on Operations for detailed 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 2019.

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 2019 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	875,783,798	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 France Sas	Paris - France	30,000	EUR	100%
Serenissima Retail GmbH	Wien - Austria	35,000	EUR	100%

List of equity investments measured using the equity method:

Centomilacandele S.c.p.A.	Milan	300,000	EUR	31.63%

In the half-year ended 31 July 2019, there were no changes in the scope of consolidation compared with the financial statements at 31 January 2019.

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:

Currency	Code	Final exchange rate at		Average of the period ended 31 July	
		31.07.2019	31.01.2019	2019	2018
US dollar	USD	1.12	1.15	1.13	1.20
Hong Kong dollar	HKD	8.73	9.01	8.83	9.42
Chinese renminbi	RMB	7.67	7.70	7.66	7.71
Croatian kuna	HRK	7.38	7.42	7.41	7.41
Serbian dinar	RSD	117.70	118.54	117.95	118.13
Indian rupee	INR	76.70	81.69	78.47	79.95

Accounting policies and consolidation criteria

The accounting policies and consolidation criteria used to prepare the condensed consolidated half-year financial statements at 31 July 2019 are consistent with those used to prepare the consolidated financial statements for the year ended 31 January 2019, 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 2019, as they became mandatory following completion of the relative approval procedures by the competent authorities.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR ANNUAL REPORTING PERIODS STARTING ON OR AFTER 1 JANUARY 2019

The OVS Group adopted IFRS 16 - Leases on 1 February 2019. There are no other new standards, amendments or interpretations that became effective as of 1 January 2019 with material effects on the Group's consolidated financial statements. However, please see the following sections.

IFRS 16 - Leases

IFRS 16 was published in January 2016 and replaces IAS 17 - Leasing, IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC 15 - Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions in the Legal Form of a Lease. 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 to the application of the model by lessees: leases in which the underlying asset is of "low value" (e.g. personal computers) and short-term leases (i.e. contracts ending within 12 months). With the exception of contracts covered by the above exemptions, at the start date of the lease the lessee recognises a liability for the non-variable future lease payments to which it committed when signing the leases (the "lease liability") and an asset that represents the right to use the leased asset for the duration of the lease (the "right of use asset"). Lessees have to recognise interest expense accrued on lease liabilities and amortisation of the right of use asset separately in their income statements. Lessees also have to remeasure lease liabilities when certain events occur (for example, a change in the terms of the lease, or a change in future lease payments resulting from the change in an index or rate used to determine those payments). The lessee generally recognises the lease liability remeasurement amount as an adjustment to the right of use asset. The accounting provided for in IFRS 16 remains essentially unchanged for lessors, which continue to classify all leases using the same classification standard as IAS 17, distinguishing between operating leases and finance leases.

IFRS 16 was approved by the European Union in October 2017 and applies to the preparation of financial statements for annual reporting periods starting on or after 1 January 2019.

The standard allows a choice of applying the new provisions using a fully retrospective approach (i.e. for each comparative period presented) or a modified retrospective approach (i.e. recognising the cumulative effect of first-time adoption in an equity reserve).

The OVS Group opted to apply the new standard as of the mandatory effective date (the "date of first-time adoption" was therefore 1 February 2019), using the modified retrospective method, option b) (paragraph C5 (b) of IFRS 16), without restatements of leases already in place as at 1 February 2019 and not applying the standard to low-value, short-term assets (therefore recognising the cumulative effect of first-time adoption as an equity adjustment at 1 February 2019 without re-presenting the comparative balances).

In addition, the OVS Group has applied some of the simplifications associated with the modified retrospective approach. The most significant are:

- the exclusion of the initial direct costs of measuring the right of use at the date of first-time adoption;
- the application of a single discount rate for each similar lease portfolio (broken down by country and by term);
- the determination of the term of the lease using information known at the transition date;
- the non-adoption of IAS 36 at the date of first-time adoption (paragraph C8 (c) of IFRS 16).

As already mentioned, the Group also decided to adopt a practical expedient, which allows it not to re-determine whether an agreement is, or contains, a lease at the date of first-time adoption, but to use the valuations performed by applying IAS 17 and IFRIC 4 (paragraph C3 of IFRS 16).

The adoption of IFRS 16 requires significant judgements on certain key estimates, such as the determination of lease terms and the discount rate.

In determining the term of the lease, it must be assessed whether the lessee is reasonably certain to exercise any options for extending the lease, rather than not exercising any options for early termination of the lease agreement. The Group determined the term of the lease as the sum of the non-revocable lease period plus the unilateral options for the extension of the period, where there is reasonable certainty that the option will be exercised. To this end, the following aspects were considered:

- the costs relating to the termination of the contract;
- the importance of the leased asset for the Group's activities;
- the conditions that must be met in order for the options to be exercised or not;
- historical experience and any business plans approved by the Group.

In line with the standard, the present value of the lease liability is determined using the implicit interest rate in the lease, and if this cannot be easily determined, the lessee uses its incremental borrowing rate. Given the difficulty of determining the implicit interest rate of each lease, the OVS Group has opted to apply the incremental borrowing rate by country and term.

The OVS Group's stores are located in rented premises under operating leases (as qualifiable by IAS 17). These leases, as well as other lease and rental agreements entered into by the Group, comply with the definition of a lease under IFRS 16 and therefore require recognition of a right of use asset and the corresponding financial liability.

The new standard has therefore had a material impact on the OVS Group's financial statements in terms of recognition of right of use assets (adjusted for prepaid expenses, accrued expenses and payables for linearisation carried in the financial statements at the date of first-time adoption) and lease liabilities, the values of which have been recognised in the statement of financial position, allocating any differences existing at the transition date to equity reserves.

As already indicated in the Interim Report on Operations, with the adoption of the new IFRS 16 accounting standard from 1 February 2019, the main economic and financial indicators have been significantly affected and are not comparable with data from previous periods. With regard to the economic data for the first half of 2019, the recognition of €74.1 million in amortisation of right of use assets under property, plant and equipment, together with €25.4 million in net interest expenses in net lease liabilities, replacing €87.3 million in net rental costs (for leases and sub-leases under this new standard), resulted in an increase in the operating result and EBITDA on the first-half 2018 comparative figures. In particular, it should be noted that the combination of amortisation on straight-line basis of right of use assets and the use of an incremental borrowing rate (IBR) to determine lease liabilities (discounting future rental payments), with respect to IAS 17, resulted in higher financial expenses in the income statement in the first years of the lease agreement and in subsequently decreasing financial expenses. Therefore, in order to make these figures comparable, albeit not perfectly (given the non-linear incidence of interest on lease liabilities in the periods), in the year of transition (2019) the operating result and EBITDA were reworked ("excluding IFRS 16") as shown in the following tables:

(amounts in thousands of euros)	31 July 2019 Reported	*IFRS 16 Effect*	31 July 2019 excluded IFRS 16
Revenues	650,615	-	650,615
Other operating income and revenues	30,652	2,428	33,080
Total revenues	**681,267**	**2,428**	**683,695**
Purchase of raw materials, consumables and gooc	286,020	-	286,020
Staff costs	143,569	-	143,569
Depreciation, amortisation and write-downs of assets	106,668	(74,072)	32,596
Other operating expenses			
Service costs	87,013	568	87,581
Costs for the use of third-party assets	14,154	89,340	103,494
Write-downs and provisions	1,318	-	1,318
Other operating charges	11,911	(170)	11,740
Result before net financial expenses and taxes	**30,614**	**(13,237)**	**17,377**
Financial income	621	(614)	7
Financial expenses	(35,005)	26,032	(8,973)
Exchange rate gains and losses	14,594	-	14,594
Gains (losses) from equity investments	0	-	0
Net result for the period before tax	**10,824**	**12,181**	**23,005**
Taxes	(5,515)	(3,399)	(8,914)
Net Result for the period	**5,309**	**8,782**	**14,091**

(amounts in thousands of euros)	31 July 2019 Reported	*IFRS 16 Effect*	31 July 2019 excluded IFRS 16
Net Sales	**650,615**		**650,615**
Gross Profit	**364,595**		**364,595**
% on net sales	*56.0%*		*56.0%*
EBITDA	**137,282**	***(87,309)***	**49,973**
% on net sales	*21.1%*		*7.7%*
EBIT	**30,614**	***(13,237)***	**17,377**
% on net sales	*4.7%*		*2.7%*
PBT	**10,824**	***12,181***	**23,005**
% on net sales	*1.7%*		*3.5%*
Net Profit	**5,309**	***8,782***	**14,091**
% on net sales	*0.8%*		*2.2%*

It should be noted that first-time adoption of IFRS 16 at 1 February 2019 had a very significant impact on the Group's consolidated financial statements, as summarised in the following table:

(amounts in thousands of euros)

ASSETS	01.02.2019
Financial assets	5,800
Other receivables	(21,290)
Total current assets	**(15,490)**
ROU	913,719
Financial assets	17,407
Total non-current assets	**931,126**
TOTAL ASSETS	**915,636**

LIABILITIES AND SHAREHOLDERS' EQUITY	01.02.2019
Financial liabilities	171,286
Other payables	(777)
Total current liabilities	**170,509**
Financial liabilities	753,404
Deferred tax liabilities	952
Other payables	(11,688)
Total non-current liabilities	**742,668**
TOTAL LIABILITIES	**913,177**
SHAREHOLDERS' EQUITY	2,459
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**915,636**

The following table shows the reclassified consolidated statement of financial position at 31 July 2019, including and excluding the effects of IFRS 16:

(amounts in thousands of euros)	**31 July 2019 Reported**	***IFRS 16 Effect***	**31 July 2019 excluded IFRS 16**
Cash and cash equivalents	57,346		57,346
Trade receivables	100,576		100,576
Inventories	411,221		411,221
Financial assets	15,195		15,195
Financial assets for leases	5,220	(5,220)	0
Current tax assets	4,555		4,555
Other receivables	17,955	21,283	39,238
Total current assets	**612,068**	**16,063**	**628,131**
Property, plant and equipment	265,345		265,345
Right of use	868,331	(867,521)	810
Intangible assets	627,993		627,993
Goodwill	452,541		452,541
Equity investments	136		136
Financial assets	0		0
Financial assets for leases	14,923	(14,923)	0
Other receivables	10,769		10,769
Total non-current assets	**2,240,038**	**(882,444)**	**1,357,594**
TOTAL ASSETS	**2,852,106**	**(866,381)**	**1,985,725**
Financial liabilities	470,085		470,085
Financial liabilities for leases	166,092	(165,548)	544
Trade payables	312,332	610	312,942
Current tax liabilities	0		0
Other payables	114,675	920	115,595
Total current liabilities	**1,063,184**	**(164,018)**	**899,166**
Financial liabilities	0		0
Financial liabilities for leases	723,194	(722,898)	296
Employee benefits	39,222		39,222
Provisions for risks and charges	5,090		5,090
Deferred tax liabilities	123,147	2,447	125,594
Other payables	22,964	11,765	34,729
Total non-current liabilities	**913,617**	**(708,686)**	**204,931**
TOTAL LIABILITIES	**1,976,801**	**(872,704)**	**1,104,097**
SHAREHOLDERS' EQUITY	875,305	6,323	881,628
TOTAL LIABILITIES AND SHAREHOLERS' EQUITY	**2,852,106**	**(866,381)**	**1,985,725**

The new standard has therefore had a material impact on the OVS Group's financial statements in terms of recognition of right of use assets (adjusted in the financial statements at the date of first-time adoption for prepaid expenses transferred from “Other current receivables”, accrued expenses transferred from “Other current payables” and payables from linearisation transferred from “Other non-current payables”) and lease liabilities, the values of which are recognised in the statement of financial position, allocating the differences existing at the transition date to equity reserves.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation

These amendments clarify the classification of certain financial assets that can be prepaid when IFRS 9 applies. The interpretation was approved by the European Union in March 2018 and applies to the preparation of financial statements for annual reporting periods starting on or after 1 January 2019. This amendment has had no impact on the Group's condensed consolidated half-year financial statements as at 31 July 2019.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The interpretation provides information on how to reflect in the accounting of income taxes uncertainties regarding the tax treatment of certain phenomena. The interpretation applies to annual reporting periods starting on or after 1 January 2019, but some transitional relief is available. The Group applied the interpretation as of the 2019 financial year. This amendment has had no impact on the Group's condensed consolidated half-year financial statements as at 31 July 2019.

Annual Improvements to IFRSs 2015-2017 Cycle

These improvements include:

- IFRS 3 - Business Combinations: the amendments specify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination that took place in several phases, including a review at fair value of the equity investment previously held in the assets and liabilities of the joint operation. In so doing, the acquirer remeasures the entire equity investment previously held in the joint operation;
- IFRS 11 - Joint Arrangements: a party participating in a joint operation, without joint control, could obtain joint control of the joint operation if its activity constitutes a business as defined in IFRS 3. The amendments clarify that the equity investments previously held in this joint operation are not remeasured;
- IAS 12 - Income Taxes: the amendments clarify that the effects of taxes on dividends are mainly related to past transactions or events that generated distributable profits rather than distributions to shareholders. Therefore, the entity recognises the effects of income taxes from dividends in the statement of profit/(loss) for the year, in other comprehensive income or in shareholders' equity consistently with the way in which the entity has previously recognised such transactions or past events;
- IAS 23 - Borrowing Costs: the amendments clarify that an entity treats any borrowing carried out and intended from the outset to develop an asset as non-specific borrowing, if all the actions necessary to prepare the asset for use or sale have been completed. The entity applies these amendments to

the financial expenses incurred as of the beginning of the year in which the entity first applies the amendments.

The amendments are effective for annual reporting periods starting on or after 1 January 2019. Early adoption is permitted. The Group applied this interpretation on the effective date but did not identify any material impacts.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 provide for accounting rules if a plan amendment, curtailment or settlement occurs during the reporting period. The amendments specify that when a plan amendment, curtailment or settlement takes place during the financial year, the entity is required to:

- determine the service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the reference actuarial assumptions to remeasure the net liability (asset) for defined benefits so that it reflects the benefits offered by the plan and the assets of the plan after this event;
- determine: the net interest for the remaining period after the plan amendment, curtailment or settlement, the net liability (asset) for defined benefits so that it reflects the benefits offered by the plan and the assets of the plan after this event, and the discount rate used to redefine the net liability (asset) for defined benefits.

The amendments also clarify that the entity must first quantify all the costs relating to previous employment services, rather than the profit or loss that occurred at the time of settlement, without considering the effect of the asset ceiling. This amount is recognised in the statement of profit/(loss) for the year. Subsequently, after the plan amendment, curtailment or settlement, the entity quantifies the effect of the asset ceiling. Any change in this regard, except for what is already included in net interest, must be recognised in other comprehensive income. The amendments apply to plan amendments, curtailments or settlements that occur as of the first annual reporting period starting on or after 1 January 2019, and early adoption is permitted. These changes will only apply to any future amendments, curtailments or settlements of Group plans that do not currently exist.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AND NOT 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 as they are not yet approved by the European Union, 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 1 and IAS 8: Definition of Material	No	Years starting on or after 01 January 2020
Amendment to IFRS 3 'Business combinations'	No	Years starting on or after 01 January 2020
Amendment to References to the Conceptual Framework in IFRS Standards	No	Years starting on or after 01 January 2020
IFRS 17 Insurance Contracts	No	Years starting on or after 01 January 2021

No accounting standards and/or interpretations for which adoption is mandatory for periods beginning on or after 1 February 2020 have been adopted 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 2019 do not include all the information relating to financial risks described in the consolidated financial statements for the year ended 31 January 2019: 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 2019.

Credit risk

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

For the period under review, there are no significant concentrations of credit risk.

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 2019, the total guarantee amount was €64.3 million, including €22.1 million in overdue receivables (€62.0 million at 31 January 2019, including €19.0 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 €100.6 million (€98.4 million at 31 January 2019).

Written-down receivables (partial or total) came in at €14.2 million at 31 January 2019 (€38.8 million at 31 January 2019).

Overdue receivables amounted to €32.1 million (€36.9 million at 31 January 2019).

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.

As already indicated in the Report on Operations in the section "Significant events after the reporting date", on 18 September 2019, OVS S.p.A. received the letter of proposal of an amendment and restatement agreement related to the existing Facilities Agreement executed by the agent and the finance parties; such amendment and restatement agreement (the "Amendment and Restatement Agreement") is aimed at implementing certain contractual amendments previously proposed by the company to the finance parties, including the extension of the maturity of the financial package from 2 March 2020 to 2 March 2023.

OVS S.p.A., as holding company, has executed on the date hereof, 19 September 2019, the related acceptance letter. Within 15 business days OVS S.p.A. shall proceed with the satisfaction of the conditions precedent set out in the Amendment and Restatement Agreement, in order for such agreement, and the changes reported in detail in the Report on Operations and note 13 below, to become effective.

In light of the above, 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 also note 13 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 returns 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 interest rate derivatives ("caps") in previous years 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.

Foreign exchange 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 foreign exchange differences. The OVS Group also hedges orders that are highly probable although not acquired, pursuing the management aim of minimising the risks to which it 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 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 management hedging policies followed by the OVS Group did not change substantially compared with the consolidated financial statements for the year ended 31 January 2019.

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 2019 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 revenues and adjusted EBITDA, the latter defined as earnings before depreciation and amortisation, asset write-downs, financial income and expenses and tax, net of non-recurring income and expenses and other non-cash accounting effects, as well as the effect of the application of the new accounting standard IFRS 16.

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

In the table below, with regard to the 2018 period of comparison, sales of goods by the OVS and UPIM brands to the companies of the Sempione Fashion Group, which, however, do not represent an independent operating segment pursuant to IFRS 8, are shown separately.

	31 July 2019				31 July 2018			
(thousands of euros)	OVS	UPIM	Sempione Fashion	Total	OVS	UPIM	Sempione Fashion	Total
Revenues by segment	**530,906**	**119,709**	**0**	**650,615**	**554,378**	**111,976**	**53,787**	**720,141**
EBITDA Adjusted	**49,035**	**13,475**		**62,510**	**66,952**	**14,128**		**81,080**
% of revenues	9.2%	11.3%		9.6%	12.1%	12.6%		11.3%
Non-recurring expenses				(1,023)				(56,590)
Forex reclassification				(10,236)				0
Stock Option plan				(1,278)				(1,935)
IFRS 16 effects				87,309				0
EBITDA				**137,282**				**22,555**
Depreciation, amortisation and write-downs of assets				(106,668)				(31,136)
Profit before net financial expenses and taxes				**30,614**				**(8,581)**
Financial income				621				714
Financial expenses				(35,005)				(7,928)
Foreign exchange gains and losses				14,594				29,926
Gains (losses) from equity investments				0				(692)
Net result for the period before tax				**10,824**				**13,439**
Taxes				(5,515)				(8,325)
Net result for the period				**5,309**				**5,114**

SEASONALITY

The OVS Group experiences limited seasonality in terms of sales. By contrast, costs show a more linear trend, given the presence of a component of fixed costs that are uniformly distributed throughout the year. Consequently, the operating margin is affected by this seasonality and is usually higher in the third and fourth quarters of each financial year.

The trend in turnover described above and the dynamic of production cycles have an impact on net trading working capital and net debt, which have so far peaked in August, while May, November and December were marked by high cash generation.

Therefore, the analysis of the results and the indicators for interim income, assets and liabilities and cash flows cannot be regarded as fully representative, and it would therefore be incorrect to consider the half-year indicators as proportionate to the whole financial 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).

		31.07.2019	31.01.2019	change
1	**Cash and banks**	**57,346**	27,876	29,470

The balance represents cash and cash equivalents at 31 July 2019 and 31 January 2019 and breaks down as follows (in thousands of euros):

		31.07.2019	31.01.2019	change
1)	Bank and post office deposits	51,177	21,929	29,248
2)	Cheques	6	6	0
3)	Cash and cash equivalents on hand	6,163	5,941	222
Total		**57,346**	**27,876**	**29,470**

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 2019, ordinary current accounts were set up as pledges (last updated on 1 July 2019) to secure the Loan Agreement (described in note 13 below), in the amount of €36,472 thousand, and foreign currency current accounts in the amount of USD 5,015 thousand, corresponding to €4,419 thousand, the balance of which is still fully available to the OVS Group.

		31.07.2019	31.01.2019	change
2	**Trade receivables**	**100,576**	98,426	2,151

The breakdown of trade receivables at 31 July 2019 and at 31 January 2019 was as follows (in thousands of euros):

	31.07.2019	31.01.2019	change
Trade receivables			
Receivables for retail sales	662	762	(100)
Receivables for wholesale sales	96,226	113,110	(16,884)
Receivables for services rendered	8,946	11,098	(2,152)
Disputed receivables	7,163	7,143	20
Trade receivables from related parties	1,804	5,128	(3,324)
Subtotal	**114,801**	**137,241**	**(22,440)**
(Provision for doubtful accounts)	(14,225)	(38,815)	24,590
Total	**100,576**	**98,426**	**2,150**

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 legal proceedings in progress.

It should be noted that receivables from Vidrea Deutschland GmbH (formerly Charles Vögele Deutschland GmbH) of €24.2 million, already fully written down at 31 January 2019, were written off following the bankruptcy order issued by the Court of Hechingen in April 2019.

The balance also includes receivables from related party Coin S.p.A. of €2.0 million, related to brokerage fees for purchasing goods (€0.2 million) and receivables from services (€1.8 million).

It should also be noted that trade receivables (mainly for the provision of products to the franchising affiliates) amounting to €108.1 million were also put as a guarantee to secure the Loan Agreement at 31 July 2019.

Changes in the provision for doubtful accounts for the half-year ended 31 July 2019 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2019	**38,815**
Allocations in the period	818
Utilisations in the period	(25,408)
Balance at 31 July 2019	**14,225**

The allocation to the "Provision for doubtful accounts" allows to express 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 insolvency procedures, determine the derecognition of the position itself. In this regard, it should be recalled that receivables from Vidrea Deutschland GmbH (formerly Charles Vögele Deutschland GmbH) were written off, which entailed the use of the provision for doubtful accounts for €24.2 million.

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, considering that the accrued receivables in the previous years from the former Sempione Fashion Group were completely written off.

		31.07.2019	31.01.2019	change
3	**Inventories**	**411,221**	410,955	266

The breakdown of inventories is shown in the following table:

(amounts in thousands of euros)	31.07.2019	31.01.2019
Goods	442,021	444,786
Gross stock	**442,021**	**444,786**
Provision for depreciation	(23,137)	(20,946)
Provision for inventory differences	(7,663)	(12,885)
Total provision for stock write-downs	**(30,800)**	**(33,831)**
Total	**411,221**	**410,955**

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

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

The provision for depreciation reflects management's best estimate based on the breakdown by type and season of inventories, considerations arising from past experience and the outlook for sales volumes. The provision for inventory differences includes the estimate of inventory differences at the end of each of the periods under review, in view of the fact that the OVS Group carries out a physical inventory in February 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 2019 are shown below:

(amounts in thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2019	**20,946**	**12,885**	**33,831**
Allocation	11,537	6,089	17,626
Utilisation	(9,346)	(11,311)	(20,657)
Balance at 31 July 2019	**23,137**	**7,663**	**30,800**

		31.07.2019	31.01.2019	change
4	**Current financial assets**	**15,195**	11,797	3,398
4	**Non-current financial assets**	**0**	172	(172)

The breakdown of the “Financial assets” item into current and non-current at 31 July 2019 and at 31 January 2019 is shown below:

(amounts in thousands of euros)	31.07.2019	31.01.2019
Derivatives (current portion)	15,195	11,797
Total current financial assets	**15,195**	**11,797**
Derivatives (non-current portion)	0	172
Total non-current financial assets	**0**	**172**
Total	**15,195**	**11,969**

Derivatives include the fair value of forward hedges stipulated with the management objective of covering future purchases of goods in currencies other than the euro.

		31.07.2019	31.01.2019	change
5	**Current financial assets for leases**	**5,220**	0	5,220
5	**Non-current financial assets for leases**	**14,923**	0	14,923

With regard to the financial assets for leases recognised on first-time adoption of IFRS 16, please see the extensive comments in the section above on accounting policies and consolidation criteria.

		31.07.2019	31.01.2019	change
6	**Current tax assets**	**4,555**	9,565	(5,010)

The balance consists of receivables for excess IRES and IRAP payments on account (€1,602 thousand and €426 thousand respectively) paid on a historical basis, already net of the payable for taxes accrued during the period. The residual amount relates to withholding tax on fees and other tax receivables and receivables for tax withheld at source.

		31.07.2019	31.01.2019	change
7	**Other current receivables**	**17,955**	33,968	(16,013)
7	**Other non-current receivables**	**10,769**	4,425	6,344

Other receivables break down as follows:

	31.07.2019	31.01.2019	change
Other receivables	2,177	1,455	722
Receivables from insurance companies for claims reimbursment	827	745	82
Receivables from employees	2,143	1,361	782
Accrued income and prepaid expenses - rents and service charges	2,517	24,062	(21,545)
Accrued income and prepaid expenses - insurance	1,304	70	1,234
Accrued income and prepaid expenses - interest on security deposits	21	21	0
Accrued income and prepaid expenses - other	8,966	6,254	2,712
Total current receivables	**17,955**	**33,968**	**(16,013)**
Security deposits	4,302	4,357	(55)
Minor investments	20	20	0
Other receivables	6,447	48	6,399
Total non-current receivables	**10,769**	**4,425**	**6,344**

The “Other receivables” item in current receivables relates to guarantee deposits made for new leases amounting to €321 thousand and receivables for business unit disposals amounting to €399 thousand, while the remainder refers to social security receivables and advances to suppliers and shippers.

Receivables from insurance companies mainly comprise the scheduled reimbursement for fire damage to the Pantigliate store in November 2018 (€702 thousand) and damage to goods in transit (€116 thousand).

The item “Accrued income and prepaid expenses - other” primarily includes prepayments for advertising and marketing services of €1,345 thousand and the share of deferred financial fees (€789 thousand) incurred to obtain revolving lines of credit and to obtain lines of credit described in more detail in the “Financial liabilities” section below.

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

It should also be noted that insurance receivables amounting to €0.8 million were put as a guarantee to secure the Loan Agreement at 31 July 2019.

“Other non-current receivables” include 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 increase in “Other non-current receivables” refers to deferred assets over 12 months from the reporting date, to third parties.

With regard to the transfer of prepaid expenses on leases under the new IFRS 16 accounting standard, please see the extensive comments in the previous section above on accounting policies and consolidation criteria.

		31.07.2019	31.01.2019	change
8	**Property, plant and equipment**	**265,345**	273,874	(8,529)

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 2019 a lien was created on property in the amount of €184.1 million.

		31.07.2019	31.01.2019	change
9	**Right of use**	**868,331**	0	868,331

Following first-time adoption of the new IFRS 16 accounting standard, this item includes right of use assets relating mainly to store leases and to a minor extent to leases on offices, apartments for company use and motor vehicles/other equipment.

For a detailed analysis, please see the extensive comments in the section above on accounting policies and consolidation criteria, as well as Table no. 2 appended, concerning changes in the period.

		31.07.2019	31.01.2019	change
10	**Intangible assets**	**627,993**	632,987	(4,994)

Appendix 3 to these notes shows the change for each item in the period.

Intangible assets at 31 July 2019 mainly included the amounts allocated to the OVS Group deriving from the previous acquisition of Gruppo Coin by Icon, which was then transferred to the current OVS S.p.A. in July 2014. At 31 July 2019, 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 €65.8 million, amortised over 20 years (included under “Other intangible assets”);
- The UPIM franchising network for €26.1 million, amortised over 20 years (included under “Other intangible assets”);
- Licences relating to OVS stores for €88.2 million, amortised over 40 years (included under “Concessions, licences and brands”);
- Licences relating to UPIM stores for €21.1 million, amortised over 40 years (included under “Concessions, licences and brands”).

The brands attributed to the OVS Group are regarded as having an indefinite useful life.

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

With regard to the brands, at 31 July 2019 no indicators of potential impairment had been identified and no specific impairment tests were therefore carried out on the item in question.

With regard to licences relating to OVS Group stores indicating impairment, the Group calculated value in use for each store and/or of the related fair value. No write-downs of licences arose from the analysis carried out for the half-year ended 31 July 2019.

It should also be noted that, pursuant to the Loan Agreement, at 31 July 2019 a lien was created on OVS Group brands in the amount of €390.8 million.

		31.07.2019	31.01.2019	change
11	**Goodwill**	**452,541**	452,541	0

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

Management considered that the conditions necessary to confirm this amount existed at 31 July 2019, since the testing carried out revealed no evidence of impairment that could result in the writing down of the goodwill allocated to the OVS CGU and the same OVS and UPIM brands, previously already commented.

		31.07.2019	31.01.2019	change
12	**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.

		31.07.2019	31.01.2019	change
13	**Current financial liabilities**	**470,085**	30,569	439,516
13	**Non-current financial liabilities**	**0**	374,190	(374,190)

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 July 2019 and 31 January 2019 is shown below:

(amounts in thousands of euros)	31.07.2019	31.01.2019
Current bank payables	470,085	28,793
Other current financial payables	0	1,776
Current financial liabilities	**470,085**	**30,569**
Non-current bank payables	0	373,621
Other non-current financial payables	0	569
Non-current financial liabilities	**0**	**374,190**

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

The OVS Group's current bank payables at 31 July 2019 are shown below:

(amounts in thousands of euros)	Maturity date	Interest rate	At 31 July 2019 Total	of which non-current portion	of which current portion
Facility B	2020	Euribor + 3.0%	375,000	-	375,000
Facility Revolving	2020	Euribor + 3.0%	89,842	-	89,842
Deutsche Bank	2019	Euribor + 0.6%	1,667	-	1,667
Due for financial expenses			4,306	-	4,306
Loan ancillary costs			(735)	-	(735)
Bank current accounts - negative balance			5	-	5
Current bank payables			**470,085**	**-**	**470,085**

The lines of credit available to the Group at 31 July 2019 almost all relate 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 OVS S.p.A. and to pay costs associated with the listing process (the "Senior Loan"), and a revolving line of credit of €100,000,000 that may be drawn down in different currencies (the "Revolving Line of Credit").

The Senior Loan was disbursed as trading of the Company's shares began on the MTA.

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 3.0% 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 of Credit (unless otherwise agreed between the parties).

The Margin may be further reduced or increased 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%.

At 31 July 2019, the ratio of average financial debt to EBITDA was 3.44. Under the current contractual conditions, the Margin will therefore increase by 0.50 percentage points from the third business day after the date of notification to the agent bank of the attestation on compliance of the financial covenants expected by the loan agreement (the Compliance Certificate) and will amount to 3.50%. The next test is scheduled for 31 January 2020.

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 of OVS S.p.A. (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 OVS S.p.A. and/or (ii) of the power to appoint or dismiss all, or the majority, of the directors of OVS S.p.A..

As already stated in the Annual Financial Statements of OVS Group as at 31 January 2019, it should be noted that, under the existing Loan Agreement, the changes in the corporate structure and the Board of Directors happened in the first half of 2019, did not result in a “change of control” event.

The Loan Agreement provides that, to ensure that the relative obligations are met, the following guarantees are made in favour of the banking pool 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 2019, the ratio of average financial debt to EBITDA was 3.44. The obligation is therefore 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.

For more information on recent developments in the said Loan Agreement, in addition to what has already been indicated in the Report on Operations, it should be noted that, as indicated in the context of the approval of the annual consolidated financial statements related to the financial year ending on 31 January 2019, the refinancing process of the whole financial package continued during the first semester 2019 in accordance to the timetable set out with the support of the financial advisor, the legal counsel and the lenders. Further to such process, on 18 September 2019, OVS S.p.A. received the letter of proposal of an amendment and restatement agreement related to the existing Facilities Agreement executed by the agent and the finance parties; such amendment and restatement agreement (the "Amendment and Restatement Agreement") is aimed at implementing certain contractual amendments previously proposed by the company to the finance parties.

In particular the amendments concern, amongst other things:

(i) the extension of the termination date applicable to the Facility B and the Revolving Facility from 2 March 2020 to 2 March 2023;

(ii) the partial repayment of the Facility B for an amount equal to euro 25,000,000 as condition precedent to the effectiveness of the Amendment and Restatement Agreement. After such repayment the portion of the commitment held by each finance party under the Facilities Agreement may vary;

(iii) the tranching of the remaining Facility B in two tranches, i.e. a Facility B1, for an amount equal to euro 250,000,000, terminating on 2 March 2023, and an amortized Facility B2, for an amount equal to euro 100,000,000, which shall be repaid in six half-yearly instalments having equal value starting from 28 February 2020 (the last instalment being due on 28 August 2022);

(iv) the inclusion of a period of limitation to the utilisation of the Revolving Facility, whose amount remains unchanged, equal to euro 100,000,000, and whose termination date is set on 2 March 2023; such limitation entails that the utilisations of the Revolving Facility less existing cash and cash equivalent shall not exceed euro 25,000,000 for a period of at least 5 days in each financial year (the "Clean down period"); not less than six months shall elapse between two such testing periods;

(v) the inclusion of a mandatory prepayment circumstance, starting from the financial year ending on 31 January 2021, to be made proportionally to the amount of excess cash (if any) ("Cash sweep"), to be used for the repayment of the Facility B1 and, once the Facility B1 has been repaid in full, *pro rata* for the repayment of the instalments of the Facility B2;

(vi) certain limitations to the distribution of dividends linked to certain leverage ratios: in particular, dividends shall not be distributed should the leverage ratio be equal to or greater than 2.25x; should the leverage ratio be lower than such threshold, any distribution shall, in any case, be conditional upon, among others, compliance with the requirements concerning the aforementioned Cash Sweep and, as regards the distribution related to the result of the financial year 2019, a maximum threshold equal to euro 10,000,000 or 3% dividend yield, if lower;

(vii) certain amendments to the financial covenants currently included in the Facilities Agreement;

(viii) the amendment of the change of control definition currently included in the Facilities Agreement favorably for the company, also in light of the current shareholding structure as a listed company; and

(ix) an increase in the margin applicable to the financial package which, depending on the different facilities, varies from 25 to 50 bps.

Following the receipt of the proposal letter of the aforementioned Amendment and Restatement Agreement, OVS S.p.A., as holding company, has executed on the date hereof, 19 September 2019, the related acceptance letter. Within 15 business days OVS S.p.A. shall proceed with the satisfaction of the conditions precedent set out in the Amendment and Restatement Agreement, in order for such agreement, and the amendments set out therein, to become effective.

It should be noted that, on 26 February 2018, a loan agreement was signed with Deutsche Bank S.p.A. for 18 months minus one day, falling due on 25 August 2019, for a total amount of €10 million. The rate applied is equal to the 3-month Euribor plus a margin of 0.60%. If the 3-month Euribor were to be less than 0, the applicable rate would remain equal to the Margin.
The agreement provides for quarterly repayments of €1.6 million in six instalments.
At the period reporting date (31 July 2019), this loan amounted to €1.6 million, amount equivalent to the latest instalment, regularly repaid in August 2019 as final settlement of the loan.

The breakdown of the consolidated net financial debt of the OVS Group at 31 July 2019 and 31 January 2019, 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)	31.07.2019	31.07.2019 Excluded IRFS 16	31.01.2019
Net debt			
A. Cash	57,346	57,346	27,876
B. Cash equivalents	-	-	-
C. Securities held for trading	-	-	-
D. Liquid assets (A)+(B)+©	**57,346**	**57,346**	**27,876**
E. Current financial receivables	**20,415**	**15,195**	**11,797**
F. Current bank payables	(95,820)	(95,820)	(28,793)
G. Current portion of non-current debt	(374,265)	(374,265)	-
H. Other current financial payables	(166,092)	(544)	(1,776)
I. Current debt (F)+(G)+(H)	**(636,177)**	**(470,629)**	**(30,569)**
J. Net current debt (I)+(E)+(D)	**(558,416)**	**(398,088)**	**9,104**
K. Non-current bank payables	-	-	(373,621)
L. Bonds issued	-	-	-
M. Other non-current financial payables	(723,194)	(296)	(569)
N. Non-current debt (K)+(L)+(M)	**(723,194)**	**(296)**	**(374,190)**
O. Net debt (J)+(N)	**(1,281,610)**	**(398,384)**	**(365,086)**
Non-current financial receivables	**14,923**	**0**	**172**
Net financial position	**(1,266,687)**	**(398,384)**	**(364,914)**

Other current and non-current financial payables

The following table shows the breakdown of other current and non-current financial payables at 31 July 2019 and at 31 January 2019:

(amounts in thousands of euros)	31.07.2019	31.07.2019 Excluded IRFS 16	31.01.2019
Derivatives	-	-	1,229
Payables for finance leases	166,092	544	547
Other current financial payables	**166,092**	**544**	**1,776**
Derivatives	-	-	-
Payables for finance leases	723,194	296	569
Other non-current financial payables	**723,194**	**296**	**569**

		31.07.2019	31.01.2019	change
14	**Current financial liabilities for leases**	**166,092**	0	166,092
14	**Non-current financial liabilities for leases**	**723,194**	0	723,194

With regard to the financial liabilities for leasing recognised on first-time adoption of IFRS 16, please see the extensive comments in the section above on accounting policies and consolidation criteria.

		31.07.2019	31.01.2019	change
15	**Trade payables**	**312,332**	350,981	(38,649)

The breakdown of the "Trade payables" item at 31 July 2019 and 31 January 2019 is provided below:

(amounts in thousands of euros)	31.07.2019	31.01.2019	change
Payables to third-party suppliers	310,507	349,000	(38,493)
Payables to related parties	1,825	1,981	(156)
Trade payables	**312,332**	**350,981**	**(38,649)**

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 €179,753 thousand; it also includes exposure in foreign currency (mainly USD) amounting to USD 181,983 thousand, already net of USD157 thousand for advances.

		31.07.2019	31.01.2019	change
16	**Current tax liabilities**	**0**	0	0

Current taxes accrued during the period for IRAP and IRES have been fully offset with a surplus of payments on account.

		31.07.2019	31.01.2019	change
17	**Other current payables**	**114,675**	129,787	(15,112)
17	**Other non-current payables**	**22,964**	35,840	(12,876)

The breakdown of the "Other payables" item into current and non-current at 31 July 2019 and at 31 January 2019 is shown below:

	31.07.2019	31.01.2019	change
Payables to employees for unused leave and related contributions	8,719	8,130	589
Payables to employees for deferred salaries, overtime, bonuses and related contributions	18,733	22,421	(3,688)
Payables to Directors and Auditors for emoluments	477	438	39
Other payables	25,785	24,257	1,528
Payables to pension and social security institutions	6,853	7,420	(567)
VAT payables	29,126	39,642	(10,516)
Other tax payables	1,448	3,519	(2,071)
Other payables - to customers	205	205	0
Accrued expenses and deferred income - rents and leasing	5,249	6,624	(1,375)
Accrued expenses and deferred income - utilities	3,308	3,057	251
Accrued expenses and deferred income - insurance	321	763	(442)
Accrued expenses and deferred income - other	14,451	13,311	1,140
Total current payables	**114,675**	**129,787**	**(15,112)**
Linearisation of rents	0	11,765	(11,765)
Trade payables	12,462	12,643	(181)
Accrued expenses and deferred income - other	10,502	11,432	(930)
Total non-current payables	**22,964**	**35,840**	**(12,876)**

"Payables to employees" relates to benefits accrued and not paid out at 31 July 2019.

"Other payables" mainly relates to the recognition of €15,372 thousand for the value of expected returns in relation to sales made, pursuant to IFRS 15.

The balance also includes advance payments by customers for pre-orders of goods and purchases of vouchers amounting to €4,905 thousand, and payables for deposits and securities received from customers to guarantee affiliation agreements, for €4,958 thousand.

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

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

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

The "Other accrued expenses/deferred income" item includes €6,520 thousand in accrued expenses for local taxes, €1,697 thousand for travel expenses, €149 thousand for bank charges, €2,118 thousand of deferred income for contributions payable by partners and lessors and €1,610 thousand in unredeemed reward points relating to customer loyalty programmes.

"Non-current payables" also include €9,715 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. The same item includes €655 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.

Due to adoption of the new IFRS 16 accounting standard, the payable recognised until the previous year as an effect of the linearisation of leases with payment instalments increasing throughout the term of the lease, was fully disbursed in the amount of €11,765 thousand at the transition date.
Lastly, supplier payables of €12,462 thousand due beyond 12 months are shown, which relate to the restructurings carried out during the previous year through the use of a vendor financing instrument, the cash out of which is expected to be in line with the growth in EBITDA at the store level in the next three years.

		31.07.2019	31.01.2019	change
18	**Employee benefits**	**39,222**	38,348	873

Changes in employee benefits for the half-year ended 31 July 2019 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2019	**38,348**
Increase in period	534
Actuarial (gains)/losses	1,630
Benefits paid	(1,290)
Balance at 31 July 2019	**39,222**

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.

		31.07.2019	31.01.2019	change
19	**Provisions for risks and charges**	**5,090**	4,873	217

Changes in the “Provision for risks and charges” item for the half-year ended 31 July 2019 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2019	**4,873**
Allocations in the period	500
Utilisations in the period	(283)
Balance at 31 July 2019	**5,090**

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 provision for the half-year of €0.5 million relates to legal or contractual risks.

		31.07.2019	31.01.2019	change
20	**Deferred tax liabilities**	**123,147**	124,435	(1,288)

Changes in the “Deferred tax liabilities” item in the half-year ended 31 July 2019 are shown below:

(amounts in thousands of euros)	Balance at 31.01.2019	Allocated/ released to income statement	Allocated/ released to statement of comprehensive income	Allocated/ released to reserve	Balance at 31.07.2019
Provision for stock write-downs	8,077	(804)			7,273
Appropriation for local taxes	1,400	(464)			936
Provisions for risks and charges	1,169	53			1,222
Doubtful accounts	8,891	111			9,002
Tangible and intangible assets	(147,349)	(1,173)			(148,522)
Doubtful accounts - IFRS 9	204				204
Rights of return - IFRS 15	1,674	223			1,897
Employee severance benefits calculated according to IAS 19	800		391		1,191
IFRS 16 Leasing	0	3,399		(952)	2,447
Other minor	699	504		0	1,203
Total net prepaid (deferred)	**(124,435)**	**1,849**	**391**	**(952)**	**(123,147)**

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 business combinations in previous years.

SHAREHOLDERS' EQUITY

Shareholders' equity was €875.3 million.
Details of changes in the items included in shareholders' equity are provided in the relative accounting schedule.

21 Share capital

At 31 July 2019, 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, increasing the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.

21 Treasury shares

At 31 July 2019, OVS S.p.A. hold a total of 809,226 treasury shares, equal to 0.356% of the share capital, for a total amount of €1,496 thousand. All of the shares were purchased in 2018. In the first half of 2019, there were no further purchases/disposals.
These transactions were carried out as part of the authorisation to buy treasury shares approved by the Shareholders' Meeting on 31 May 2018. The Shareholders' Meeting authorised, pursuant to Article 2357 et seq. of the Italian Civil Code and Article 132 of Legislative Decree 58 of 24 February 1998, the purchase of the Issuer's treasury shares, on one or more occasions, up to a maximum number that, taking into account the ordinary shares of OVS held from time to time by the Parent Company and its subsidiaries, does not exceed, in total, 10% of the Issuer's share capital, for a period not exceeding 18 months from the date of the resolution.

21 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 €9.9 million, and was created when earnings for previous years were allocated.

There are also **other reserves**, with a positive net balance of €122.9 million, which mainly include retained earnings of €114.5 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")) and the impacts of the adoption of IFRS 9 and IFRS 16 on the reference transition date.

21 Minority interest capital and reserves

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 €275 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).

22 Revenues

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

	31.07.2019	31.07.2018
Revenues from retail sales	652,055	682,304
VAT on retail sales	(117,863)	(123,171)
Net sales	**534,192**	**559,133**
Revenues from sales to affiliates, administered and wholesale	116,274	160,869
Subtotal net sales	**650,466**	**720,002**
Revenues from services	149	139
Total	**650,615**	**720,141**

23 Other operating income and revenues

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

	31.07.2019	31.07.2018
Revenues from services rendered	20,239	20,303
Rental and leasing revenues	6,670	9,737
Damages	1,185	858
Capital gains from asset disposals	520	32
Other revenues	2,038	2,289
Total	**30,652**	**33,219**

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.

With regard to the transfer of rental income and leases relating to sub-leases under the new IFRS 16 accounting standard, please see the extensive comments in the previous section above on accounting policies and consolidation criteria.

24 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 €286,020 thousand.
The item breaks down as follows:

	31.07.2019	31.07.2018
Purchase of raw materials, consumables and goods	287,013	363,262
Change in inventories	(993)	(35,925)
Total	**286,020**	**327,337**

25 Staff costs

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

	31.07.2019	31.07.2018
Wages and salaries	105,480	108,472
Social security charges	30,804	29,980
Employee severance benefits	6,409	6,463
Other staff costs	262	827
Directors' fees	614	580
Total	**143,569**	**146,322**

The number of employees, expressed as the full-time equivalent headcount, was 6,061 at the end of the half-year, compared with 6,095 at 31 January 2019.

SHARE BASED PAYMENTS

Since June 2015, key employees of the Parent Company and its subsidiaries have been granted options to purchase OVS S.p.A. shares under the Company's stock option plans (hereinafter also the "Plans"). In order to create value for shareholders by improving long-term corporate performance and promoting the loyalty and retention of key personnel for the Group's development, the Company's Shareholders' Meeting approved, on 26 May 2015 and 31 May 2017 respectively, two capital increases for the issue of shares to be offered for subscription to the beneficiaries of two separate stock option plans. On the basis of these capital increases, the authorised capital stands at €39,080,000.00. Information on the modalities for exercising options is provided below.
Finally, the Ordinary Shareholders' Meeting of 31 May 2019 approved, pursuant to Article 114-*bis* of the TUF, the adoption of a new incentive plan named the "Stock Option Plan 2019-2022 (or "2019-2022 Plan"), to be implemented through the allocation of free options for subscription to newly issued ordinary 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 pursuant to Article 93 of

Legislative Decree 58 of 24 February 1998, who will be identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the "Beneficiaries"). The Shareholders' Meeting also approved, respectively, a capital increase for the issue of shares to be offered for subscription to beneficiaries of the 2019-2022 Plan. Based on this capital increase, the authorised capital has a nominal value of €5,000,000.00, through the issue of a maximum of 5,000,000 newly issued ordinary shares of OVS.
Information on the modalities for exercising options is provided below.
The aforementioned Shareholders' Meetings delegated to the Board of Directors the widest powers to implement the capital increases in one or more tranches, granting employees options, as deemed appropriate by the Board, and thus, among other things:

- to establish terms and conditions for the subscription of new shares;
- to demand payment in full of the price necessary to release the shares at the time of subscription;
- to draw up lists of the names of the beneficiary employees identified by means of the parameters which it considers most appropriate from time to time;
- to regulate the effects of termination of employment with the Company or its subsidiaries and the effects of death of the employee on the options offered through the provisions of the option agreement to be signed by each beneficiary employee.

In execution of the powers received from the Shareholders' Meeting, the Board of Directors granted a total of 14,036,375 options, none of which had been exercised by 31 July 2019.
In total, the Board of Directors, in execution of the powers granted to it, approved the following Plans:

Plan	Assignable	Assigned	Exercised
2015-2020	6,125	5,101,375	-
2017-2022	145,000	3,935,000	-
2019-2022	-	5,000,000	-
Total	**151,125**	**14,036,375**	**-**

On 8 June 2015, 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 stock option plan called the "2015-2020 Plan".
On 21 September 2017, 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 "2017-2022 Plan".
Lastly, on 19 June 2019, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 31 May 2019, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 30 June 2026, by issuing, in one or more tranches, up to 5,000,000 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 "2019-2022 Plan".

All three plans provide for the free allocation to each of the beneficiaries of options that confer the right to subscribe to or purchase the ordinary shares of OVS in the ratio of one ordinary share for each Option exercised at a price of €4.88 per share (for the 2015-2020 Plan), €6.39 per share (for the 2017-2022 Plan) and €1.85 per share (for the 2019-2022 Plan).
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.
All the Plans provide 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 (or cumulative targets in the case of the 2019-2022 Plan) are met, relating to OVS's consolidated EBITDA.
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 Plan also requires, as a condition for participation in the Plan itself, that the relationship of permanent employment or executive management with OVS or a subsidiary, depending on the type of beneficiary (the "Relationship"), be maintained.
For the 2015-2020 Plan and the 2017-2022 Plan, 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).

For the 2019-2022 Plan, beneficiaries may exercise potentially exercisable options for which the cumulative performance targets during the three-year period 2019-2021 have been achieved, and provided that the condition of access to the plan is fulfilled (i.e. that the weighted average daily closing price in the second half-year preceding the end of 2021, i.e. in the period from 1 August 2021 to 31 January 2022, is at least €2.50).

The Plan described above is defined as equity-settled pursuant to IFRS 2. In accordance with this accounting standard, the fair value of the Plans was estimated at the grant date, using the Black-Scholes method. The portion of the overall fair value of the individual Plans pertaining to the reporting period has therefore been recognised in the income statement. In particular, staff costs attributable to the granting of OVS shares, amounting to €8,434 thousand (already booked in the amount of €7,156 thousand at 31 January 2019), were recognised with a balancing entry in shareholders' equity. It should also be noted that during the half-year, 446,000 options lapsed that had accrued to Beneficiaries who left the Group as good leavers and did not exercise the right by the deadline established in the event of termination of the employment relationship. This entailed a reversal of the IFRS 2 reserve of €865 thousand.
The movements recorded in the various Stock Option Plans in 2019 are as follows:

				Options				
Stock Option Plan	**Price**	**Currency**	**Options at 31.01.2019**	**Assigned**	**Cancelled**	**Exercised**	**Forfeited**	**Options at 31.07.2019**
2015-2020 Plan	4.88	Eur	3,771,100	-	-	-	(402,000)	3,369,100
2017-2022 Plan	6.39	Eur	2,399,500	-	-	-	(44,000)	2,355,500
2019-2022 Plan	1.85	Eur	-	5,000,000	-	-	-	5,000,000

At 31 July 2019, 10,724,600 options were potentially exercisable (accrued or accruable).
No options were exercised in the first half of 2019.

26 Depreciation, amortisation and write-downs of assets

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

	31.07.2019	31.07.2018
Amortisation of intangible assets	9,233	8,464
Depreciation of tangible assets	22,349	22,498
Amortisation of right of use	74,344	0
Write-downs of tangible and intangible assets	742	174
Total	**106,668**	**31,136**

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 any results of impairment testing.

Following first-time adoption of the new IFRS 16 accounting standard, this item includes depreciation of right of use assets relating mainly to store leases and to a minor extent to leases on offices, apartments for company use and motor vehicles/other equipment.

For a detailed analysis, please see the extensive comments in the section above on accounting policies and consolidation criteria, as well as Table no. 2 appended, concerning changes in the period.

27 Other operating expenses: Service costs

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

	31.07.2019	31.07.2018
Advertising	9,851	11,677
Utilities	17,359	17,060
Miscellaneous sales costs	24,701	25,433
Service costs - professional and consulting services	11,928	14,540
Travel and other employee expenses	5,730	7,113
Insurance	1,326	1,505
Maintenance, cleaning and security	15,389	17,373
Service costs - other services	624	2,601
Board of Statutory Auditors' fees / Supervisory Body	105	104
Total	**87,013**	**97,406**

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

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

	31.07.2019	31.07.2018
Rental costs and ancillary charges	12,604	100,925
Leasing of plant, equipment and vehicles	1,550	1,867
Total	**14,154**	**102,792**

The item “Rental costs and ancillary charges” mainly includes rents deriving from leases accounted for outside the scope of IFRS 16 and the service charges of the sales network. The leases were entered into under arm's length conditions.

With regard to the transfer of rental costs and leases under the new IFRS 16 accounting standard, please see the extensive comments in the section above on accounting policies and consolidation criteria.

29 Other operating expenses: Write-downs and provisions

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

	31.07.2019	31.07.2018
Doubtful accounts	818	37,815
Provisions for risks	500	5,400
Total	**1,318**	**43,215**

See item 2 “Trade receivables” and item 19 “Provisions for risks and charges”.

30 Other operating expenses: Other operating charges

Other operating charges break down as follows:

	31.07.2019	31.07.2018
Materials and equipment for offices and stores	3,194	4,117
Taxes	5,492	5,516
Capital losses	290	84
Donations	139	181
Corporate expenses	404	362
Other general and administrative expenses	778	2,031
Other operating expenses	1,614	1,440
Total	**11,911**	**13,731**

31 Financial income (expenses)

FINANCIAL INCOME

	31.07.2019	31.07.2018
Financial income on bank current accounts	4	8
Financial income from miscellaneous sources	3	1
Financial income on financial assets for leases	614	0
Income from related company	0	705
Total	**621**	**714**

FINANCIAL EXPENSES

	31.07.2019	31.07.2018
Financial expenses on bank current accounts	4	7
Financial expenses on loans	6,837	6,326
Interests on lease liabilities	26,034	93
Interest cost on provision for employee severance benefits	177	251
Other financial expenses/fees	1,953	1,251
Total	**35,005**	**7,928**

FOREIGN EXCHANGE GAINS AND LOSSES

	31.07.2019	31.07.2018
Foreign exchange gains	10,420	269
Foreign exchange losses	(281)	(25,713)
Gains (losses) on the change in fair value of currency derivatives	4,455	55,370
Total	**14,594**	**29,926**

GAINS (LOSSES) FROM EQUITY INVESTMENTS

	31.07.2019	31.07.2018
Write-downs of equity investments	0	(692)
Total	**0**	**(692)**

With regard to the financial income/expenses for leases due to adoption of IFRS 16, please see the extensive comments in the section above on accounting policies and consolidation criteria.
The weighted average IBR applied to the agreements in place at 31 July 2019 is 5.80%.

32 Taxes

The breakdown of the “Taxes” item is provided below:

	31.07.2019	31.07.2018
Current taxes	7,362	23,320
Deferred (prepaid) taxes	(1,847)	(14,995)
Total	**5,515**	**8,325**

On 9 July 2018, at the conclusion of the tax audit of OVS S.p.A. by the Venice Tax Police, which began on 13 December 2017, the report on findings was notified by the auditors.
The audit related to:
- for IRAP and IRES purposes, the tax periods 2014, 2015 and 2016;
- for VAT purposes, the years 2014, 2015, 2016 and part of 2017, until 13 December 2017;
- for the purposes of substitute tax, the years 2014, 2015, 2016 and part of 2017, until 13 December 2017.

The report contained some findings, mainly on the subject of VAT, which the Parent Company has refuted in the document “Response to the Report on Findings”, filed with the Major Taxpayers Office of the Venice Regional Revenue Department.
In May 2019, assessment notices were notified on completion of the report in question, relating to VAT in 2014 and VAT in 2016 and 2017, which entailed requests for payment totalling €21 thousand, already net of €40 thousand for VAT claimed but to be repaid.
With the payment of the above amount, OVS S.p.A. resolved all the above assessment notices.

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.

The calculation of earnings per share shown in the following table is based on the ratio of earnings attributable to the Group to the weighted average number of shares of OVS S.p.A. outstanding in the period, net of treasury shares held (809,226 shares, equal to 0.356% of the share capital).

	Period ended 31.07.2019	Period ended 31.07.2018
Result for the period (in thousands of euros)	5,302	5,211
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	226,190,774	227,000,000
Basic earnings per share (in euros)	**0.02**	**0.02**
Diluted earnings per share (in euros)	**0.02**	**0.02**

Diluted earnings per share is in line with basic earnings per share, as at 31 July 2019 the dilutive effects of stock-based compensation plans are not significant.

RELATIONS WITH RELATED PARTIES

With regard to the related parties identified below, the OVS Group mainly carries out commercial activities relating to the sale of goods, as well as IT, supply chain and commercial premises sub-letting activities.

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

(amounts in thousands of euros)	Related parties							
	Coin S.p.A.	Centomila-candele S.c.p.a.	Sempione Retail AG	Sempione Fashion AG	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade receivables								
At 31 July 2019	2,039	-	-	-	-	2,039	100,576	2.0%
Current financial assets for leases								
At 31 July 2019	1,166	-	-	-	-	1,166	15,195	7.7%
Non-current financial assets for leases								
At 31 July 2019	3,288	-	-	-	-	3,288	14,923	22.0%
Trade payables								
At 31 July 2019	(93)	(1,732)	-	-	-	(1,825)	(312,332)	0.6%
Other current payables								
At 31 July 2019	-	-	-	-	(1,618)	(1,618)	(114,675)	1.4%

At 31 January 2019, the lending and borrowing relations with related parties were as follows:

(amounts in thousands of euros)	Related parties															
	ICON S.p.A. (f.k.a. Gruppo Coin S.p.A.)	Coin S.p.A.	Excelsior Milano S.r.l. in liquidazione	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 s tekstilom doo (Slovenia)	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade receivables																
At 31 January 2019	116	4,937	59	13	2	1	-	-	-	-	-	-	-	5,128	98,426	5.2%
Trade payables																
At 31 January 2019	-	(774)	-	-	-	-	(1,207)	-	-	-	-	-	-	(1,981)	(350,981)	0.6%
Other current payables																
At 31 January 2019	-	-	-	-	-	-	-	-	-	-	-	-	(371)	(371)	(129,787)	0.3%

It should be noted that capital and economic relations with the companies of the former Sempione Retail Group shown in the previous year mainly relate to the provision of goods and associated services. In 2018, Sempione Fashion AG (Switzerland) was subject to bankruptcy proceedings, and the relevant receivables were therefore written off at 31 January 2019.

Sempione Retail AG has also undergone a procedure that will result in its non in bonis enforced liquidation, and for this reason all receivables from this company were already written off in full in the financial statements for the year ended 31 January 2019.

The companies Charles Vögele Austria GmbH, Charles Vögele Deutschland GmbH, Charles Vögele Hungaria Kft and Charles Vögele trgovina s tekstilom doo (Slovenia) were sold to third party operators in the 2018 financial year and therefore no longer qualified as related parties at 31 January 2019.

The companies Gruppo Coin S.p.A. (now Icon S.p.A.), Excelsior Milano S.r.l. in liquidation, COSI – Concept Of Style Italy S.p.A., GCF S.p.A. in liquidation and Gruppo Coin International S.p.A. also ceased to be related parties during the first half of 2019, due to the termination of the control relationship between Icon S.p.A. and OVS S.p.A. as of 11 March 2019.

Trade receivables (net of trade payables) from Coin S.p.A. at 31 July 2019 were €1.9 million, down significantly from €4.1 million at 31 January 2019. At the date of approval of this Half-year Financial Report, the net balance receivable from Coin S.p.A. is €1.1 million, representing a further reduction compared with the closing date of these interim financial statements; the overdue portion of this net balance was €0.5 million (it was €1.3 million at 31 January 2019). Reminder and recovery activities are also continuing, aimed at the complete return of the expired amount.

At 31 July 2019, however, financial receivables from Coin S.p.A. related to sub-leases for certain commercial spaces which, pursuant to the adoption of IFRS 16, were considered finance leases in respect of the partial transfer of the right of use assets relating to the underlying lease taken out by OVS S.p.A. with third parties.

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									
	ICON S.p.A. (f.k.a. Gruppo Coin S.p.A.)	Coin S.p.A.	Excelsior Milano S.r.l. in liquidazione	Centomila-candele S.c.p.a.	Sempione Retail AG	Sempione Fashion AG	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Period ended 31 July 2019										
Revenues	-	723	-	-	-	-	-	723	650,615	0.1%
Other operating income and revenues	42	744	-	-	-	-	-	786	30,652	2.6%
Purchases of raw materials, consumables and goods	-	-	-	-	-	-	-	0	(286,020)	0.0%
Staff costs	-	-	-	-	-	-	(3,662)	(3,662)	(143,569)	2.6%
Service costs	-	(41)	-	(6,603)	-	-	-	(6,644)	(87,013)	7.6%
Costs for the use of third-party assets	-	158	-	-	-	-	-	158	(14,154)	(1.1)%
Write-downs and provisions	-	-	-	-	-	-	-	0	(1,318)	0.0%
Other operating charges	-	-	-	-	-	-	-	0	(11,911)	0.0%
Financial income	-	135	-	-	-	-	-	135	621	21.7%
Financial expenses	20	-	-	-	-	-	-	20	35,005	0.1%
Gains (losses) from equity investments	-	-	-	-	-	-	-	0	0	0.0%

For the companies Gruppo Coin S.p.A. (now Icon S.p.A.), Excelsior Milano S.r.l. in liquidation, COSI – Concept Of Style Italy S.p.A., GCF S.p.A. in liquidation and Gruppo Coin International S.A., which ceased to be related parties during the first half of 2019, the financial relations (where existing) with the OVS Group until the date when they ceased to be related parties have been indicated.

At 31 July 2018, the OVS Group's economic relations with related parties were as follows:

(amounts in thousands of euros)	Related parties													
	ICON S.p.A. (f.k.a. Gruppo Coin S.p.A.)	Coin S.p.A.	Excelsior Milano S.r.l. in liquidazione	Centomila-candele S.c.p.a.	Sempione Retail AG	Sempione Fashion AG	Charles Vögele Deutschland GmbH	Charles Vögele (Austria) GmbH	Charles Vögele trgovina s tekstilom 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 revenu	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%

The main economic relations with related parties in the first half of 2019 relate to:

- goods brokerage fees for services provided by subsidiary OVS Hong Kong Sourcing Limited to Coin S.p.A., included in the "Revenues" item;
- the provision of services and chargebacks to Coin S.p.A. of costs for central IT, logistics and leasing services incurred by OVS Group, included in the "Other operating income and revenues" item;
- the provision of services relating to the purchase of electricity by Centomilacandele S.C.p.A., included in the "Service costs" item;

and

- interest accrued on the sub-leases receivable in respect of Coin S.p.A., recognised according to the provisions of IFRS 16 as a financial lease receivable, included in the item "Financial income".

The cash flows shown in the following table represent the actual payments and receipts registered with related parties in the half-year (or until the time when the related party qualification ended), rather than changes during the period in the item in the financial statements to which they relate.

(migliaia di Euro)	Parti Correlate									
	ICON S.p.A. (già Gruppo Coin S.p.A.)	Coin S.p.A.	Excelsior Milano S.r.l. in liquidazione	Centomila-candele S.c.p.a.	Sempione Retail AG	Sempione Fashion AG	Amministratori e Dirigenti con responsabilità strategiche	Totale	Totale flusso di cassa da rendiconto finanziario	Incidenza sulla voce di bilancio
Semestre chiuso al 31 luglio 2019										
Flusso di cassa generato/(assorbito) dall'attività operativa	-	4.904	-	(7.779)	-	-	(1.301)	(4.176)	45.141	(9,3)%
Flusso di cassa generato/(assorbito) dall'attività di investimento	-	-	-	-	-	-	-	0	(20.068)	0,0%
Flusso di cassa generato/(assorbito) dall'attività di finanziamento	-	-	-	-	-	-	-	0	4.397	0,0%

(amounts in thousands of euros)	Related parties															
	ICON S.p.A. (f.k.a. Gruppo Coin S.p.A.)	Coin S.p.A.	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 s tekstilom doo (Slovenia)	Charles Vögele Hungaria KFT	Directors and managers with strategic responsibilities	Total	Total cash flow from the cash flow statement	Percentage of cash flow 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)	45,141	(22.0)%
Cash flow generated (absorbed) by investing activities	-	(3,393)	-	-	-	-	-	-	-	-	-	-	-	(3,393)	(20,068)	16.9%
Cash flow generated (absorbed) by financing activities	-	-	-	-	-	-	-	-	-	-	-	-	-	0	4,397	0.0%

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 19, “Provisions for risks and charges”, no other potential risks exist.

Sureties and guarantees relating to third parties

These came to €87,488 thousand (€73,001 thousand at 31 January 2019) and were granted on behalf of the Group by banks or insurance companies, mainly to guarantee Italian leases.

Other commitments

There are no commitments at the reporting date that are not already reflected in other items of the consolidated statement of financial position.

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 2019	529	76
Period ended 31 July 2018	477	76

Significant non-recurring events and operations

In accordance with Consob Communication DEM/6064293 of 28 July 2006, it should be noted that the Group's results for the first half of 2019 were influenced by non-recurring net expenses of €777 thousand.

	31.07.2019	31.07.2018
Other operating income and revenues	0	(700)
Purchases of raw materials, consumables and goods	0	12,567
Staff costs	105	46
Service costs	198	72
Costs for the use of third-party assets	0	82
Write-downs and provisions	0	43,215
Other operating charges	720	1,308
Financial (income) / charges	0	(13)
Taxes	(246)	(13,582)
Total	**777**	**42,995**

Non-recurring charges mainly refer to:

- €105 thousand relating to transactions with employees, recognised under “Staff costs”;
- €198 thousand for extraordinary professional fees, recognised under “Service costs”;
- €720 thousand relating to a settlement for the termination of a lease, recognised under “Other operating expenses”.

In accordance with the above Consob Communication, it should also be noted that in the first half of 2019, no atypical and/or unusual transactions were entered into as defined by the Communication.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

As indicated in the context of the approval of the annual consolidated financial statements related to the financial year ending on 31 January 2019, the refinancing process of the whole financial package continued during the first semester 2019 in accordance to the timetable set out with the support of the financial advisor, the legal counsel and the lenders. Further to such process, on 18 September 2019, OVS S.p.A. received the letter of proposal of an amendment and restatement agreement related to the existing Facilities Agreement executed by the agent and the finance parties; such amendment and restatement agreement (the "Amendment and Restatement Agreement") is aimed at implementing certain contractual amendments previously proposed by the company to the finance parties.

In particular the amendments concern, amongst other things:

(i) the extension of the termination date applicable to the Facility B and the Revolving Facility from 2 March 2020 to 2 March 2023;

(ii) the partial repayment of the Facility B for an amount equal to euro 25,000,000 as condition precedent to the effectiveness of the Amendment and Restatement Agreement. After such repayment the portion of the commitment held by each finance party under the Facilities Agreement may vary;

(iii) the tranching of the remaining Facility B in two tranches, i.e. a Facility B1, for an amount equal to euro 250,000,000, terminating on 2 March 2023, and an amortized Facility B2, for an amount equal to euro 100,000,000, which shall be repaid in six half-yearly instalments having equal value starting from 28 February 2020 (the last instalment being due on 28 August 2022);

(iv) the inclusion of a period of limitation to the utilisation of the Revolving Facility, whose amount remains unchanged, equal to euro 100,000,000, and whose termination date is set on 2 March 2023; such limitation entails that the utilisations of the Revolving Facility less existing cash and cash equivalent shall not exceed euro 25,000,000 for a period of at least 5 days in each financial year (the "Clean down period"); not less than six months shall elapse between two such testing periods;

(v) the inclusion of a mandatory prepayment circumstance, starting from the financial year ending on 31 January 2021, to be made proportionally to the amount of excess cash (if any) ("Cash sweep"), to be used for the repayment of the Facility B1 and, once the Facility B1 has been repaid in full, *pro rata* for the repayment of the instalments of the Facility B2;

(vi) certain limitations to the distribution of dividends linked to certain leverage ratios: in particular, dividends shall not be distributed should the leverage ratio be equal to or greater than 2.25x; should the leverage ratio be lower than such threshold, any distribution shall, in any case, be conditional upon, among others, compliance with the requirements concerning the aforementioned Cash Sweep and, as regards the distribution related to the result of the financial year 2019, a maximum threshold equal to euro 10,000,000 or 3% dividend yield, if lower;

(vii) certain amendments to the financial covenants currently included in the Facilities Agreement;

(viii) the amendment of the change of control definition currently included in the Facilities Agreement favorably for the company, also in light of the current shareholding structure as a listed company; and

(ix) an increase in the margin applicable to the financial package which, depending on the different facilities, varies from 25 to 50 bps.

Following the receipt of the proposal letter of the aforementioned Amendment and Restatement Agreement, OVS S.p.A., as holding company, has executed on the date hereof, 19 September 2019, the related acceptance letter. Within 15 business days OVS S.p.A. shall proceed with the satisfaction of the conditions precedent set out in the Amendment and Restatement Agreement, in order for such agreement, and the amendments set out therein, to become effective.

No other material events have occured since 31 July 2019.

APPENDICES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following documents contain additional information on the condensed consolidated half-year financial statements at 31 July 2019.

Appendices:

1 Property, plant and equipment at 31 July 2019;
2 Right of use assets at 31 July 2019;
3 Intangible assets at 31 July 2019.

APPENDIX 1

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

	Balance at 31.01.2019	Movements during the period: Purchases	Sales / disposals	Amortisation / write-downs	IFRS16 reclassification	Balance at 31.07.2019
Leasehold improvements						
initial cost	213,118	3,455	(1,271)	0	0	215,302
write-downs	0	0	0	0	0	0
amortisation	(153,979)	0	1,083	(4,671)	0	(157,567)
net	**59,139**	**3,455**	**(188)**	**(4,671)**	**0**	**57,735**
Land and buildings						
initial cost	6,511	0	0	0	0	6,511
write-downs	0	0	0	0	0	0
amortisation	(1,858)	0	0	0	0	(1,858)
net	**4,653**	**0**	**0**	**0**	**0**	**4,653**
Plant and machinery						
initial cost	310,016	4,180	(1,796)	0	0	312,400
write-downs	0	0	0	0	0	0
amortisation	(223,497)	0	1,575	(6,650)	0	(228,572)
net	**86,519**	**4,180**	**(221)**	**(6,650)**	**0**	**83,828**
Industrial and commercial equipment						
initial cost	350,711	7,466	(8,111)	0	(198)	349,868
write-downs	0	0	0	0	0	0
amortisation	(244,243)	0	7,685	(9,766)	122	(246,202)
net	**106,468**	**7,466**	**(426)**	**(9,766)**	**(76)**	**103,666**
Other assets						
initial cost	62,274	834	(110)	0	(2,482)	60,516
write-downs	0	0	0	0	0	0
amortisation	(52,332)	0	106	(1,262)	1,476	(52,012)
net	**9,942**	**834**	**(4)**	**(1,262)**	**(1,006)**	**8,504**
Assets under construction and payments on account						
initial cost	7,153	2,543	(2,737)	0	0	6,959
write-downs	0	0	0	0	0	0
amortisation	0	0	0	0	0	0
net	**7,153**	**2,543**	**(2,737)** (1)	**0**	**0**	**6,959**
Total						
initial cost	949,783	18,478	(14,025)	0	(2,680)	951,556
write-downs	0	0	0	0	0	0
amortisation	(675,909)	0	10,449	(22,349)	1,598	(686,211)
net	**273,874**	**18,478**	**(3,576)** (2)	**(22,349)**	**(1,082)**	**265,345**

(1) Of this amount, € 2,737 thousand represents assets under construction at 31/01/2019, reclassified to the specific asset categories in the first half of 2019.

(2) Includes € 762 thousand relating to fixed assets disposed of and written down in the period due to the closure of point of sale.

APPENDIX 2

Right of use

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

	IFRS 16 impact at 01.02.2019	Movements during the period: Acquisitions	Disposals	Amortisation / write-downs	Balance at 31.07.2019
Land and buildings					
initial cost	912,562	27,510	(1,403)	0	938,669
write-downs	0	0	0	0	0
amortisation	0	0	1,389	(73,583)	(72,194)
net	**912,562**	**27,510**	**(14)**	**(73,583)**	**866,475**
Industrial and commercial equipment					
initial cost	198	0	0	0	198
write-downs	0	0	0	0	0
amortisation	(122)	0	0	(20)	(142)
net	**76**	**0**	**0**	**(20)**	**56**
Other assets					
initial cost	3,639	378	(90)	0	3,927
write-downs	0	0	0	0	0
amortisation	(1,476)	0	90	(741)	(2,127)
net	**2,163**	**378**	**0**	**(741)**	**1,800**
Total					
initial cost	916,399	27,888	(1,493)	0	942,794
write-downs	0	0	0	0	0
amortisation	(1,598)	0	1,479	(74,344)	(74,463)
net	**914,801**	**27,888**	**(14)**	**(74,344)**	**868,331**

APPENDIX 3

Intangible assets

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

	Balance at 31.01.2019	Movements during the period Purchases	Sales / disposals	Amortisation / write-downs	Balance at 31.07.2019
Rights to industrial patents and intellectual property rights					
initial cost	149,251	4,310	(23)	0	153,538
write-downs	0	0	0	0	0
amortisation	(121,919)	0	3	(4,574)	(126,490)
net	**27,332**	**4,310**	**(20)**	**(4,574)**	**27,048**
Concessions, licences and trademarks					
initial cost	520,259	0	(790)	0	519,469
write-downs	(6,206)	0	737	20	(5,449)
amortisation	(7,924)	0	31	(518)	(8,411)
net	**506,129**	**0**	**(22)**	**(498)**	**505,609**
Assets under construction and payments on account					
initial cost	989	892	(961)	0	920
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**989**	**892**	**(961)** (1)	**0**	**920**
Other intangible assets					
initial cost	165,564	21	(81)	0	165,504
write-downs	0	0	0	0	0
amortisation	(67,027)	0	80	(4,141)	(71,088)
net	**98,537**	**21**	**-1**	**(4,141)**	**94,416**
Total					
initial cost	836,063	5,223	(1,855)	0	839,431
write-downs	(6,206)	0	737	20	(5,449)
amortisation	(196,870)	0	114	(9,233)	(205,989)
net	**632,987**	**5,223**	**(1,004)**	**(9,213)**	**627,993**
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, € 961 thousand represents assets under construction at 31/01/2019, reclassified to the specific asset categories in the first half of 2019.

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 2019 to 31 July 2019.

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 2019 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) have been 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 2019

Stefano Beraldo
The Chief Executive Officer

Nicola Perin
The 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 2019, 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 2019 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, 20 September 2019

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, 20 September 2019

PricewaterhouseCoopers SpA

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Massimo Dal Lago
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