OVS Group
Half-year Financial Report at 31 July 2020

OVS S.p.A.
Venice

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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 BODIES

Board of Directors

Franco Moscetti (1)	*Chairman*
Giovanni Tamburi (2)	*Vice-Chairman*
Stefano Beraldo	*Chief Executive Officer and General Manager*
Carlo Achermann (2) (3)	*Director*
Elena Garavaglia (3)	*Director*
Alessandra Gritti	*Director*
Vittoria Giustiniani	*Director*
Massimiliano Magrini (1)	*Director*
Chiara Mio (1) (2) (3)	*Director*

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

(2) Member of the Appointments and Remuneration Committee

(3) Member of the Related Party Transactions Committee

Board of Statutory Auditors

Stefano Poggi Longostrevi	*Chairman*
Paola Tagliavini	*Standing Auditor*
Roberto Cortellazzo Wiel	*Standing Auditor*
Emilio Vellandi	*Alternate Auditor*
Emanuela Italia Fusa	*Alternate Auditor*

Independent auditor

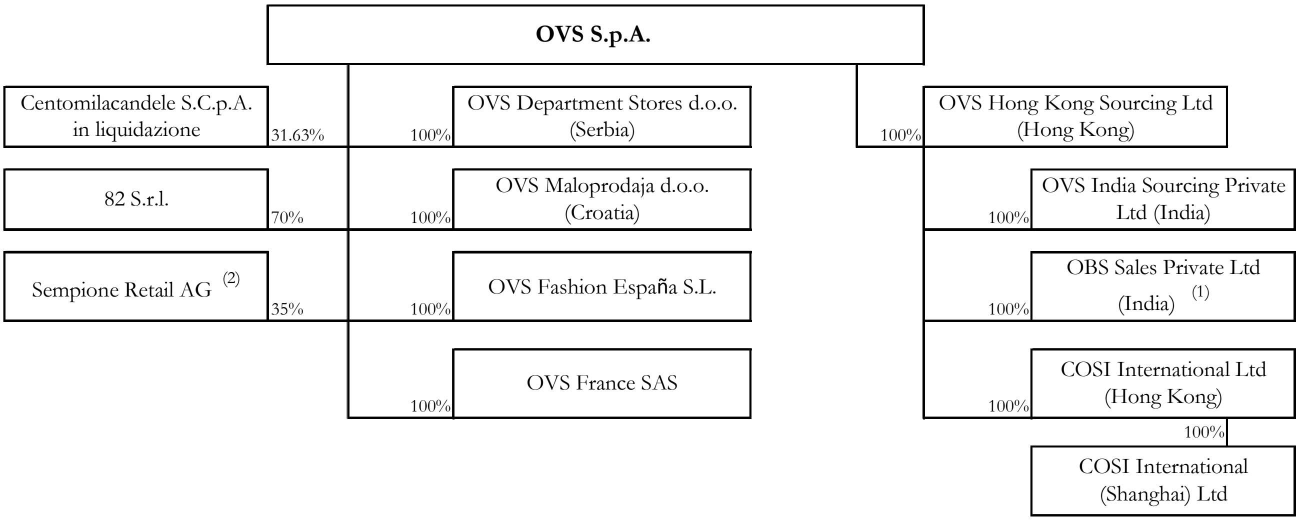
PricewaterhouseCoopers S.p.A.

Financial Reporting Officer

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

Performance

In a half-year that saw the stores closed for almost two months, the OVS Group responded very rapidly in terms of costs. The strong containment measures implemented have allowed us, and will continue to allow us, to lower the break-even point even further in the medium/long term. The positioning of our Group, which is increasingly focused on "value for money", the quality of our garments at the right price, their functionality, the attention paid to the materials used and to sustainability, has contributed to a post-lockdown recovery that continues to exceed our expectations. Our brands have shown themselves to be firmly rooted in the purchasing choices of Italians, regardless of their preferred sales channel: the increase in e-commerce sales during lockdown and the return to strong turnover when the stores reopened are evidence of this.

Compared with a first quarter (February-April) that was penalised by the lockdown, when all stores were closed from 12 March, only fully reopening from 18 May, our turnover performance in the period May-July was remarkable, decreasing only in proportion to the days of closure – all the more so if we consider that, as well as the sharp decrease in traffic in the weeks immediately after the reopening, there was also a delay in the sales to August, resulting in a reduced inflow in July. Net sales for the half-year amounted to €375.7 million (-42% compared with 2019). OVS and Upim online channel sales also rose sharply during the period (+80%).

In the second quarter, adjusted EBITDA recovered strongly to reach €36.1 million, essentially in line with the previous year due to the increase in margins and the various cost containment measures rapidly adopted. The EBITDA loss in the first quarter was therefore fully recovered: adjusted EBITDA for the half-year was €2.1 million (€48.1 million reported).

Our product range was very popular, and we are particularly pleased with the performance of the summer component, which was only minimally affected by the months of forced closure. Interestingly, there was considerable divergence in performance between the various demographic areas. Italy's tourist cities and central Milan performed poorly due to a lack of tourism and to smart working. The other areas performed very well, rewarding us for our extensive local presence, combined with our emphasis on families.

Our financial structure benefited from the careful use of all levers described. We ended the period with a slightly better net financial position than in the previous year. In addition, further lines of credit of €100 million were made available. The Group has considerable room for manoeuvre, even in the most conservative scenarios.

Key information on operations at 31 July 2020

Market share stood at 8.1%, up slightly compared with the first half of 2019.
Nevertheless, the results for the first six months of 2020 were clearly affected by the long period of lockdown.
Adjusted EBITDA was €2.1 million, in line with expectations and lower than in the first half of 2019 due to lower receipts in lockdown. Reported EBITDA was positive for €48.1 million, mainly due to the adoption of IFRS 16, reflecting lower rental costs of €58.1 million.
In the first half of 2020, the scope increased by 17 stores.
The adjusted net result for the period was a loss of €29.7 million, a decrease that mainly reflects the lower EBITDA. The reported net result for the period was a loss of €75.9 million. For more information on the impact of the adoption of IFRS 16, see the more detailed sections below.
Thanks to the cost reduction initiatives implemented and careful working capital management, the adjusted net financial position was €410.6 million, in line with 31 July 2019, despite the loss of receipts due to the lockdown period.

The results for the first six months of 2020, compared with the first half of 2019, are shown below:

€mln	31 July '20 Reported	31 July '20 Adjusted	31 July '19 Reported	31 July '19 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**375.1**	**375.7**	**650.6**	**650.6**	**(274.9)**	**(42.2%)**
Gross Profit	**216.7**	**222.9**	**364.6**	**374.8**	**(152.0)**	**(40.5%)**
% on net sales	*57.8%*	*59.3%*	*56.0%*	*57.6%*		
EBITDA	**48.1**	**2.1**	**137.3**	**62.5**	**(60.5)**	**n.m**
% on net sales	*12.8%*	*0.5%*	*21.1%*	*9.6%*		
EBIT	**(55.8)**	**(26.5)**	**30.6**	**34.2**	**(60.7)**	**n.m**
% on net sales	*-14.9%*	*-7.0%*	*4.7%*	*5.3%*		
EBT	**(97.6)**	**(37.0)**	**10.8**	**25.2**	**(62.2)**	**n.m**
% on net sales	*-26.0%*	*-9.8%*	*1.7%*	*3.9%*		
Net Profit	**(75.9)**	**(29.7)**	**5.3**	**16.8**	**(46.5)**	**n.m**
% on net sales	*-20.2%*	*-7.9%*	*0.8%*	*2.6%*		
Net Financial Debt	**1,303.2**	**410.6**	**1,266.7**	**413.6**	**(3.0)**	**(0.7%)**
Market Share (%)		**8.1**		**8.0**		**0.5%**

The table shows the results adjusted to represent the Group's operating performance net of the effects of the application of the IFRS 16 international accounting standard, as well as non-recurring events unrelated to the core business.
In particular, in the first half of 2020 the results have been adjusted mainly to strip out the impacts related to IFRS 16, and specifically: (i) €58.1 million on EBITDA to reflect the cost for rent net of the impact of €30.1 million relating to the estimate of the renegotiations triggered by the pandemic (as such, these may differ from the figures in the financial statements, which will reflect the effects of the occurrence of the event subject to the estimate), (ii) €12.9 million in lower net costs on EBIT due to the reversal of depreciation and amortisation of €71 million, and (iii) €28.4 million in lower net costs on the reported net result for the period due to the reversal of €24.3 million relating to net financial expenses and €8.9 million in higher taxes. Lastly, (iv) the net financial position was adjusted for €878.6 million less in liabilities.
EBITDA in the first half of 2020 was also adjusted mainly as follows: (i) €0.7 million in an extraordinary one-off premium granted to a foreign partner; (ii) €5.4 million in net foreign exchange gains on forward hedging of purchases of goods in foreign currency sold in the period, (iii) €4.0 million in non-recurring expenses directly attributable to the COVID-19 emergency; (iv) €1.6 million in costs relating to stock option plans (non-cash costs); and (v) other less significant net one-off costs.
Other adjustments that impacted EBIT and the result before tax concerned: (i) costs of €4.3 million related to the amortisation of intangible assets due to the purchase price allocation (PPA) of previous business combinations; and (ii) adjusted net costs of €7 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 adjusted net result for the period was affected (for €5.6 million) by the taxes recalculated following the above adjustments.

In the first half of 2019, the results were adjusted mainly to strip out the impacts of IFRS 16, as follows: €87.3 million on EBITDA, €13.2 million on EBIT, -€8.8 million on the reported net 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 due to the purchase price allocation (PPA) of past business combinations; and (ii) adjusted financial income of €14.6 million, mainly relating to foreign exchange gains arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange gains (the latter reclassified to "Purchases of raw materials, consumables and goods").
Lastly, the adjusted net result for the period reflected taxes recalculated following the above adjustments, entailing an increase in expenses of €2.9 million.

Normalised consolidated results

The following table shows the consolidated results by nature for the first six months of 2020, compared with those for the same period of the previous year (in millions of euros).

€mln	31 July '20 Reported	31 July '20 Adjusted	31 July '19 Reported	31 July '19 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**375.1**	**375.7**	**650.6**	**650.6**	**(274.9)**	**(42.2%)**
Purchases of consumables	158.3	152.9	286.0	275.8	(122.9)	(44.6%)
Gross Margin	**216.7**	**222.9**	**364.6**	**374.8**	**(152.0)**	**(40.5%)**
GM%	*57.8%*	*59.3%*	*56.0%*	*57.6%*		
Personnel costs	105.5	103.9	143.6	142.2	(38.3)	(26.9%)
Costs for services	68.8	66.7	87.0	87.4	(20.7)	(23.7%)
Rent costs	(17.1)	41.2	(16.5)	70.4	(29.2)	(41.5%)
Provisions	1.4	1.4	1.3	1.3	0.1	n.a.
Other operating costs	10.1	7.6	11.9	11.0	(3.4)	(30.7%)
Total operating costs	168.7	220.8	227.3	312.3	(91.5)	(29.3%)
EBITDA	**48.1**	**2.1**	**137.3**	**62.5**	**(60.5)**	**(96.7%)**
EBITDA%	*12.8%*	*0.5%*	*21.1%*	*9.6%*		
Depreciation & Amortization	103.8	28.5	106.7	28.3	0.2	0.8%
EBIT	**(55.8)**	**(26.5)**	**30.6**	**34.2**	**(60.7)**	**n.m.**
EBIT %	*-14.9%*	*-7.0%*	*4.7%*	*5.3%*		
Net financial (income)/charges	41.8	10.5	19.8	9.0	1.5	17.0%
PBT	**(97.6)**	**(37.0)**	**10.8**	**25.2**	**(62.2)**	**n.m.**
Taxes	(21.8)	(7.3)	5.5	8.4	(15.7)	n.m.
Net Income	**(75.9)**	**(29.7)**	**5.3**	**16.8**	**(46.5)**	**n.m.**

The following table shows the consolidated results by business segment for the first six months of 2020, compared with those for the same period of the previous year (in millions of euros).

€mln	31 July '20 Adjusted	31 July '19 Adjusted	Chg %
Net Sales			
OVS	300.5	530.9	(43.4%)
UPIM	75.2	119.7	(37.2%)
Total Net Sales	**375.7**	**650.6**	**(42.2%)**
EBITDA			
OVS	(0.4)	49.1	(100.9%)
EBITDA margin	*-0.1%*	*9.3%*	
UPIM	2.5	13.4	(81.5%)
EBITDA margin	*3.3%*	*11.2%*	
Total EBITDA	**2.1**	**62.5**	**(96.7%)**
EBITDA margin	***0.5%***	***9.6%***	
Depreciation	(28.5)	(28.3)	0.8%
EBIT	**(26.5)**	**34.2**	**n.m.**
Net financial income/(charges)	(10.5)	(9.0)	17.0%
PBT	**(37.0)**	**25.2**	**n.m.**
Taxes	(7.3)	8.4	n.m.
Net Result	**(29.7)**	**16.8**	**n.m.**

Notes to the main items in the income statement

Net sales

€mln	1H20	1H19	*Chg.*	*Chg. %*
OVS	300.5	530.9	*(230.4)*	*(43.4%)*
upim	75.2	119.7	*(44.5)*	*(37.2%)*
Total	**375.7**	**650.6**	*(274.9)*	*(42.2%)*

€mln	1H20	1H19	*Chg.*	*Chg. %*
DOS & e-commerce	308.9	534.5	*(225.6)*	*(42.2%)*
Franchise & Marketplace	66.9	116.1	*(49.3)*	*(42.4%)*
Total	**375.7**	**650.6**	*(274.9)*	*(42.2%)*

Total sales in the first half of the year, strongly penalised by the lockdown period, came in at €376 million, down 42.2% compared with the same period of 2019. Since the stores reopened on 18 May, store traffic has increased progressively, once again demonstrating the key role played by both the OVS and Upim brands for Italian consumers. After accounting for the number of days stores were actually open, compared with the second quarter of last year, the sales performance was in line with last year, even though the sales period was postponed from July to August.

The decline in sales was similar in the direct and franchise channels, while the Upim brand declined slightly less than OVS due to both a greater presence in small catchment areas and a smaller presence in larger city centres, which were adversely affected by lower turnout than usual due to the closure of offices and a decrease in tourism.

EBITDA

	2Q20		1H20		2Q19		1H19			
€mln	***EBITDA*** *Adjusted*	***EBITDA%***	***EBITDA*** *Adjusted*	***EBITDA%***	***EBITDA*** *Adjusted*	***EBITDA%***	***EBITDA*** *Adjusted*	***EBITDA%***	**Chg. 2Q**	***Chg. 1H***
OVS	28.8	13.2%	(0.4)	(0.1%)	29.3	10.8%	49.1	9.3%	(0.5)	(49.6)
upim	7.3	13.4%	2.5	3.3%	8.2	13.2%	13.4	11.2%	(0.8)	(10.9)
Total	**36.1**	**13.2%**	**2.1**	**0.5%**	**37.4**	**11.2%**	**62.5**	**9.6%**	**(1.3)**	**(60.5)**

Thanks to EBITDA generation of €36.1 million in the second quarter, the loss recorded in the first three months of the year was almost fully recovered in the half-year.

In the last quarter, both brands performed in line with the previous year, thanks to higher margins and the measures implemented on the cost front, although stores only reopened in the second half of May and traffic was, on the whole, lower than normal.

Net result for the period

The adjusted loss for the half-year was €29.7 million, entirely attributable to the decrease in sales caused by the period of store closure. The reported net result for the period was a loss of €75.9 million, compared with €5.3 million at 31 July 2019.

The adjusted net result for the period was affected (for €5.6 million) by the taxes recalculated following the above adjustments.

Analysis and details of the consolidated results in the first half of 2020

The following table compares the Group's consolidated results in the first half of 2020 with those of the first half of 2019, presenting separately the effect of the application of IFRS 16, including the estimated impact of the renegotiations triggered by the pandemic, net non-recurring expenses before IFRS 16, stock option expenses, amortisation of intangible assets deriving from the purchase price allocation of previous business combinations, and income and expenses relating to foreign exchange gains or losses, both realised and from the valuation of items in foreign currencies (mainly USD) at the reporting date, including with respect to contractualised forward derivatives.

€mln	31 July '20 Reported	of which IFRS 16	of which non-recurring	of which Stock Option plan, derivatives, PPA, foreign exchange differences	31 July '20 Adjusted	31 July '19 Reported	of which IFRS 16	of which non-recurring	of which Stock Option plan, derivatives, PPA, foreign exchange differences	31 July '19 Adjusted
Net Sales	**375.1**		(0.7)		**375.7**	**650.6**	0.0	0.0		**650.6**
Purchases of consumables	158.3		0.0	5.4 (a)	152.9	286.0	0.0	0.0	10.2 (a)	275.8
Gross Margin (A)	**216.7**				**222.9**	**364.6**	0.0			**374.8**
GM%	*57.8%*				*59.3%*	*56.0%*				*57.6%*
Personnel costs	105.5	(0.0)	0.0	1.6 (b)	103.9	143.6	0.0	0.1	1.3 (b)	142.2
Costs for services	68.8	(0.5)	2.6		66.7	87.0	(0.6)	0.2		87.4
Costs for the use of third-party assets, net of other operating income	(17.1)	(57.9)	(0.4)		41.2	(16.5)	(86.9)	0.0	0.0	70.4
Provisions	1.4		0.0		1.4	1.3		0.0	0.0	1.3
Other operating costs	10.1	0.3	2.1		7.6	11.9	0.2	0.7	0.0	11.0
Other operating costs (B)	**168.7**	**(58.1)**	**4.3**	**1.6**	**220.8**	**227.3**	**(87.3)**	**1.0**	**1.3**	**312.3**
EBITDA (A - B)	**48.1**	**58.1**	**(5.0)**	**(7.1)**	**2.1**	**137.3**	**87.3**	**(1.0)**	**(11.5)**	**62.5**
EBITDA%	*12.8%*				*0.5%*	*21.1%*				*9.6%*
Depreciation, amortization and write-downs of assets	103.8	71.0		4.3 (c)	28.5	106.7	74.1	0.0	4.3 (c)	28.3
EBIT	**(55.8)**	**(12.9)**	**(5.0)**	**(11.4)**	**(26.5)**	**30.6**	**13.2**	**(1.0)**	**(15.8)**	**34.2**
EBIT %	*-14.9%*				*-7.0%*	*4.7%*				*5.3%*
Net financial (income)/charges	41.8	(24.3)	0.0	(7.0) (d)	10.5	19.8	(25.4)	0.0	14.6 (d)	9.0
PBT	**(97.6)**	**(37.3)**	**(5.0)**	**(18.4)**	**(37.0)**	**10.8**	**(12.2)**	**(1.0)**	**(1.2)**	**25.2**
Taxes	(21.8)	(8.9)	(1.2)	(4.4)	(7.3)	5.5	(3.4)	(0.2)	0.7	8.4
Net Income	**(75.9)**	**(28.4)**	**(3.8)**	**(14.0)**	**(29.7)**	**5.3**	**(8.8)**	**(0.8)**	**(2.0)**	**16.8**

(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 2020, compared with the same period of the previous year and the end of the previous year (in millions of euros).

€mln	31 July '20 Reported	31 July '19 Reported	31 January '20 Reported	chg. Jul '20 vs Jan '20
Trade Receivables	86.7	100.6	86.0	0.7
Inventory	448.7	411.2	393.1	55.6
Trade Payables	(303.5)	(312.3)	(321.1)	17.7
Trade Working Capital	**231.9**	**199.5**	**157.9**	**73.9**
Other assets/(liabilities)	(98.6)	(92.2)	(99.5)	0.9
Net Working Capital	**133.2**	**107.3**	**58.4**	**74.8**
Tangible and Intangible Assets	1,975.5	2,214.3	2,037.1	(61.6)
Net deferred taxes	(106.1)	(123.1)	(127.8)	21.7
Other long term assets/(liabilities)	(5.0)	(12.2)	(5.8)	0.7
Pension funds and other provisions	(40.7)	(44.3)	(41.7)	1.1
Net Capital Employed	**1,956.9**	**2,142.0**	**1,920.2**	**36.7**
Net Equity	653.7	875.3	728.8	(75.2)
Net Financial Debt	1,303.2	1,266.7	1,191.4	111.8
Total source of financing	**1,956.9**	**2,142.0**	**1,920.2**	**36.7**

Net capital employed amounted to €1,957 million, an increase of €36.7 million compared with January 2020, mainly due to the increase in working capital. The decrease in net fixed assets compared with the same period of the previous year was mainly due to the result of the impairment test carried out at the end of 2019.

Net financial position

€mln	31 July '20 Excluded IFRS16	31 July '19 Excluded IFRS16
Net Debt	**424.6**	**398.4**
Net Debt MTM of Derivatives excluded	**410.6**	**413.6**
EBITDA LTM Adjusted	**95.8**	**125.7**
Leverage on EBITDA	**4.3x**	**3.3x**

At 31 July 2020, the Group's net financial position was €410.6 million net of the mark-to-market effect (negative for €14 million) and the adoption of IFRS 16 (€878.6 million more net liabilities). Total debt was therefore in line with the previous year. The financial structure is solid: at 31 July 2020, the Group had

available cash and unused lines of credit of approximately €155 million. Finally, it should be noted that the Group was granted an exemption from testing the only covenant applied (net financial position to EBITDA) until 31 January 2021 inclusive. If the EBITDA performance in the first quarter – severely affected by the pandemic – is normalised, period-end leverage amounts to 2.7x. The average interest rate for the period was 3.48% + 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 2020, compared with the same period of the previous year (in millions of euros).

€mln	31 July '20 Excluded IFRS16	31 July '19 Excluded IFRS16	Chg.
EBITDA Adjusted	**2.1**	**62.5**	**(60.4)**
Adjustments	(6.6)	(2.3)	(4.3)
Change in Trade Working Capital	(83.5)	(40.5)	(43.0)
Other changes in Working Capital	1.2	(19.5)	20.7
Capex	(11.8)	(19.9)	8.1
Operating Cash Flow	**(98.6)**	**(19.6)**	**(79.0)**
Financial charges	(10.4)	(8.1)	(2.3)
Severance indemnity payment	(0.8)	(1.3)	0.5
Corporate taxes & Others	0.0	(1.6)	1.6
Others	9.1	(7.2)	16.3
Net Cash Flow (excl derivatives MtM and IFRS 16)	**(100.7)**	**(37.8)**	**(62.9)**

Operating cash flow

Despite the decrease in receipts in the half-year of approximately €270 million, effective working capital management, cost control and lower investments limited the increase in cash used to just €62.9 million compared with the same period of the previous year.

This use was mainly due to the lower EBITDA generated in the period and payment for goods that went unsold due to the store closures. Many of these goods were never delivered to stores and are in perfect condition for sale next year, enabling a quick recovery from the inevitable, temporary financial impact suffered.

Some planned investments were temporarily suspended, with lower VAT payments due to lost sales and lower taxes. Payments continue to be made gradually according to the extensions granted by suppliers during the lockdown period.

Impacts of IFRS 16 and alternative performance indicators

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, whose construction has already been commented on, are also presented.

The consolidated income statement for the first half of 2020 is shown below, including and excluding the effects of IFRS 16 relating to rental payments only, also taking into account estimates of the impact of the renegotiations triggered by the pandemic.

€mln	**31 July '20 Reported**	***IFRS 16 Impacts***	**31 July '20 excl. IFRS 16**
Revenues	375.1	-	375.1
Other operating income and revenues	19.4	*1.3*	20.7
Total revenues	**394.5**	***1.3***	**395.7**
Purchases of consumables	158.3	-	158.3
Staff costs	105.5	*0.0*	105.5
Depreciation, amortization and write-downs of assets	103.8	*(71.0)*	32.8
Other operating expenses			
Service costs	68.8	*0.5*	69.3
Costs for the use of third-party assets	2.3	*59.2*	61.5
Write-downs and provisions	1.4	*(0.0)*	1.4
Other operating costs	10.1	*(0.3)*	9.7
Results before net financial expenses and taxes	**(55.8)**	***12.9***	**(42.8)**
Financial income	0.4	*(0.4)*	0.0
Financial expenses	35.2	*(24.7)*	10.5
Exchange rate gains and losses	(7.0)	-	(7.0)
Gains (losses) from equity investments	(0.0)	-	(0.0)
Net result for the period before tax	**(97.6)**	***37.3***	**(60.3)**
Taxes	(21.8)	*8.9*	(12.9)
Net result for the period	**(75.9)**	***28.4***	**(47.5)**

€mln	31 July '20 Reported	*IFRS 16 Impacts*	31 July '20 excl. IFRS 16
Net Sales	**375.1**		**375.1**
Gross Profit	**216.7**		**216.7**
% on net sales	*57.8%*		*57.8%*
EBITDA	**48.1**	***(58.1)***	**(10.0)**
% on net sales	*12.8%*		*-2.7%*
EBIT	**(55.8)**	***13.0***	**(42.8)**
% on net sales	*-14.9%*		*-11.4%*
EBT	**(97.6)**	***37.3***	**(60.3)**
% on net sales	*-26.0%*		*-16.1%*
Net Profit for the period	**(75.9)**	***28.4***	**(47.5)**
% on net sales	*-20.2%*		*-12.7%*

The same effects on the reclassified consolidated statement of financial position at 31 July 2020 are summarised below:

€mln	31 July '20 Reported	*IFRS 16 Impacts*	31 July '20 excl. IFRS 16
Trade Receivables	86.7	*0.0*	86.7
Inventory	448.7	*0.0*	448.7
Trade Payables	(303.5)	*0.0*	(303.5)
Trade Working Capital	**231.9**	***0.0***	**231.9**
Other assets/(liabilities)	(98.6)	*11.7*	(87.0)
Net Working Capital	**133.2**	***11.7***	**144.9**
Tangible and Intangible Assets	1,975.5	*(822.7)*	1,152.8
Net deferred taxes	(106.1)	*(8.7)*	(114.8)
Other long term assets/(liabilities)	(5.0)	*(11.7)*	(16.7)
Pension funds and other provisions	(40.7)	*0.0*	(40.7)
Net Capital Employed	**1,956.9**	***(831.4)***	**1,125.5**
Net Equity	653.7	*47.2*	700.9
Net Financial Debt	1,303.2	*(878.6)*	424.6
Total source of financing	**1,956.9**	***(831.4)***	**1,125.5**

Significant events during the first half of 2020

As a result of the Covid-19 pandemic, the Parent Company, OVS S.p.A. made contact with the banks in April 2020 to gauge their willingness to provide additional finance to support the temporary but inevitable increase in working capital. In this regard, on 8 April 2020 the Italian government issued the so-called "Liquidity Decree", immediately providing a valid form of financial support that the Group decided to activate. The process of financial reinforcement to cope with the prolonged forced lock-down of the store network was successfully completed on 24 June.

The process involved a pool of five banks in the existing loan agreement, Cassa Depositi e Prestiti S.p.A. and a new bank, and, as mentioned above, was completed with the approval of the Decree of the Ministry of Economy and Finance and the subsequent disbursement on 25 June 2020 of €100 million in new financing, 80% counter-guaranteed by SACE S.p.A. (the so-called "SACE Loan").

Alongside this process, the banks in the pre-existing loan agreement granted amendments/suspensions to the agreement, the most significant of which were: (i) the suspension of the instalments due in August 2020 and February 2021 and (ii) the suspension of the covenant test until April 2021. For further information, please see the notes to these condensed consolidated half-year financial statements.

On 9 July 2020, the Ordinary Shareholders' Meeting of the Parent Company, OVS S.p.A., approved the financial statements at 31 January 2020 and resolved to carry forward the losses for the year.

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

The Meeting also approved, as required by the applicable regulations, by binding resolution, the first section of the report on the remuneration policy and compensation paid (remuneration policy) and has also approved, by non-binding resolution, the second section of that report (compensation paid).

On the same date, the Extraordinary Shareholders' Meeting granted the Board of Directors a mandate to increase the share capital, pursuant to articles 2443 and 2441, paragraph 4, second sentence, of the Italian Civil Code, and a mandate to increase the share capital pursuant to articles 2443 and 2441, paragraph 4, first sentence, of the Italian Civil Code.

Lastly, on the basis of the lists submitted, the Shareholders' Meeting appointed the new Board of Directors, which will remain in office until the approval of the financial statements at 31 January 2023. The new Board is made up of nine members. From the list that obtained the highest number of votes, submitted by the outgoing Board of Directors, the following were elected: Franco Moscetti, Stefano Beraldo, Giovanni Tamburi, Alessandra Gritti, Massimiliano Magrini, Chiara Mio, Vittoria Giustiniani and Carlo Achermann. From the minority list submitted by institutional shareholders, Elena Garavaglia was elected.

The Shareholders' Meeting also appointed Franco Moscetti as Chairman of the Board of Directors.

The Shareholders' Meeting then appointed the new Board of Statutory Auditors, consisting of Stefano Poggi Longostrevi, taken from the minority list submitted by institutional shareholders, as Chairman of the Board of Statutory Auditors, Paola Tagliavini and Roberto Cortellazzo Wiel as Standing Auditors, taken from the list that obtained the highest number of votes, submitted by the shareholder TIP – TAMBURI

Investment Partners S.p.A., and Emilio Vellandi and Emanuela Italia Fusa as Alternate Auditors, taken from the list that obtained the highest number of votes and from the minority list, respectively.
The Board of Statutory Auditors will remain in office until the approval of the financial statements at 31 January 2023.
Lastly, it should be noted that the new Board of Directors convened on the same day for the first time immediately after its appointment by the Shareholders' Meeting and appointed the director Stefano Beraldo as Chief Executive Officer.
The Board also appointed Giovanni Tamburi as Vice-Chairman.

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 2020.

Investments

In the first six months of the year, investments of €11.8 million were made, mainly relating to (i) new store openings, for around €3.5 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 €4.1 million; and (iii) the development of IT systems and distribution processes, for around €4.1 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 2020.

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 ordinary newly issued shares of OVS S.p.A. The Plan is reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries. The Plan is intended to create value for shareholders by improving long-term corporate performance and attracting staff 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 meeting was also convened in extraordinary session to resolve upon the proposal to give the Board of Directors, for a period of five years from the date of the resolution, the power to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000.00, 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.
As of 31 July 2020, 2,947,963 options had 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 increase the share capital pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €4,080,000.00, through the issue, in one or more tranches, of up to 4,080,000 new ordinary shares of OVS, to be reserved for the beneficiaries of the "Stock Option Plan 2017-2022".
This Plan is also intended to create value for shareholders by improving long-term corporate performance and attracting staff 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.
As of 31 July 2020, 1,850,750 options had 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.
As of 31 July 2020, 5,000,000 options had 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

No significant events took place after 31 July 2020.

Business outlook

The OVS Group confirms the strength of its positioning. Clients prefer us for our brands and the products we deliver – not just the distribution channels we use.
If the online channel should become significant (as it is not in our market segment today) we will be extremely well prepared, as we already have a state-of-the-art platform, content and services. We aim for revenues of approximately €12 million in all 2020 on the ovs.it website alone, an increase of around 50% on the previous year. These numbers are moderate in absolute terms, but consistent with our broad geographical distribution. Our multi-channel, multi-geographical area strategy seems to us to be all the more interesting as it is aligned with foreseeable changes in consumer behaviour in the post-Covid period: not only more digital, but also more local consumption. In both cases we are ready. With our long-standing growth not only in city centres – focal points for discretionary consumption – but also in outlying or neighbourhood areas, where more needs-related consumption prevails – and where we are perhaps unbeatable.
We believe passionately in the quality of our products, and how in the eyes of our customers necessity can be combined with beauty. Low price and high quality, according to a sustainable approach. More than 500 Piombo branded corners are being inaugurated today. A designer who, as also reported by the *Financial Times*, *Monocle* and *Esquire USA*, is seen internationally as one of the most authoritative symbols of Italian style. A way to offer millions of Italians a range aimed at a vast, diverse public, without any age-related barriers, who dress with effortless style, at incredibly low prices – OVS prices.

Information pursuant to articles 70 and 71 of Consob Regulation 11971/1999

It should be noted that OVS S.p.A. has opted to adopt the regime, by derogation from articles 70, paragraph 6 and 71, paragraph 1, of Consob Regulation 11971/1999 (the Regulation for Issuers) in the event of significant mergers, demergers and capital increases through the contribution of assets in kind, acquisition and disposal, having notified Consob, Borsa Italiana and the public thereof at the time of submission of the application for the admission of shares to the MTA, pursuant to articles 70, paragraph 8 and 71, paragraph 1-*bis* of the Regulation for Issuers.

Venice, 22 September 2020

For the Board of Directors
The Chief Executive Officer

Stefano Beraldo

Condensed consolidated half-year financial statements at 31 July 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(thousands of euro)

ASSETS	Note	31.07.2020	of which related parties	31.01.2020	of which related parties
Current assets					
Cash and cash equivalents	*1*	138,601		45,656	
Trade receivables	*2*	86,664	3,268	85,981	1,836
Inventories	*3*	448,650		393,094	
Financial assets	*4*	83	83	7,572	0
Financial assets for leases	*5*	3,874	1,282	4,191	1,246
Current tax assets	*6*	14,630		14,683	
Other receivables	*7*	12,532		13,984	
Total current assets		**705,034**		**565,161**	
Non-current assets					
Property, plant and equipment	*8*	241,345		255,070	
Right of use	*9*	825,389		866,316	
Intangible assets	*10*	611,068		618,053	
Goodwill	*11*	297,541		297,541	
Equity investments	*12*	136		136	
Financial assets	*4*	2		34	
Financial assets for leases	*5*	7,957	1,971	10,623	2,620
Other receivables	*7*	10,588		11,119	
Total non-current assets		**1,994,026**		**2,058,892**	
TOTAL ASSETS		**2,699,060**		**2,624,053**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.07.2020	of which related parties	31.01.2020	of which related parties
Current liabilities					
Financial liabilities	*13*	128,631		38,871	
Financial liabilities for leases	*14*	154,630		133,808	
Trade payables	*15*	303,460	100	321,146	25
Current tax liabilities	*16*	0		0	
Other payables	*17*	125,812	2,577	128,215	1,737
Total current liabilities		**712,533**		**622,040**	
Non-current liabilities					
Financial liabilities	*13*	432,120		313,773	
Financial liabilities for leases	*14*	738,338		772,998	
Employee benefits	*18*	35,949		37,044	
Provisions for risks and charges	*19*	4,702		4,687	
Deferred tax liabilities	*20*	106,131		127,799	
Other payables	*17*	15,610		16,883	
Total non-current liabilities		**1,332,850**		**1,273,184**	
TOTAL LIABILITIES		**2,045,383**		**1,895,224**	
SHAREHOLDERS' EQUITY					
Share Capital	*21*	227,000		227,000	
Treasury shares	*21*	(1,496)		(1,496)	
Other reserves	*21*	504,299		643,982	
Net result for the period		(75,866)		(140,389)	
GROUP SHAREHOLDERS' EQUITY		**653,937**		**729,097**	
MINORITY INTERESTS	*21*	(260)		(268)	
TOTAL SHAREHOLDERS' EQUITY		**653,677**		**728,829**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,699,060**		**2,624,053**	

CONSOLIDATED INCOME STATEMENT
(thousands of euro)

	Note	31.07.2020	of which non-recurring	of which related parties	31.07.2019	of which non-recurring	of which related parties
Revenues	*22*	375,069	(679)	161	650,615		723
Other operating income and revenues	*23*	19,388	359	769	30,652		786
Total revenues		**394,457**	**(320)**		**681,267**	**0**	
Purchase of raw materials, consumables and goods	*24*	158,327			286,020		
Staff costs	*25*	105,479		3,256	143,569	105	3,662
Depreciation, amortisation and write-downs of assets	*26*	103,839			106,668		
Other operating expenses							
Service costs	*27*	68,800	2,579	85	87,013	198	6,644
Cost for the use of third-party assets	*28*	2,309		(63)	14,154		(158)
Write-downs and provisions	*29*	1,398			1,318		
Other operating charges	*30*	10,079	2,094		11,911	720	
Result before net financial expenses and taxes		**(55,774)**	**(4,993)**		**30,614**	**(1,023)**	
Financial income	*31*	377		102	621		135
Financial expenses	*31*	(35,186)			(35,005)		20
Exchange rate gains and losses	*31*	(7,030)			14,594		
Gains (losses) from equity investments	*31*	0			0		
Net result for the period before tax		**(97,613)**	**(4,993)**		**10,824**	**(1,023)**	
Taxes	*32*	21,754	(1,198)		(5,515)	246	
Net result for the period		**(75,859)**	**(3,795)**		**5,309**	**(777)**	
Net result for the year attributable to the Group		**(75,866)**			**5,302**		
Net result for the period attributable to minority interests		**7**			**7**		
Earnings per share (in euros)							
- basic		(0.33)			0.02		
- diluted		(0.32)			0.02		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(thousands of euro)

	Note	31.07.2020	31.07.2019
Net result for the period (A)		**(75,859)**	**5,309**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Actuarial gains (losses) for employee benefits	18-21	351	(1,630)
- Tax on items recognised in the reserve for actuarial gains (losses)	20-21	(84)	391
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**267**	**(1,239)**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	21	(1,191)	(201)
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**(1,191)**	**(201)**
Total other items of comprehensive income (B)		**(924)**	**(1,440)**
Total comprehensive income for the year (A) + (B)		**(76,783)**	**3,869**
Total comprehensive income attributable to the Group		(76,790)	3,862
Total comprehensive income attributable to minority interests		7	7

CONSOLIDATED STATEMENT OF CASH FLOWS
(thousands of euro)

	Note	**31.07.2020**	**31.07.2019**
Operating activities			
Net result for the period		(75,859)	5,309
Provision for taxes	*32*	(21,754)	5,515
Adjustments for:			
Net depreciation, amortisation and write-downs of fixed assets, leasing effects included	*26*	103,839	106,668
Net capital losses (gains) on fixed assets, leasing effects included		142	33
Net financial expenses (income), leasing effects included	*31*	34,808	34,384
Expenses (income) from foreign exchange differences and currency derivatives	*31*	(14,581)	(10,139)
Loss (gain) on derivatives due to change in fair value	*31*	21,612	(4,455)
Allocations to provisions	*18-19*	15	500
Utilisation of provisions	*18-19*	(764)	(1,573)
Cash flows from operating activities before changes in working capital		**47,458**	**136,242**
Cash flow generated by change in working capital	*2-3-6-7-15-16-17-20*	(75,350)	(68,341)
Taxes paid		0	(1,600)
Net interest received (paid), leasing effects included		(25,945)	(33,195)
Realised foreign exchange differences and cash flows from currency derivatives		12,180	10,957
Other changes		435	1,078
Cash flow generated (absorbed) by operating activities		**(41,222)**	**45,141**
Investment activities			
(Investments) in fixed assets	*8-10-11*	(11,779)	(20,155)
Disposals of fixed assets	*8-10-11*	23	87
(Increase) decrease in equity investments	*12*	0	0
Cash out due to business combination during the period		0	0
Cash flow generated (absorbed) by investment activities		**(11,756)**	**(20,068)**
Financing activities			
Net change in financial assets and liabilities	*4-13*	195,494	65,452
(Repayment) of lease liabilities/Collection of assets for leases	*5-14*	(49,571)	(61,055)
Increase in share capital and reserves		0	0
Dividends distribution		0	0
Cash flow generated (absorbed) by financing activities		**145,923**	**4,397**
Increase (decrease) in cash and cash equivalents		**92,945**	**29,470**
Cash and cash equivalents at the beginning of the period		**45,656**	**27,876**
Cash and cash equivalents at the end of the period		**138,601**	**57,346**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(thousands of euro)

	Share capital	Share premium reserve	Legal reserve	Treasury shares	Reserve for actuarial gains (losses)	Translation reserve	IFRS 2 reserve	Other reserves	Retained earnings	Net result for the year	Total shareholders' equity attributable to the OVS Group	Minority interests	Total shareholders' equity
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*	*7*	*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**
Balance at 01 February 2020	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,661)**	**601**	**6,356**	**4,341**	**114,466**	**(140,389)**	**729,097**	**(268)**	**728,829**
- Allocation of earnings for financial year 2019	-	-	-	-	-	-	-	-	*(140,389)*	*140,389*	*0*	-	*0*
- Management incentive plan	-	-	-	-	-	-	*1,631*	-	-	-	*1,631*	-	*1,631*
Relations with Shareholders	-	-	-	-	-	-	1,631	-	(140,389)	140,389	1,631	-	1,631
- Net result for the period	-	-	-	-	-	-	-	-	-	*(75,866)*	*(75,866)*	*7*	*(75,859)*
- Other items of comprehensive income	-	-	-	-	*267*	*(1,191)*	-	-	-	-	*(924)*	-	*(924)*
Total comprehensive income for the period	-	-	-	-	267	(1,191)	-	-	-	(75,866)	(76,790)	7	(76,783)
Balance at 31 July 2020	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,394)**	**(590)**	**7,987**	**4,341**	**(25,923)**	**(75,866)**	**653,938**	**(261)**	**653,677**

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 Via Terraglio 17, 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.
Trading on the Mercato Telematico Azionario (MTA), as ordered by Borsa Italiana, began on 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 2020 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 2020 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 2020 have been 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 2020, prepared pursuant to IFRS.
In addition to the above, and as described in more detail in the “Accounting policies and consolidation criteria” section below, the Group anticipated the adoption of the practical expedient introduced by the amendment to IFRS 16 which was published by the IASB on 28 May 2020, although all the formal steps necessary for its approval by the European Union have not yet been completed. This approach reflects our wish to represent the concessions obtained from our lessors as a result of the Covid-19 pandemic, in line with expected practice in OVS’s industry. On the basis of this practical expedient, certain renegotiations of rental agreements are not considered contractual amendments and their effects can therefore be accounted for as variable rents with a positive impact on the income statement.

The condensed consolidated half-year financial statements at 31 July 2020 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.

These condensed consolidated half-year financial statements at 31 July 2020 were prepared on the basis of the historical cost criterion, except for derivatives, which are measured at fair value as required by IFRS 9 and on a going concern basis.

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: separately 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 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.

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 2020.

Impacts of the Covid-19 pandemic on Group performance and actions taken

2020 began with the Covid-19 tragedy. The emergency situation was addressed immediately, with the activation of exceptional measures to reduce the spread of the virus and ensure the safety of customers and employees. Further extraordinary measures were then required with country-wide store closures from the second week of March, resulting in no sales through stores.

On the first day of March, a dedicated team was set up to manage the emergency, putting in place all possible measures to prepare the Group for the situation. Five main areas were identified: rents, staff, operating costs, supplies of goods and finally investments.

Discussions with our landlords took place immediately, in order to suspend rental payments, at least for the period in which the stores remained closed, to restructure them so that they are as much as possible a variable cost according to the operation of the store, from the first day of reopening, and finally to revise the terms and conditions of payment.

With regard to staff, the accrued holiday provision was utilised before the activation of social security schemes provided by the Italian Government and, albeit to a marginal extent, in the other countries in which the Group operates. This enabled wages to be guaranteed, only partially compressing financial disbursements in the short term. In addition, a solidarity fund has been set up, financed by executive salaries and intended for those most affected by the crisis.

All costs that are not strictly necessary have been minimised, both at the store level and in terms of corporate and sales support costs. Investment forecasts for the current year have been scaled back and the plan for autumn/winter goods inflows has been reorganised, although these are reduced compared with the previous plan.

The dramatic drop in receipts in March and May 2020 and their almost total absence in April 2020 required a detailed rescheduling of all projected financial outlays, together with the activation of the extraordinary measures described above to create liquidity, including immediately. In addition to specific measures for deferring payments, which are well understood by the Group's suppliers given the exceptional situation, in March 2020 derivative contracts to hedge projected goods purchases were unwound, resulting in a capital gain of around €10 million.

In the meantime, contact was rapidly made with the banks to gauge their willingness to provide additional finance to support the temporary but inevitable increase in working capital. In this regard, on 8 April 2020 the Italian government issued the so-called “Liquidity Decree”, immediately providing a valid form of financial support that the Group decided to activate. The process of financial reinforcement to cope with the prolonged forced lock-down of the store network was successfully completed on 24 June.

The process involved a pool of five banks already involved in the current loan agreement, Cassa Depositi e Prestiti S.p.A. and a new bank, and, as mentioned above, was completed with the approval of the Decree of the Ministry of Economy and Finance, the signing of the agreement on 24 June and the subsequent disbursement on 25 June 2020 of €100 million in new financing, 80% guaranteed by SACE S.p.A.

Alongside this process, the banks in the pre-existing loan agreement granted amendments/suspensions to the agreement, the most significant of which were: (i) the suspension of the instalments due in August 2020 and February 2021 and (ii) the suspension of the covenant verification until April 2021. For further information, please see the following sections of these notes.

From an accounting standpoint, it should also be recalled that the Covid-19 crisis already represented an impairment indicator at the time of preparation of the 2019 annual financial statements. The Group therefore verified the potential impact on the recoverability of values recognised as goodwill, intangible assets with an indefinite and/or definite useful life and right-of-use assets. Given the backdrop of uncertainty resulting from the Covid-19 pandemic, the Group carefully analysed the sustainability of the impairment tests in the light of the reduced future cash flows of its CGUs due to a comprehensive revision of the 2020-2022 financial plan. The impacts of the crisis resulting from the pandemic were therefore reflected both on turnover and on the level of costs (in particular on selling, staff, and rental costs and on operating, logistics and headquarters costs and spaces) and on investments. In view of the significant impact of the pandemic on the assumptions underlying the estimated flows and the overall uncertainty of the Italian economic environment in which the OVS Group primarily operates, it seemed prudent and appropriate to incorporate into the financial statements for the year ended 31 January 2020 the results of the impairment test conducted on the basis of the above revision of flows to take account of, and give greater weight to, information obtained from the market and the actual and projected data for the 2020 financial year that is so far available. This resulted in the recognition of an impairment loss, entirely attributed to the goodwill item relating to the OVS CGU, of €155 million.

When preparing these condensed consolidated half-year financial statements at 31 July 2020, management did not identify any additional triggers compared to the ones considered for the financial statements at 31 January 2020 with terms descripted above, either on internal assumptions relating to flows (to date no new plans or explicit revisions to the 2020 budget and 2020-2022 business plan have been approved), or on market assumptions relating in particular to the interest rates used. The Group's net capital employed is also essentially in line with both the seasonal dynamics of the business and what was expected in view of the temporary closure of the sales network in the first half of the year (an increase in inventory and, at the same time, a gradual reduction in trade payables to suppliers). Therefore, the conclusions of the impairment test at 31 January 2020 are considered to be confirmed.

Lastly, in order to better represent the result for the half-year, the Group has applied the amendment to accounting standard IFRS 16, approved on 28 May 2020 by the IASB but not yet transposed into European Union legislation. The practical expedient introduced by this amendment allows for recognition as variable rents with a positive impact on the income statement the renegotiations of rental agreements that took place as a result of the pandemic and which entail a reduction in the rents due for the periods until 30 June 2021. The application of this practical expedient resulted in a benefit of €7.0 million recognised under “Costs for the use of third-party assets”, reducing lease liabilities. It should be noted that further major negotiations have been in progress with the landlords since 31 July 2020, which have been concluded or will be concluded in the coming weeks. The resulting benefits will therefore appear in the accounts in the second half of 2020, when they are signed.

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.

Management updated its valuations and estimates compared with the consolidated financial statements for the year ended 31 January 2020 in the light of events in the first half of 2020, if these had not already been adequately reflected in the last annual financial statements.

The estimates mainly relate to the following items:

- Impairment of tangible and intangible assets – goodwill and the brands are tested at least once a year, and in any case whenever events or circumstances indicate the possibility of impairment, for recoverability pursuant to IAS 36 – Impairment of Assets. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount (defined as the greater of its value in use and its fair value). Verification of the amount requires subjective judgements to be made, based on information available within the OVS Group and from the market, as well as past experience. In addition, where potential impairment is identified, it is determined using evaluation techniques regarded as appropriate. The same verifications of value and the same valuation techniques are applied to intangible and tangible assets with a definite useful life, including right of use assets, when there are indicators suggesting that recovery of the relative net carrying amount through use might be difficult. The correct identification of impairment triggers and estimates to determine this depend on factors that may vary over time, with an effect on the valuations and estimates made by the OVS Group;
- Inventory obsolescence and inventory differences – provisions are made on the basis of the estimated realisable value of the collections in stock;
- Provisions for credit risk – these reflect the best estimate of losses relating to the portfolio of trade receivables from customers. This estimate is based on the losses expected by the OVS Group, on the basis of past experience with similar receivables, current and previous receivables falling due, careful

monitoring of credit quality and projected economic and market conditions;

- Recoverability of deferred tax assets – deferred tax assets are booked based on expectations of taxable income in future years that is suitable to recover them. The evaluation of expected taxable income for the accounting of deferred tax assets depends on factors that may vary over time and have significant effects on the recoverability of the deferred tax assets;
- Pension funds and other employee benefits – these are recognised on the basis of actuarial assessments performed;
- Provisions for risks and charges – these represent the risk of a negative outcome of legal or tax proceedings. These provisions represent the best estimate to deal with potential risks. This estimate entails the use of assumptions that depend on factors that might change over time and that might therefore have more significant effects than the current estimates;
- Valuation of currency derivatives – these are financial instruments not listed on official markets, and are therefore assessed on the basis of commonly used valuation financial techniques that require basic assumptions and estimates.
- Financial assets and liabilities for leases and right-of-use assets – leases in which the Group acts as lessee may provide for renewal options and may therefore affect the term of the lease. Assessments of whether there is a relative certainty that this option is (or is not) exercised may significantly affect the amount of lease liabilities and right of use assets as well as the incremental borrowing rate applied when it is not possible to easily determine the interest rate implicit in the lease.

Scope of consolidation

The condensed consolidated half-year financial statements at 31 July 2020 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	958,051,508	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%

List of equity investments measured using the equity method:

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

In the half-year ended 31 July 2020, there were no changes in the scope of consolidation compared with the financial statements at 31 January 2020.

Financial statements in foreign currencies

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

		Final exchange rate at		Average of the period ended	
Currency	**Code**	**31.07.2020**	**31.01.2020**	**31.07.2020**	**31.07.2019**
US dollar	USD	1.18	1.11	1.11	1.13
Hong Kong dollar	HKD	9.18	8.58	8.60	8.83
Chinese renminbi	RMB	8.26	7.67	7.81	7.66
Croatian kuna	HRK	7.48	7.44	7.55	7.41
Serbian dinar	RSD	117.59	117.79	117.60	117.95
Indian rupee	INR	88.64	78.91	82.91	78.47

Accounting policies and consolidation criteria

The accounting policies and consolidation criteria used to prepare the condensed consolidated half-year financial statements at 31 July 2020 are consistent with those used to prepare the consolidated financial statements for the year ended 31 January 2020, to which reference is made for the purpose of completeness, except in the case of:

1. income taxes, which are also recognised on the basis of the best estimate of the expected weighted average rate for the full year;
2. the standards and amendments set out below, applied with effect from financial year 2020, as they became mandatory after completion of the relevant approval procedures by the competent authorities.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR ANNUAL REPORTING PERIODS STARTING ON OR AFTER 1 JANUARY 2020

The international accounting standards, interpretations, amendments to existing accounting standards and interpretations approved by the IASB (International Accounting Standards Board) and endorsed for adoption in Europe, that are applied for the first time in the current year but do not have any significant effects on the Group's condensed consolidated half-year financial statements at 31 July 2020, are shown below.

Description	Issue date	Approval date	Effective from
Amendments to references to Conceptual Framework in IFRS standards	Mar 2018	29 Nov 2019	Years starting on or after 01 January 2020
Definition of material (Amendments to IAS 1 and IAS 8)	Oct 2018	29 Nov 2019	Years starting on or after 01 January 2020
Amendments to IFRS 3 'Business combinations'	Oct 2018	21 Apr 2020	Years starting on or after 01 January 2020
Reform of the reference indices for the determination of interest rates (Amendments to IFRS 9, IAS 39 and IFRS 7)	Sep 2019	15 Jan 2020	Years starting on or after 01 January 2020

Amendment to IFRS 16 – "Leases Covid-19-Related Rent Concessions"

On 28 May 2020, the IASB published an amendment to IFRS 16 to regulate the accounting by lessees of any amendments granted by lessors to operating lease payments as of 1 January 2020 due to the effects of the Covid-19 pandemic. The amendment introduces a practical expedient that simplifies the accounting of such concessions when they are a direct consequence of the Covid-19 pandemic, enabling the lessee to avoid assessing whether they involve a lease modification, but allowing it to account for them as a variable lease payment when the concession is recognised.

In order to apply this exemption, all the following conditions must be verified:

- the payment concession is a direct consequence of the Covid-19 pandemic and the reduction relates only to payments originally due no later than June 2021;

- the total of contractual payments after the rent concession is essentially equal to or less than the payments provided for in the original agreement;
- no other major contractual changes have been agreed with the lessor.

For European companies, the amendment will apply only after the endorsement of the European Union scheduled for the third or fourth quarter of 2020.

In March 2020, the OVS Group began extensive negotiations with all of its landlords to review leases due to the pandemic. The benefits of these negotiations are only partly reflected in the results for the first half of 2020. In particular, concessions on leases that the Group obtained from lessors before 31 July 2020 relating to the consequences of the Covid-19 pandemic have been recognised in the item "Costs for the use of third-party assets" because they are considered negative variable components of rents (rather than amendments to lease agreements). The accounting treatment adopted is consistent with the practical expedient introduced by the amendment to IFRS 16.

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 IAS 1 'Presentation of Financial statements - Classification of liabilities as current or non-current'	No	Years starting on or after 01 January 2023
Amendments to IFRS 3 'Business combinations'	No	Years starting on or after 01 January 2022
Amendments to IAS 16 'Property, Plant and Equipment'	No	Years starting on or after 01 January 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'	No	Years starting on or after 01 January 2022
Annual Improvements 2018-2020	No	Years starting on or after 01 January 2022
Amendments to IFRS 4 'Insurance Contracts – deferral of IFRS 9'	No	Years starting on or after 01 January 2021
IFRS 17 'Insurance Contracts'	No	Years starting on or after 01 January 2023

No accounting standards and/or interpretations for which adoption is mandatory for periods beginning on or after 1 February 2021 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 2020 do not include all the information relating to financial risks described in the consolidated financial statements for the year ended 31 January 2020: 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 2020.

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 generally obtains guarantees in the form of sureties in respect of loans granted for the supply of goods. At 31 July 2020, the total guarantee amount was €62.1 million, including €13.7 million in overdue receivables (€63.7 million at 31 January 2020, including €13.9 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 €86.7 million (€86.0 million at 31 January 2020).

Written-down or written-off receivables amounted to €18.2 million (€17.2 million at 31 January 2020).

Overdue receivables amounted to €21.9 million (€22.8 million at 31 January 2020).

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, to ensure effective access to financial resources and adequate liquidity investment/yield levels.

As of March 2020, government restrictions that resulted in the closure of the entire sales network in Italy (and abroad) highlighted the need for rapid and targeted action to address the Covid-19 crisis.

OVS S.p.A. therefore immediately started the process of obtaining addition financing, involving a pool of banks, in order to achieve the additional financial strength required to cope with the prolonged lockdown of our stores.

This process was completed on 24 June with the signing of the implementing decree of the Ministry of Economy and Finance, which rendered operational the SACE guarantee covering 80% of the €100 million loan obtained from the Parent Company. The loan was disbursed on 25 June 2020.

In light of the above, management believes that the funds and credit facilities 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 2023) and the New Loan agreement counter-guaranteed by SACE (September 2024), the OVS Group 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 foreign exchange gains or losses. The OVS Group also hedges orders that are highly probable although not acquired, pursuing the management aim of minimising exposure to risk.
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.

As already mentioned, in March 2020 a substantial number of derivative contracts to hedge projected goods purchases were unwound in view of the changed scenario for inflows, generating a capital gain of approximately €10 million. These hedges were subsequently redefined and contractualised to ensure the financial coverage necessary to manage the scheduled payments.

However, the measures taken to defer payments and the delay in the shipment of goods due to lockdown in the various countries highlighted the need to reposition some of the existing hedges, which are scheduled to expire between August and October 2020. In July 2020, a further operation was therefore carried out to unwind hedging derivative contracts, repositioning the notionals on the new maturities. This operation resulted in a capital loss of approximately €3 million.
The net effect during the half-year of the two operations was thus a capital gain of approximately €7 million.

In the period under review, the nature and structure of exposure to foreign exchange risk and the hedging policies followed by the OVS Group did not change substantially compared with the consolidated financial statements for the year ended 31 January 2020.

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 2020 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 the price defined for the relevant transaction as this is deemed to be close to the present 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, with the latter defined as the net result for the period before depreciation and amortisation, asset write-downs, financial income and expenses and tax, net of non-recurring income and expenses and other non-monetary accounting effects, as well as the effect of the adoption of IFRS 16 as amended.

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.

	31 July 2020			31 July 2019		
(thousands of euros)	OVS	UPIM	Total	OVS	UPIM	Total
Revenues by segment	**299,834**	**75,235**	**375,069**	**530,906**	**119,709**	**650,615**
EBITDA Adjusted	**(425)**	**2,480**	**2,055**	**49,035**	**13,475**	**62,510**
% of revenues	-0.1%	3.3%	0.5%	9.2%	11.3%	9.6%
Non-recurring expenses			(4,993)			(1,023)
Forex reclassification			(5,446)			(10,236)
Stock Option plan			(1,631)			(1,278)
IFRS 16 effects			58,080			87,309
EBITDA			**48,065**			**137,282**
Depreciation, amortisation and write-downs of assets			(103,839)			(106,668)
Profit before net financial expenses and taxes			**(55,774)**			**30,614**
Financial income			377			621
Financial expenses			(35,186)			(35,005)
Foreign exchange gains and losses			(7,030)			14,594
Net result for the period before tax			**(97,613)**			**10,824**
Taxes			21,754			(5,515)
Net result for the period			**(75,859)**			**5,309**

SEASONALITY

The OVS Group experiences some – albeit 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 strong 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 be incorrect to consider the half-year indicators as proportionate to the whole financial year.

A fortiori, this is a general reference and cannot be used as the basis for an accurate forecast of expected results or cash generation, all the more so in view of the uncertainty surrounding the pandemic described in the Interim Report on Operations and in these explanatory notes. In fact, the seasonality described above is further accentuated in the case of cash flows, given the impact on sales in March, April and May 2020 in particular.

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).

		31.07.2020	31.01.2020	change
1	**Cash and cash equivalents**	**138,601**	45,656	92,945

The balance represents cash and cash equivalents at 31 July 2020 and 31 January 2020 and breaks down as follows (in thousands of euros):

		31.07.2020	31.01.2020	change
1)	Bank and post office deposits	132,182	39,475	92,707
2)	Cheques	3	8	(5)
3)	Cash and cash equivalents on hand	6,416	6,173	243
Total		**138,601**	**45,656**	**92,945**

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 2020, ordinary current accounts were set up as pledges (last updated on 1 July 2020) to secure the Loan Agreement (described in note 13 below), in the amount of €65,201 thousand, and foreign currency current accounts in the amount of USD17,727 thousand, corresponding to €15,828 thousand, the balance of which is still fully available to the OVS Group.

		31.07.2020	31.01.2020	change
2	**Trade receivables**	**86,664**	85,981	683

The breakdown of trade receivables at 31 July 2020 and at 31 January 2020 was as follows (in thousands of euros):

	31.07.2020	31.01.2020	change
Trade receivables			
Receivables for retail sales	344	547	(203)
Receivables for wholesale sales	84,407	83,323	1,084
Receivables for services rendered	7,718	8,233	(515)
Disputed receivables	9,167	9,223	(56)
Trade receivables from related parties	3,268	1,836	1,432
Subtotal	**104,904**	**103,162**	**1,742**
(Provision for doubtful accounts)	(18,240)	(17,181)	(1,059)
Total	**86,664**	**85,981**	**683**

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, for disputes, or, in the majority of cases, for pending legal proceedings against customers.

The balance also includes receivables from the related party Coin S.p.A. of €3.3 million, related to brokerage fees for purchasing goods (€0.5 million) and receivables for services (€2.8 million).

It should also be noted that trade receivables (mainly for the provision of products to the franchising affiliates) amounting to €92.7 million were also used to secure the Loan Agreement at 31 July 2020.

Changes in the provision for doubtful accounts for the half-year ended 31 July 2020 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2020	**17,181**
Allocations in the period	1,383
Utilisations in the period	(324)
Balance at 31 July 2020	**18,240**

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

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

		31.07.2020	31.01.2020	change
3	**Inventories**	**448,650**	393,094	55,556

The breakdown of inventories is shown in the following table:

(amounts in thousands of euros)	31.07.2020	31.01.2020
Goods	483,428	432,748
Gross stock	**483,428**	**432,748**
Provision for depreciation	(27,736)	(28,460)
Provision for inventory differences	(7,042)	(11,194)
Total provision for stock write-downs	**(34,778)**	**(39,654)**
Total	**448,650**	**393,094**

This item includes stocks of goods 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 significant increase in gross inventories is due to the fact that the goods held for sale during the months of closure were regularly purchased. Like all clothing retailers, the OVS Group was therefore faced with the choice of either: a) maximising promotional leverage to dispose of the goods accumulated during the period of closure, or b) carrying forward the unsold goods from the Spring/Summer collection to 2021. Given the high proportion of children's clothing and the prevalence in the range of medium-low "fashion content" products, the Group decided that the greater cash that could be generated in the short term with option a) would not be sufficient to offset, in the medium term, the reduction in margins resulting from discounts. It therefore opted to carry the goods forward to next year. In particular, the Group organised the collection from stores of the spring goods delivered in January-February 2020, which have not been "seen" by customers due to the closures, so that they can be stored until next year. A part of the summer goods was distributed to stores when they reopened, to support sales towards the end of the season, while the remainder will be kept in storage.

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 2020 are shown below:

(amounts in thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2020	**28,460**	**11,194**	**39,654**
Allocation	9,350	4,661	14,011
Utilisation	(10,074)	(8,813)	(18,887)
Balance at 31 July 2020	**27,736**	**7,042**	**34,778**

		31.07.2020	31.01.2020	change
4	**Current financial assets**	**83**	7,572	(7,489)

4	**Non-current financial assets**	**2**	34	(32)

The breakdown of the "Financial assets" item into current and non-current at 31 July 2020 and at 31 January 2020 is shown below:

(amounts in thousands of euros)	31.07.2020	31.01.2020
Derivatives (current portion)	0	7,572
Loan to related party	83	0
Total current financial assets	**83**	**7,572**
Derivatives (non-current portion)	2	34
Total non-current financial assets	**2**	**34**
Total	**85**	**7,606**

Derivatives include the fair value of forward derivatives entered into with the managerial aim of hedging future purchases of goods in currencies other than the euro.

In the first half of 2020, a shareholder loan of €82.6 thousand was granted to associate Centomilacandele S.C.p.A. in liquidation.

It will mature on 31 December 2020 and may be extended to a later date.

The interest rate is equal to the 6-month Euribor (360 base) plus a spread of 3%.

		31.07.2020	31.01.2020	change
5	**Current financial assets for leases**	**3,874**	4,191	(317)

5	**Non-current financial assets for leases**	**7,957**	10,623	(2,666)

Financial assets for leases are recorded in accordance with IFRS 16 with effect from the 2019 financial year.

		31.07.2020	31.01.2020	change
6	**Current tax assets**	**14,630**	14,683	(53)

The balance mainly consists of receivables for excess IRES and IRAP payments on account (€12,330 thousand and €779 thousand respectively) paid on a historical basis. There were no changes during the period due to the absence of current income taxes accrued during the half-year. The residual amount relates to withholding tax on fees and other tax receivables and receivables for tax withheld at source.

		31.07.2020	31.01.2020	change
7	**Other current receivables**	**12,532**	13,984	(1,452)
7	**Other non-current receivables**	**10,588**	11,119	(531)

Other receivables break down as follows:

	31.07.2020	31.01.2020	change
Other receivables	3,529	2,708	821
Receivables from insurance companies for claims reimbursment	55	61	(6)
Receivables from employees	967	1,285	(318)
Accrued income and prepaid expenses - rents and service charges	189	3,227	(3,038)
Accrued income and prepaid expenses - insurance	1,395	83	1,312
Accrued income and prepaid expenses - interest on security deposits	24	26	(2)
Accrued income and prepaid expenses - other	6,373	6,594	(221)
Total current receivables	**12,532**	**13,984**	**(1,452)**
Security deposits	4,069	4,389	(320)
Minor investments	20	20	0
Other receivables	6,499	6,710	(211)
Total non-current receivables	**10,588**	**11,119**	**(531)**

The “Other receivables” item in current receivables relates to guarantee deposits made for new leases amounting to €324 thousand and receivables for business unit disposals amounting to €1,468 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 damage to goods during transport (€47 thousand) and damage due to the theft of valuables in stores (€8 thousand).

The item “Accrued income and prepaid expenses - other” primarily includes prepayments for advertising and marketing services of €1,613 thousand and the share of deferred financial fees (€635 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 €0.1 million were used to secure the Loan Agreement at 31 July 2020.

“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 “Other non-current receivables” item refers to assets deferred beyond 12 months from the reporting date from third parties amounting to €5,901 thousand and the medium/long-term portion of deferred financial fees of €562 thousand.

		31.07.2020	31.01.2020	change
8	**Property, plant and equipment**	**241,345**	255,070	(13,725)

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 2020 a lien was created on property in the amount of €162.1 million.

		31.07.2020	31.01.2020	change
9	**Right of use**	**825,389**	866,316	(40,927)

Pursuant to the IFRS 16 international 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, see Table 2 appended, concerning changes in the period.

		31.07.2020	31.01.2020	change
10	**Intangible assets**	**611,068**	618,053	(6,985)

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

Intangible assets at 31 July 2020 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 2020, 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 €60.3 million, amortised over 20 years (included under “Other intangible assets”);

- The Upim franchising network for €24.0 million, amortised over 20 years (included under "Other intangible assets");
- Licences relating to OVS stores for €79.2 million, amortised over 40 years (included under "Concessions, licences and brands");
- Licences relating to Upim stores for €21.9 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 2020 no new indicators of potential impairment had been identified that had not already been incorporated in the impairment test of 2019 financial statements and no further 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 thus identified and/or the relevant fair value. No write-downs of licences arose from the analysis carried out for the half-year ended 31 July 2020.

It should also be noted that, pursuant to the Loan Agreement, at 31 July 2020 a lien was created on OVS Group brands in the amount of €390.8 million.

		31.07.2020	31.01.2020	change
11	**Goodwill**	**297,541**	297,541	0

The goodwill mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011 (the original book value was €451,778 thousand, allocated to the OVS CGU).
In the preparation of the financial statements at 31 January 2020, approved in May 2020, goodwill was tested for impairment, resulting in an impairment loss of €155,000 thousand; management believes that the conditions exist to confirm this value at 31 July 2020, since the analyses carried out revealed no new evidence of impairment that had not already been incorporated in the impairment test at 31 January 2020 and that could result in a further reduction in the value of the goodwill allocated to the OVS CGU and of the OVS and Upim brands already mentioned. Please also see the extensive comments in the section above entitled "Impacts of the Covid-19 pandemic on Group performance and actions taken".

		31.07.2020	31.01.2020	change
12	**Equity investments**	**136**	136	0

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

		31.07.2020	31.01.2020	change
13	**Current financial liabilities**	**128,631**	38,871	89,760
13	**Non-current financial liabilities**	**432,120**	313,773	118,347

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 July 2020 and 31 January 2020 is shown below:

(amounts in thousands of euros)	31.07.2020	31.01.2020
Current bank payables	112,352	5,245
Current portion of non-current debt	2,762	32,818
Other current financial payables	13,517	808
Current financial liabilities	**128,631**	**38,871**
Non-current bank payables	431,629	313,773
Other non-current financial payables	491	0
Non-current financial liabilities	**432,120**	**313,773**

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

The OVS Group's current and non-current bank payables at 31 July 2020 are shown below:

(amounts in thousands of euros)	Maturity date	Interest rate	At 31 July 2020		
			Total	of which non-current portion	of which current portion
Facility Revolving	2020	Euribor + 3.50%	81,842	-	81,842
Hot Money UBI Banca	2020	Euribor + 2.30%	10,000	-	10,000
Finimport	2020	1.50%	14,511	-	14,511
Due for financial expenses			5,999	-	5,999
Current bank payables			**112,352**	**-**	**112,352**
Facility B1	2023	Euribor + 3.75%	250,000	250,000	-
Facility B2	2023	Euribor + 3.50%	83,333	83,333	-
SACE Loan	2024	Euribor + 2.25%	100,000	100,000	-
Banca Sella Loan	2021	Euribor + 3.50%	5,000	2,238	2,762
Loan ancillary costs			(3,942)	(3,942)	-
Non-current bank payables			**434,391**	**431,629**	**2,762**

The lines of credit available to the Group at 31 July 2020 mainly relate to the two loan agreements described below:

1. a loan agreement initially signed on 23 January 2015, disbursed on 2 March 2015 (the "Loan Agreement"), subsequently amended and modified on 19 September 2019 and 24 June 2020, for a total amount of €450,000,000, which provides for the granting of:
   - a medium/long-term facility of €250,000,000 (Term B1);
   - an amortising facility of €100,000,000, with half-yearly repayments of equal amounts as of 28 February 2020 (Term B2), with the exceptions described in more detail below. At 31 July 2020, this facility was in place and amounted to €83,333,333.33;
   - a revolving facility of €100,000,000, which can be drawn down in various currencies (the "Revolving Facility").
2. a loan agreement signed on 24 June 2020, disbursed on 25 June 2020 (the "SACE Loan") totalling €100,000,000.

It should be noted that, alongside the process of obtaining the SACE Loan, on 8 May 2020 OVS S.p.A. obtained a waiver of the Loan Agreement, the effectiveness of which was subject to the signing of the SACE Loan, which then took place on 24 June 2020.
The waiver entailed the following changes:

- the suspension of the repayment of the August 2020 and February 2021 instalments of Term B2. These will be accumulated into the last two instalments provided for in the contract (February 2022 and August 2022);
- the suspension of the covenant test until April 2021 (the tests scheduled for April 2020, July 2020, October 2020 and January 2021 therefore being suspended);
- the expansion of the medium/long-term baskets granted in addition to the existing loan agreement from €75 million to €100 million to allow access to the new loan guaranteed by SACE;
- the extension of the threshold per expected cross default event from €5 million to €20 million from the date of signature of the waiver until 31 December 2020;
- the suspension, for the entire fiscal year 2020, of a "clean-down" test that requires the (RCF-Cash) equation to be under €25 million for at least five consecutive days once a year.

Regarding the Loan Agreement, the applicable interest rate for the Term B1 Facility at 31 July 2020 was equal to the sum of (i) the spread of 3.75% per annum (the "Spread") and (ii) the Euribor parameter or, in the case of draw-downs in currencies other than the euro, the Libor parameter (the "Interest"). The applicable interest rate for both the Term B2 Facility and the Revolving Facility at 31 July 2020 is equal to the sum of (i) the margin of 3.50% per annum (the "Margin") and (ii) the Euribor parameter or, in the case of draw-downs in currencies other than the euro, the Libor parameter (the "Interest"). Both rates are set at zero if the parameter is negative. The Interest is calculated on a quarterly or half-yearly basis for Term B1 and Term B2, and on a monthly, quarterly or half-yearly basis for the Revolving Facility (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 quarterly on the basis, depending on the case, of the consolidated

financial statements at 31 January and the half-year report (both audited) and the consolidated quarterly reports (unaudited) at 30 April and 31 October, prepared in accordance with IFRSs. In particular, the Loan Agreement provides that for the Term B1 Facility, the first Leverage test is carried out within 18 months of the Effective Date (19 September 2019). If the ratio of average total net debt to EBITDA exceeds 2.50, the Spread will increase to 4.00%; while for the Term B2 Facility and the Revolving Facility, as of 1 February 2020, the increase in the Spread is calculated as follows:

- if the ratio of average total net debt to EBITDA is greater than or equal to 3.00:1, the applicable Margin is 3.75%;
- if the ratio of average total net debt to EBITDA is less than 3.00:1 but greater than or equal to 2.00:1, the applicable Margin is 3.50%;
- if the ratio of average total net debt to EBITDA is less than 2.00:1 but greater than or equal to 1.50:1, the applicable Margin is 3.00%; and
- if the ratio of average total net debt to EBITDA is less than 1.50:1, the applicable Margin is 2.50%.

At 31 July 2020, the ratio of average financial debt to EBITDA was 4.13x.
The final due date of the Loan Agreement, which also coincides with the latest repayment date for the credit facilities, is fixed as 2 March 2023.

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 supply 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. has undertaken to communicate 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. As of 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, 30 April, 31 July and 31 October 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 indicated, the waiver that entered into force with the signing of the SACE Loan suspended the covenant test until April 2021 (the tests scheduled for April 2020, July 2020, October 2020 and January 2021 were therefore suspended).

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.

With regard to the SACE Loan, the main characteristics of the new loan that became effective on 24 June 2020 are set out below. The amount financed, amounting to €100 million, is 80% guaranteed by SACE. This loan, disbursed in a lump sum, will have a term of 4.3 years, with final payment in September 2024. The loan provides for a grace period of 24 months and 10 equal instalments of €10 million each, to be paid quarterly starting in June 2022.

The covenant provided for is aligned with the covenant in the Loan Agreement.

The cost of the SACE guarantee, calculated on the notional amount outstanding on the date, will be structured as follows: 50 bps in the first year, 100 bps in the second and third years, 200 bps from the fourth year onwards.

The interest rate applied will be 2.25% + 3M Euribor for the entire term of the loan and will not be subject to increases/decreases according to the change in leverage.

At 31 July 2020, there were also some import loans in place. This was the residual balance of loans disbursed by the banking system for its commitment to pay letters of credit on maturity in the period between the end of March and May 2020, which OVS subsequently repaid as of June.

This transaction had a total value of approximately €30 million, with an average interest rate of 1.51%. At 31 July 2020, the residual outstanding debt was approximately €14.5 million, with the final due date scheduled for 30 November 2020.

Lastly, it should also be noted that, on 26 June 2020, a loan agreement was signed with Banca Sella S.p.A. for 18 months minus one day, falling due on 30 November 2021, for a total amount of €5 million. The rate applied is equal to the 3-month Euribor plus a margin of 3.50%.
The contract provides for a grace period of nine months and subsequent monthly repayments as of 28 February 2021.

The breakdown of the consolidated net financial debt of the OVS Group at 31 July 2020 and 31 January 2020, determined according to the provisions of the Consob Communication of 28 July 2006 and pursuant to the ESMA/2013/319 Recommendations, also including net effects on debt of the application of IFRS 16, is as follows:

(amounts in thousands of euros)	31.07.2020	31.07.2020 excluded IFRS 16	31.01.2020	31.01.2020 excluded IFRS 16
Net debt				
A. Cash	138,601	138,601	45,656	45,656
B. Cash equivalents	-	-	-	-
C. Securities held for trading	-	-	-	-
D. Liquid assets (A)+(B)+(C)	**138,601**	**138,601**	**45,656**	**45,656**
E. Current financial receivables	**3,957**	**83**	**11,763**	**7,572**
F. Current bank payables	(112,352)	(112,352)	(5,245)	(5,245)
G. Current portion of non-current debt	(2,762)	(2,762)	(32,818)	(32,818)
H. Other current financial payables	(168,147)	(14,233)	(134,616)	(1,745)
I. Current debt (F)+(G)+(H)	**(283,261)**	**(129,347)**	**(172,679)**	**(39,808)**
J. Net current debt (I)+(E)+(D)	**(140,703)**	**9,337**	**(115,260)**	**13,420**
K. Non-current bank payables	(431,629)	(431,629)	(313,773)	(313,773)
L. Bonds issued	-	-	-	-
M. Other non-current financial payables	(738,829)	(2,329)	(772,998)	(1,970)
N. Non-current debt (K)+(L)+(M)	**(1,170,458)**	**(433,958)**	**(1,086,771)**	**(315,743)**
O. Net debt (J)+(N)	**(1,311,161)**	**(424,621)**	**(1,202,031)**	**(302,323)**
Non-current financial receivables	**7,959**	**2**	**10,657**	**34**
Net financial position	**(1,303,202)**	**(424,619)**	**(1,191,374)**	**(302,289)**

Other current and non-current financial payables

The following table shows the breakdown of other current and non-current financial payables at 31 July 2020 and at 31 January 2020:

(amounts in thousands of euros)	31.07.2020	31.07.2020 excluded IFRS 16	31.01.2020	31.01.2020 excluded IFRS 16
Derivatives	13,517	13,517	-	-
Payables for finance leases	154,630	716	133,808	937
Liabilities to factoring companies	-	-	808	808
Other current financial payables	**168,147**	**14,233**	**134,616**	**1,745**
Derivatives	491	491	-	-
Payables for finance leases	738,338	1,838	772,998	1,970
Other non-current financial payables	**738,829**	**2,329**	**772,998**	**1,970**

		31.07.2020	31.01.2020	change
14	**Current financial liabilites for leases**	**154,630**	133,808	20,822
14	**Non-current financial liabilites for leases**	**738,338**	772,998	(34,660)

Financial lease liabilities are recognised in accordance with the application of IFRS 16 with effect from 2019. As already shown with regard to "Accounting policies and consolidation criteria", the application of the practical expedient in relation to discounts and/or exemptions from payments on lease agreements due to the Covid-19 crisis (introduced with the amendment to IFRS 16 approved by the IASB on 28 May 2020 but not yet endorsed by the European Union) resulted in a benefit in the income statement of approximately €7.0 million. Further concessions from landlords have been contractualised or are in the process of being formalised after 31 July 2020 and will therefore be recognised in the second half of 2020.

The breakdown by maturity of minimum payments and principal amounts on finance leases recognised in accordance with IFRS 16 is shown below:

	Minimum payments owed for finance leases		Principal amount	
	31.07.2020	**31.01.2020**	**31.07.2020**	**31.01.2020**
Within 1 year	199,026	180,927	154,630	133,808
From 1 to 5 years	526,393	541,846	410,397	416,810
Beyond 5 years	380,711	417,172	327,941	356,188
Total	**1,106,130**	**1,139,945**	**892,968**	**906,806**

The reconciliation between the minimum payments owed to the lessors and their present value (principal) is as follows:

	31.07.2020	31.01.2020
Minimum payments owed for finance leases	1,106,130	1,139,945
(Future financial expenses)	(213,162)	(233,139)
Present value of payables for finance leases	892,968	906,806

		31.07.2020	31.01.2020	change
15	**Trade payables**	**303,460**	321,146	(17,686)

The breakdown of the “Trade payables” item at 31 July 2020 and 31 January 2020 is provided below:

(amounts in thousands of euros)	31.07.2020	31.01.2020	change
Payables to third-party suppliers	303,360	321,121	(17,761)
Payables to related parties	100	25	75
Trade payables	**303,460**	**321,146**	**(17,686)**

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 €127,844 thousand; it also includes exposure in foreign currency (mainly USD) amounting to USD131,880 thousand.

		31.07.2020	31.01.2020	change
16	**Current tax liabilities**	**0**	0	(0)

Current taxes, if accrued during the period, have been fully offset with a surplus of payments on account. Please refer to note 6 above.

		31.07.2020	31.01.2020	change
17	**Other current payables**	**125,812**	128,215	(2,403)
17	**Other non-current payables**	**15,610**	16,883	(1,273)

The breakdown of the “Other payables” item into current and non-current at 31 July 2020 and at 31 January 2020 is shown below:

	31.07.2020	31.01.2020	change
Payables to employees for unused leave and related contributions	7,378	7,929	(551)
Payables to employees for deferred salaries, overtime, bonuses and related contributions	17,628	22,545	(4,917)
Payables to Directors and Auditors for emoluments	231	586	(355)
Other payables	23,996	25,636	(1,640)
Payables to pension and social security institutions	12,689	8,418	4,271
VAT payables	28,668	35,452	(6,784)
Other tax payables	5,084	3,148	1,936
Other payables - to customers	250	280	(30)
Accrued expenses and deferred income - rents and leasing	6,805	4,924	1,881
Accrued expenses and deferred income - utilities	4,687	3,469	1,218
Accrued expenses and deferred income - insurance	378	602	(224)
Accrued expenses and deferred income - other	18,018	15,226	2,792
Total current payables	**125,812**	**128,215**	**(2,403)**
Trade payables	7,000	7,245	(245)
Accrued expenses and deferred income - other	8,610	9,638	(1,028)
Total non-current payables	**15,610**	**16,883**	**(1,273)**

"Payables to employees" relate to benefits accrued and not paid out at 31 July 2020.

"Other payables" mainly relate to the recognition of €12,460 thousand for the value of expected returns on 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 €5,411 thousand, and payables for deposits and securities received from customers to guarantee affiliation agreements of €5,322 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 €9,884 thousand of accrued expenses for local taxes, €615 thousand of travel expenses, €174 thousand of bank charges, €2,013 thousand of deferred income for contributions payable by partners and lessors and €2,255 thousand of unredeemed reward points relating to customer loyalty programmes.

"Non-current payables" also include €7,919 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 €576 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.

Lastly, supplier payables of €7,001 thousand due beyond 12 months are shown, which relate to the restructurings carried out during 2018, 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 coming years.

		31.07.2020	31.01.2020	change
18	**Employee benefits**	**35,949**	37,044	(1,095)

Changes in employee benefits for the half-year ended 31 July 2020 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2020	**37,044**
Increase in the period	20
Actuarial (gains)/losses	(351)
Benefits paid	(764)
Balance at 31 July 2020	**35,949**

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

		31.07.2020	31.01.2020	change
19	**Provisions for risks and charges**	**4,702**	4,687	15

Changes in the "Provision for risks and charges" item for the half-year ended 31 July 2020 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2020	**4,687**
Allocations in the period	15
Utilisations in the period	0
Balance at 31 July 2020	**4,702**

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 relates to legal or contractual risks.

		31.07.2020	31.01.2020	change
20	**Deferred tax liabilities**	**106,131**	127,799	(21,668)

Changes in the “Deferred tax liabilities” item in the half-year ended 31 July 2020 are shown below:

(amounts in thousands of euros)	**Balance at 31.01.2020**	**Allocated / released to income statement**	**Allocated / released to statement of comprehensive income**	**Balance at 31.07.2020**
Provision for stock write-downs	9,455	(1,206)		8,249
Appropriation for local taxes	1,744	841		2,585
Provisions for risks and charges	1,117	0		1,117
Doubtful accounts	3,805	254		4,059
Tangible and intangible assets	(147,574)	(437)		(148,011)
IFRS 9 - Doubtful accounts	204	0		204
IFRS 15 - Rights of return	1,836	(427)		1,409
IFRS 16 - Leasing	(359)	0		(359)
Employee severance benefits calculated according to IAS 19	1,156	0	(84)	1,072
Tax losses	0	22,796		22,796
Other minor	817	(69)		748
Total net prepaid (deferred)	**(127,799)**	**21,752**	**(84)**	**(106,131)**

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.

The most significant change in the half-year is due to the recognition of the IRES tax benefit on the tax loss for the period recognised by the Parent Company, OVS S.p.A. This will be rapidly absorbed during the year thanks to the expected generation of positive tax results in the second half.

SHAREHOLDERS' EQUITY

Shareholders' equity amounted to €653.7 million.

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

21 Share capital

At 31 July 2020, 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 as of 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 2020, OVS S.p.A. held 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. No further purchases/disposals took place in the first half of 2020.

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 negative net balance of €17.6 million, which mainly include losses carried forward of €25.9 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 25 ("Staff costs") and the impacts of the adoption of IFRS 9 and IFRS 16 on the date of the respective transition.

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 €264 thousand for net losses accrued for start-up costs.

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The breakdown of some income statement items is provided below (values are expressed in thousands of euros).

22 Revenues

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

	31.07.2020	31.07.2019
Revenues from retail sales	377,482	652,055
VAT on retail sales	(68,388)	(117,863)
Net sales	**309,094**	**534,192**
Revenues from sales to affiliates, administered and wholesale	65,807	116,274
Subtotal net sales	**374,901**	**650,466**
Revenues from services	168	149
Total	**375,069**	**650,615**

23 Other operating income and revenues

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

	31.07.2020	31.07.2019
Revenues from services rendered	11,013	20,239
Rental and leasing revenues	5,934	6,670
Damages	147	1,185
Capital gains from asset disposals	232	520
Other revenues	2,062	2,038
Total	**19,388**	**30,652**

Revenues from services provided mainly relate to the provision of professional services, 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; it should be emphasised that this type of agreement is not based on IFRS 16, except to a marginal extent.

The “Other revenues” item mainly comprises contributions from suppliers and lessors, reimbursements of start-up costs and various contingent assets.

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 €158,327 thousand.
The item breaks down as follows:

	31.07.2020	31.07.2019
Purchase of raw materials, consumables and goods	213,883	287,013
Change in inventories	(55,556)	(993)
Total	**158,327**	**286,020**

25 Staff costs

The breakdown of the “Staff costs” item is provided below:

	31.07.2020	31.07.2019
Wages and salaries	76,781	105,480
Social security charges	21,746	30,804
Employee severance benefits	6,067	6,409
Other staff costs	301	262
Directors' fees	584	614
Total	**105,479**	**143,569**

The number of employees, expressed as the full-time equivalent headcount, was 6,012 at the end of the half-year, compared with 6,084 at 31 January 2020. The significant reduction during the half-year is linked to all the extraordinary measures implemented in response to the pandemic, as described above.

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 Consolidated Law on Finance, 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, *inter alia*:

- 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 2020.

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 €8,913 thousand (of which €7,282 thousand was accounted for at 31 January 2020), were recognised with a balancing entry in shareholders' equity. It should also be noted that during the first half of 2020 no Beneficiaries left the Group as "good leavers": accordingly, there were no reversals of the IFRS 2 reserve relating to options accrued but subject to cancellation as they are not exercised by the deadline provided for in the event of termination of the employment relationship.
The movements recorded in the various Stock Option Plans in the first half of 2020 are as follows:

Stock Option Plan	Price	Currency	Options at 31.01.2020	Options Assigned	Options Cancelled	Options Exercised	Options Forfeited	Options at 31.07.2020
2015-2020 Plan	4.88	Euro	2,947,963	-	-	-	-	2,947,963
2017-2022 Plan	6.39	Euro	1,850,750	-	-	-	-	1,850,750
2019-2022 Plan	1.85	Euro	5,000,000	-	-	-	-	5,000,000

At 31 July 2020, 9,798,713 options were potentially exercisable (accrued or accruable).
No options were exercised in the first half of 2020.

Lastly, it should be noted that, on 20 December 2019, the Chief Executive Officer, the managers with strategic responsibilities and another five managers of the Parent Company, OVS S.p.A., signed an incentive agreement with the shareholder TIP in the form of a call option agreement on a portion of the OVS shares held by TIP. The options can be exercised between 1 January 2023 and 30 June 2023 at a price of €1.85 per share. The purchase price of the options, considering the various parameters and valuation models normally used for this type of transaction, was equal to the fair market value.

26 Depreciation, amortisation and write-downs of assets

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

	31.07.2020	31.07.2019
Amortisation of intangible assets	9,514	9,233
Depreciation of tangible assets	21,438	22,349
Amortisation of right of use	71,376	74,344
Write-downs of tangible and intangible assets	1,511	742
Total	**103,839**	**106,668**

Due to 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, see Table 2 appended, concerning changes in the period.

It should be noted that the amount relating to write-downs of tangible and intangible assets in the appendices in question has been 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.

27 Other operating expenses: Service costs

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

	31.07.2020	31.07.2019
Advertising	7,740	9,851
Utilities	12,990	17,359
Miscellaneous sales costs	20,979	24,701
Service costs - professional and consulting services	8,597	11,928
Travel and other employee expenses	2,972	5,730
Insurance	1,449	1,326
Maintenance, cleaning and security	13,467	15,389
Service costs - other services	509	624
Board of Statutory Auditors' fees / Supervisory Body	97	105
Total	**68,800**	**87,013**

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

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

	31.07.2020	31.07.2019
Rental costs and ancillary charges	636	12,604
Leasing of plant, equipment and vehicles	1,673	1,550
Total	**2,309**	**14,154**

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.

As already shown with regard to “Accounting policies and consolidation criteria”, the application of the practical expedient in relation to discounts and/or exemptions from payments on lease agreements due to the Covid-19 crisis (introduced with the amendment to IFRS 16 approved by the IASB on 28 May 2020 but not yet endorsed by the European Union) resulted in a benefit in the income statement of approximately €7.0 million. Further concessions from landlords have been contractualised or are in the process of being formalised after 31 July 2020 and will therefore be recognised in the second half of 2020.

29 Other operating expenses: Write-downs and provisions

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

	31.07.2020	31.07.2019
Doubtful accounts	1,383	818
Provisions for risks	15	500
Total	**1,398**	**1,318**

For details of the amounts described above, 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:

	31.07.2020	31.07.2019
Materials and equipment for offices and stores	2,185	3,194
Taxes	4,914	5,492
Capital losses	445	290
Donations	447	139
Corporate expenses	314	404
Other general and administrative expenses	309	649
Other operating expenses	1,465	1,743
Total	**10,079**	**11,911**

31 Financial income (expenses)

FINANCIAL INCOME

	31.07.2020	31.07.2019
Financial income on bank current accounts	2	4
Financial income from miscellaneous sources	11	3
Financial income on financial assets for leases	364	614
Total	**377**	**621**

FINANCIAL EXPENSES

	31.07.2020	31.07.2019
Financial expenses on bank current accounts	24	4
Financial expenses on loans	8,820	6,837
Interests on lease liabilities	24,749	26,034
Interest cost on provision for employee severance benefits	22	177
Other financial expenses / fees	1,571	1,953
Total	**35,186**	**35,005**

Other financial expenses on loans mainly include fees associated with existing loans.

With regard to the financial income/expenses for leases recognised due to adoption of IFRS 16, please see the comments in the previous sections on accounting policies, consolidation criteria and the use of estimates.

The weighted average IBR applied in the first half of 2020 was 5.48%.

FOREIGN EXCHANGE GAINS AND LOSSES

	31.07.2020	31.07.2019
Foreign exchange gains	18,375	10,420
Foreign exchange losses	(3,793)	(281)
Gains (losses) on the change in fair value of currency derivatives	(21,612)	4,455
Total	**(7,030)**	**14,594**

32 Taxes

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

	31.07.2020	31.07.2019
Current taxes	0	7,362
Deferred (prepaid) taxes	(21,754)	(1,847)
Total	**(21,754)**	**5,515**

The tax rate for the first half of 2020 increased by 22.3%, compared with a decrease of 51.0% in the first half of 2019. The latter was affected both by a significant impact on the result of the IRAP charge and by the positive effect of the patent box. Net prepaid taxes recognised in the half-year mainly relate to the tax benefit generated by the loss for the period of the Parent Company OVS S.p.A..

The effective tax burden for 2020 differs from the theoretical tax burden due to some permanent items reducing the tax loss for the period for about €3 million.

EARNINGS PER SHARE

As previously indicated, due to the listing of the Parent Company, OVS S.p.A., in March 2015, 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 31.07.2020	Period ended 31.07.2019
Result for the period (in thousands of euros)	(75,866)	5,302
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	226,190,774
Basic earnings per share (in euros)	**(0.33)**	**0.02**
Diluted earnings per share (in euros)	**(0.32)**	**0.02**

Diluted earnings per share were in line with basic earnings per share, at 31 July 2020 the dilutive effects of stock option plans were 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 relationships with related parties, as defined by IAS 24:

(amounts in thousands of euros)	Related parties					
	Coin S.p.A.	Centomila-candele S.c.p.a. in liquidazione	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade receivables						
At 31 July 2020	3,268	-	-	3,268	86,664	3.8%
At 31 January 2020	1,836	-	-	1,836	85,981	2.1%
Current financial assets						
At 31 July 2020	-	83	-	83	83	100.0%
At 31 January 2020	-	-	-	0	7,572	0.0%
Current financial assets for leases						
At 31 July 2020	1,282	-	-	1,282	3,874	33.1%
At 31 January 2020	1,246	-	-	1,246	4,191	29.7%
Non-current financial assets for leases						
At 31 July 2020	1,971	-	-	1,971	7,957	24.8%
At 31 January 2020	2,620	-	-	2,620	10,623	24.7%
Trade payables						
At 31 July 2020	(100)	-	-	(100)	(303,460)	0.0%
At 31 January 2020	(99)	74	-	(25)	(321,146)	0.0%
Other current payables						
At 31 July 2020	-	-	(2,577)	(2,577)	(125,812)	2.0%
At 31 January 2020	-	-	(1,737)	(1,737)	(128,215)	1.4%

Trade receivables (net of trade payables) from Coin S.p.A. were €3.3 million at 31 July 2020.
At 31 July 2020, however, financial receivables from Coin S.p.A. refer to sub-leases on certain commercial premises 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.

Centomilacandele S.C.p.A. in liquidation is a non-profit consortium company that was engaged in the supply of electricity and natural gas under the best possible conditions to the consortium entities. It was placed in liquidation in August 2020. The relations in the previous year related to the provision of services for the purchase of electricity, which the OVS Group has not used since the end of the previous year.
In the first half of 2020, financial funding was also provided to the associated company, amounting to €82.6 thousand, in the form of a loan for the purpose of the regular implementation of the liquidation process.

The following table summarises the economic relations of the OVS Group with related parties:

(amounts in thousands of euros)	Related parties					
	Coin S.p.A.	Centomila-candele S.c.p.a. in liquidazione	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Period ended 31 July 2020						
Revenues	161	-	-	161	375,069	0.0%
Other operating income and revenues	769	-	-	769	19,388	4.0%
Purchases of raw materials, consumables and goods	-	-	-	0	(158,327)	0.0%
Staff costs	-	-	(3,256)	(3,256)	(105,479)	3.1%
Service costs	(6)	(79)	-	(85)	(68,800)	0.1%
Costs for the use of third-party assets	63	-	-	63	(2,309)	(2.7)%
Write-downs and provisions	-	-	-	0	(1,398)	0.0%
Other operating charges	-	-	-	0	(10,079)	0.0%
Financial income	102	0	-	102	377	27.1%
Financial charges	-	-	-	0	35,186	0.0%

At 31 July 2019, 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. in liquidazione	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 charges	20		-					20	35,005	0.1%

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.

The main economic relations with related parties in the first half of 2020 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 Gruppo OVS, included in the “Other operating income and revenues” 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 finance 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.

(amounts in thousands of euros)	Related parties					
	Coin S.p.A.	Centomila-candele S.c.p.a. in liquidazione	Directors and managers with strategic responsibilities	Total	Total cash flow from the cash flow statement	Percentage of cash flow item
Period ended 31 July 2020						
Cash flow generated (absorbed) by operating activities	558	93	(1,464)	(813)	(41,222)	2.0%
Cash flow generated (absorbed) by investing activities	-	-	-	0	(11,756)	0.0%
Cash flow generated (absorbed) by financing activities	-	(83)	-	(83)	145,923	(0.1)%

(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. in liquidazione	Sempione Retail AG	Sempione Fashion AG	Directors and managers with strategic responsibilities	Total	Total cash flow from the cash flow statement	Percentage of cash flow item
Period ended 31 July 2019										
Cash flow generated (absorbed) by operating activities	-	4,904	-	(7,779)	-	-	(1,301)	(4,176)	45,141	(9.3)%
Cash flow generated (absorbed) by investing activities	-	-	-	-	-	-	-	0	(20,068)	0.0%
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 €76,921 thousand (€74,307 thousand at 31 January 2020) 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 2020	508	70
Period ended 31 July 2019	529	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 2020 were influenced by non-recurring net expenses of €3,795 thousand.

	31.07.2020	**31.07.2019**
Revenues	679	0
Other operating income and revenues	(359)	0
Staff costs	0	105
Service costs	2,579	198
Other operating charges	2,094	720
Taxes	(1,198)	(246)
Total	**3,795**	**777**

Non-recurring charges refer to:

- revenue adjustments of €679 thousand relating to an extraordinary one-off premium granted to a foreign partner;
- other revenues of €359 thousand relating to transactions with customers;
- services costs of €2,579 thousand, mainly relating to expenses directly attributable to the Covid-19 crisis for €2,488 thousand;
- other operating expenses of €2,094 thousand, mainly relating to expenses directly attributable to the Covid-19 crisis for €1,516 thousand and a settlement agreement on logistics services for €566 thousand;
- the tax effect on the above non-recurring items of €1,198 thousand.

In accordance with the above Consob Communication, it should also be noted that in the first half of 2020, no atypical and/or unusual transactions were entered into as defined by the Communication.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting date.

APPENDICES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following documents contain additional information on the condensed consolidated half-year financial statements at 31 July 2020.

Appendices:

1 Property, plant and equipment at 31 July 2020;
2 Right of use assets at 31 July 2020;
3 Intangible assets at 31 July 2020.

APPENDIX 1

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

	Balance at 31.01.2020	Movements during the period			Balance at 31.07.2020
		Purchases	Sales / disposals	Amortisation / write-downs	
Leasehold improvements					
initial cost	214,716	2,053	(3,896)	0	212,873
write-downs	0	0	0	0	0
amortisation	(159,651)	0	3,408	(4,404)	(160,647)
net	**55,065**	**2,053**	**(488)**	**(4,404)**	**52,226**
Land and buildings					
initial cost	6,829	0	0	0	6,829
write-downs	0	0	0	0	0
amortisation	(1,861)	0	0	(16)	(1,877)
net	**4,968**	**0**	**0**	**(16)**	**4,952**
Plant and machinery					
initial cost	314,707	3,015	(4,415)	0	313,307
write-downs	0	0	0	0	0
amortisation	(233,372)	0	3,810	(6,432)	(235,994)
net	**81,335**	**3,015**	**(605)**	**(6,432)**	**77,313**
Industrial and commercial equipment					
initial cost	351,774	5,085	(4,607)	0	352,252
write-downs	0	0	0	0	0
amortisation	(252,804)	0	4,172	(9,261)	(257,893)
net	**98,970**	**5,085**	**(435)**	**(9,261)**	**94,359**
Other assets					
initial cost	61,946	558	(355)	0	62,149
write-downs	0	0	0	0	0
amortisation	(53,190)	0	351	(1,325)	(54,164)
net	**8,756**	**558**	**(4)**	**(1,325)**	**7,985**
Assets under construction and payments on account					
initial cost	5,976	809	(2,275)	0	4,510
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**5,976**	**809**	**(2,275)** (1)	**0**	**4,510**
Total					
initial cost	955,948	11,520	(15,548)	0	951,920
write-downs	0	0	0	0	0
amortisation	(700,878)	0	11,741	(21,438)	(710,575)
net	**255,070**	**11,520**	**(3,807)** (2)	**(21,438)**	**241,345**

(1) Of this amount, € 2,275 thousand represents assets under construction at 31/01/2020, reclassified to the specific asset categories in the first half of 2020.
(2) Includes € 1,511 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):

	Balance at 31.01.2020	Movements during the period: Purchases	Remeasure-ments	Decreases	Amortisation / write-downs	Balance at 31.07.2020
Land and buildings						
initial cost	999,038	30,388	(436)	(5,988)	0	1,023,002
write-downs	0	0	0	0	0	0
amortisation	(136,759)	0	0	5,988	(70,571)	(201,342)
net	**862,279**	**30,388**	**(436)**	**0**	**(70,571)**	**821,660**
Plant and machinery						
initial cost	640	0	0	0	0	640
write-downs	0	0	0	0	0	0
amortisation	(24)	0	0	0	(36)	(60)
net	**616**	**0**	**0**	**0**	**(36)**	**580**
Industrial and commercial equipment						
initial cost	2,023	0	0	0	0	2,023
write-downs	0	0	0	0	0	0
amortisation	(229)	0	0	0	(115)	(344)
net	**1,794**	**0**	**0**	**0**	**(115)**	**1,679**
Other assets						
initial cost	4,374	288	209	(95)	0	4,776
write-downs	0	0	0	0	0	0
amortisation	(2,747)	0	0	95	(654)	(3,306)
net	**1,627**	**288**	**209**	**0**	**(654)**	**1,470**
Total						
initial cost	1,006,075	30,676	(227)	(6,083)	0	1,030,441
write-downs	0	0	0	0	0	0
amortisation	(139,759)	0	0	6,083	(71,376)	(205,052)
net	**866,316**	**30,676**	**(227)**	**0**	**(71,376)**	**825,389**

APPENDIX 3

Intangible assets

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

	Balance at 31.01.2020	Movements during the period			Balance at 31.07.2020
		Purchases	Sales / disposals	Amortisation / write-downs	
Rights to industrial patents and intellectual property rights					
initial cost	159,215	4,120	(5)	0	163,330
write-downs	0	0	0	0	0
amortisation	(131,857)	0	5	(4,877)	(136,729)
net	**27,358**	**4,120**	**0**	**(4,877)**	**26,601**
Concessions, licences and trademarks					
initial cost	518,425	0	(503)	0	517,922
write-downs	(11,818)	0	477	0	(11,341)
amortisation	(8,875)	0	26	(503)	(9,352)
net	**497,732**	**0**	**0**	**(503)**	**497,229**
Assets under construction and payments on account					
initial cost	2,657	761	(2,355)	0	1,063
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**2,657**	**761**	**(2,355)** (1)	**0**	**1,063**
Other intangible assets					
initial cost	165,533	3	0	0	165,536
write-downs	0	0	0	0	0
amortisation	(75,227)	0	0	(4,134)	(79,361)
net	**90,306**	**3**	**0**	**(4,134)**	**86,175**
Total					
initial cost	845,830	4,884	(2,863)	0	847,851
write-downs	(11,818)	0	477	0	(11,341)
amortisation	(215,959)	0	31	(9,514)	(225,442)
net	**618,053**	**4,884**	**(2,355)**	**(9,514)**	**611,068**
Goodwill					
initial cost	452,541	0	0	0	452,541
write-downs	(155,000)	0	0	0	(155,000)
amortisation	0	0	0	0	0
net	**297,541**	**0**	**0**	**0**	**297,541**

(1) Of this amount, € 2,355 thousand represents assets under construction at 31/01/2020, reclassified to the specific asset categories in the first half of 2020.

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 1 February 2020 to 31 July 2020.

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 2020 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 (CoSo), 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, 22 September 2020

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

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of OVS SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of OVS SpA and its subsidiaries ("OVS Group") as of 31 July 2020, 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 2020 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, 25 September 2020

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

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of OVS SpA

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Treviso, 25 September 2020

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

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