OVS Group
Half-year Financial Report at 31 July 2021

OVS S.p.A.
Venice

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COMPANY INFORMATION

Registered office of the Parent Company

OVS S.p.A.

Via Terraglio 17 – 30174

Venice - Mestre

Legal details of the Parent Company

Authorised share capital €290,923,470.00

Subscribed and paid-up share capital €290,923,470.00

Venice Companies Register no. 04240010274

Tax and VAT code 04240010274

Corporate website: www.ovscorporate.it

CORPORATE OFFICERS

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

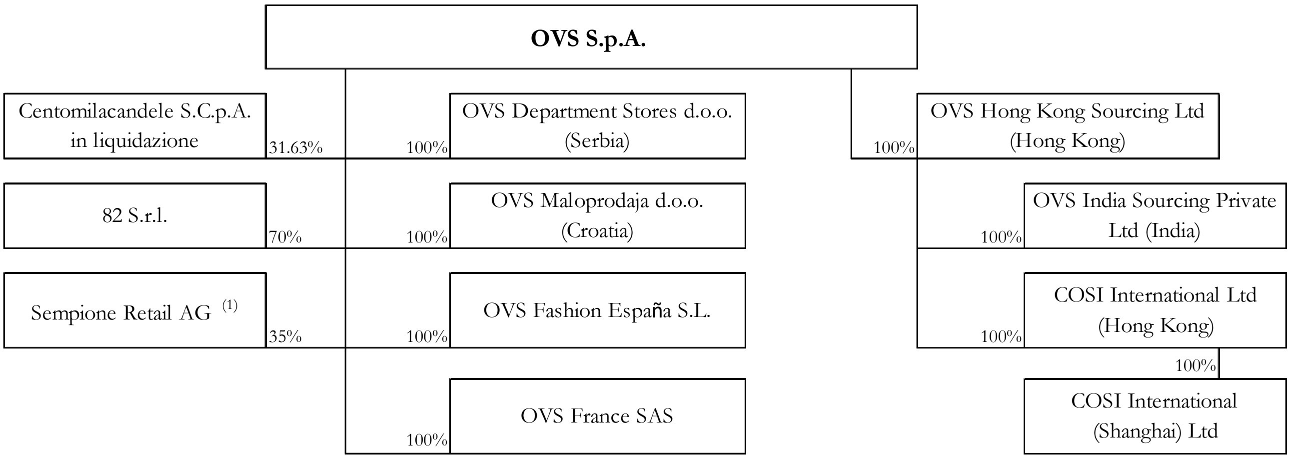
PricewaterhouseCoopers S.p.A.

Financial Reporting Officer

Nicola Perin

Structure of the Group

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



(1) Declaration of bankruptcy dated November 06, 2018.

INTERIM REPORT ON OPERATIONS

Performance

The OVS Group registered its best results ever in terms of profitability and cash generation in the second quarter of the year.
Sales grew by 35% in the May-July quarter compared with 2020, and, even more significantly, by 11% compared with 2019, despite a further 4.7% contraction in the market in the same period. This helped recover much of the sales lost due to the lockdowns in the first three months of the year.
All this resulted in a further increase in market share, which has now reached 9%: OVS was also the fastest-growing group in terms of market share in the last quarter, including compared with international players operating only via digital channels, demonstrating that multi-channel remains a key factor in the market in which we operate and that our Group is benefiting from this.
There was a 12% increase in loyal customers, whose average spend per purchase is around 18% more than the ones not taking part to our loyalty program, and who now account for more than 40% of our sales. The number of customers who regularly buy both online and offline also grew.
The sales performance resulted in impressive EBITDA and cash generation in the May-July period: EBITDA, at €54.5 million, was up 51% compared to 2020 and 46% compared to 2019; cash flow amounted to €75.7 million over the same period, in addition to €81 million deriving from the capital increase; this cash generation allowed the Group to close the period with a €95 million improvement in its net financial position compared with the pre-pandemic figure of July 2019. It is therefore clear that, excluding the impact of capital increase, we have fully absorbed the cash loss caused by the 2020 closures, effectively bringing forward the expected deleveraging, and we now have sufficient resources to explore all the M&A opportunities offered by the market in the short and medium term.

Key information on operations at 31 July 2021

The OVS Group achieved market share of 9% in the half-year, up by nearly 100 bps in a year, due to the excellent performance of the like-for-like store network and online sales.

Net sales in the second quarter were up 35.4% on the same period of 2020 and exceeded 2019 net sales by 11%, even though restrictions were still in place during some weekends in May. Half-year net sales came in at €599.2 million, up 59.5% on 2020. Online sales through the ovs.it website increased by 30% compared with 2020 and by 77% compared with 2019. The loyal customer base has now reached 4.7 million (+12% in one year), while the number of customers who buy both online and via the physical channel is still increasing.

Adjusted EBITDA for the second quarter was €54.5 million, up 50.9% compared with €36.1 million in 2020 and up 45.7% compared with €37.4 million in 2019. The excellent sales performance, good control of costs and careful management of mark-downs resulted in record EBITDA in the second quarter. Adjusted profit before tax for the quarter was also positive, at €33.5 million.

The adjusted net financial position was €318.2 million, markedly lower than at 31 July 2020, but also €95.4 million lower than the pre-pandemic figure of 31 July 2019. The second quarter of the year saw cash generation of €75.7 million, in addition to €81 million deriving from the capital increase completed in July (giving a total of €156.7 million).

The results for the first six months of 2021, compared with the first half of 2020, are shown below:

€mln	31 July '21 Reported	31 July '21 Adjusted	31 July '20 Reported	31 July '20 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**599.2**	**599.2**	**375.1**	**375.7**	**223.5**	**59.5%**
Gross Profit	**351.1**	**350.2**	**216.7**	**222.9**	**127.4**	**57.2%**
% on net sales	*58.6%*	*58.4%*	*57.8%*	*59.3%*		
EBITDA	**160.8**	**60.1**	**48.1**	**2.1**	**58.1**	**2826.1%**
% on net sales	*26.8%*	*10.0%*	*12.8%*	*0.5%*		
EBIT	**56.9**	**31.7**	**(55.8)**	**(26.5)**	**58.1**	**219.6%**
% on net sales	*9.5%*	*5.3%*	*-14.9%*	*-7.0%*		
EBT	**27.0**	**20.0**	**(97.6)**	**(37.0)**	**56.9**	**154.0%**
% on net sales	*4.5%*	*3.3%*	*-26.0%*	*-9.8%*		
Net Profit	**17.0**	**13.0**	**(75.9)**	**(29.7)**	**42.7**	**143.6%**
% on net sales	*2.8%*	*2.2%*	*-20.2%*	*-7.9%*		
Net Financial Debt	**1,205.9**	**318.2**	**1,303.2**	**410.6**	**92.5**	**22.5%**
Market Share (%)		**9.0**		**8.1**		**11.9%**

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.
Specifically, in the first half of 2021 the results have been adjusted mainly to strip out the impacts related to IFRS 16, and in particular: (i) €103.8 million on EBITDA to reflect the cost of rent, including €16.0 million relating to discounts due to the renegotiations triggered by the pandemic, relating to rents for 2020 but formalised and accounted for in the first half of 2021, (ii) €32.7 million in higher net costs on EBIT due to the reversal of depreciation and amortisation of €71.1 million, and (iii) €6.6 million in higher net costs on the reported result for the period due to the reversal of €22.2 million relating to net financial expenses and €3.8 million in higher taxes. Lastly, (iv) the net financial position was adjusted for an €889.6 million decrease in liabilities.
EBITDA in the first half of 2021 was also adjusted mainly as follows: (i) €0.9 million in foreign exchange losses on forward hedges of purchases of goods in foreign currency sold in the period, (ii) €3.6 million in non-recurring expenses comprising €2.8 million directly attributable to the COVID-19 emergency, €0.5 million in lay-off costs, and (iii) €0.4 million in costs relating to stock option plans (non-cash 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 €4.1 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 (in the amount of €0.8 million) by the taxes recalculated following the above adjustments.

In the first half of 2020, the results were adjusted mainly to strip out the impacts of IFRS 16, and in particular: (i) €58.1 million on EBITDA to reflect the cost of rent net of €30.1 million relating to the estimate of the renegotiations triggered by the pandemic, (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 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 a decrease of €878.6 million 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 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 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.

Normalised consolidated results

The following table shows the consolidated results by nature for the first six months of 2021, compared with those for the same period of the previous year (in millions of euros).

€mln	31 July '21 Reported	31 July '21 Adjusted	31 July '20 Reported	31 July '20 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**599.2**	**599.2**	**375.1**	**375.7**	**223.5**	**59.5%**
Purchases of consumables	248.1	249.0	158.3	152.9	96.1	62.9%
Gross Margin	**351.1**	**350.2**	**216.7**	**222.9**	**127.4**	**57.2%**
GM%	*58.6%*	*58.4%*	*57.8%*	*59.3%*		
Personnel costs	126.9	126.1	105.5	103.9	22.2	21.4%
Costs for services	86.1	83.7	68.8	66.7	17.1	25.6%
Rent costs	(35.8)	68.5	(17.1)	41.2	27.3	66.2%
Provisions	1.5	1.5	1.4	1.4	0.1	5.3%
Other operating costs	11.7	10.3	10.1	7.6	2.7	34.8%
Total operating costs	190.4	290.1	168.7	220.8	69.3	31.4%
Total operating costs on net sales %	*31.8%*	*48.4%*	*45.0%*	*58.8%*		
EBITDA	**160.8**	**60.1**	**48.1**	**2.1**	**58.1**	**2826.1%**
EBITDA%	*26.8%*	*10.0%*	*12.8%*	*0.5%*		
Depreciation & Amortization	103.9	28.5	103.8	28.5	(0.1)	(0.2%)
EBIT	**56.9**	**31.7**	**(55.8)**	**(26.5)**	**58.1**	**219.6%**
EBIT %	*9.5%*	*5.3%*	*-14.9%*	*-7.0%*		
Net financial (income)/charges	29.8	11.7	41.8	10.5	1.2	11.6%
PBT	**27.0**	**20.0**	**(97.6)**	**(37.0)**	**56.9**	**154.0%**
Taxes	10.0	7.0	(21.8)	(7.3)	14.3	196.6%
Net Income	**17.0**	**13.0**	**(75.9)**	**(29.7)**	**42.7**	**143.6%**

The following table shows the consolidated results by business segment for the first six months of 2021, compared with those for the same period of the previous year (in millions of euros).

€mln	31 July '21 Adjusted	31 July '20 Adjusted	Chg %
Net Sales			
OVS	472.4	300.5	57.2%
UPIM	126.8	75.2	68.6%
Total Net Sales	**599.2**	**375.7**	**59.5%**
EBITDA			
OVS	49.7	(0.4)	11817.3%
EBITDA margin	*10.5%*	*-0.1%*	
UPIM	10.4	2.5	320.6%
EBITDA margin	*8.2%*	*3.3%*	
Total EBITDA	**60.1**	**2.1**	2825.8%
EBITDA margin	***10.0%***	***0.5%***	
Depreciation	(28.5)	(28.5)	0.2%
EBIT	**31.7**	**(26.5)**	**219.6%**
Net financial income/(charges)	(11.7)	(10.5)	(11.6%)
PBT	**20.0**	**(37.0)**	**154.0%**
Taxes	7.0	(7.3)	196.6%
Net Result	**13.0**	**(29.7)**	**143.6%**

Notes to the main items in the income statement

Net sales

€mln	1H21	1H20	*Chg.*	*Chg. %*
OVS	472.4	300.5	171.9	57.2%
upim	126.8	75.2	51.6	68.6%
Total	**599.2**	**375.7**	**223.5**	**59.5%**

€mln	1H21	1H20	*Chg.*	*Chg. %*
DOS & e-commerce	487.1	308.9	178.2	57.7%
Franchise & Marketplace	112.2	66.9	45.3	67.8%
Total	**599.2**	**375.7**	**223.5**	**59.5%**

Total sales for the first half of the year came in at €599.2 million, up 59% compared with the same period of 2020. The Group outperformed compared with the market, which nonetheless recorded an encouraging trend, recovering by 34.7% over the period compared with 2020. Second quarter of the year registered higher performance of 11% compared with 2019, pre-pandemic period.

Sales increased in all distribution channels and for both the Group's main brands, with Upim registering more marked growth due to the greater weight of the franchise channel, mainly dedicated to the children's segment and therefore less subject to restrictions in the first few months of 2021.

EBITDA

€mln	2Q20		2Q21		31 Jul '20		31 Jul '21			
	EBITDA Adjusted	EBITDA%	**EBITDA** Adjusted	EBITDA%	**EBITDA** Adjusted	EBITDA%	**EBITDA** Adjusted	EBITDA%	Chg.2Q	Chg. 1H
OVS	28.8	13.2%	46.7	15.8%	(0.4)	-0.1%	49.7	10.5%	17.9	50.1
upim	7.3	13.4%	7.8	10.6%	2.5	3.3%	10.4	8.2%	0.5	7.9
Total	**36.1**	**13.2%**	**54.5**	**14.7%**	**2.1**	**0.5%**	**60.1**	**10.0%**	**18.4**	**58.1**

In the second quarter, the Group achieved its highest ever EBITDA of €54.5 million. Thanks to this performance, together with the strong recovery in the first quarter, EBITDA for the first six months was €60.1 million, up €58.1 million compared with 2020, and substantially in line with the pre-pandemic figure for 2019 (€62.5 million). Both brands contributed to this result, with OVS increasing by €50 million and Upim by €8 million in the first six months of the year compared with 2020.

Net result for the period

The adjusted result before tax returned to a positive €20 million.
The adjusted result for the period also recovered strongly, coming in at €13 million. The reported net result for the period was a profit of €17 million.

Analysis and details of the consolidated results in the first half of 2021

The following table compares the Group’s consolidated results in the first half of 2021 with those of the first half of 2020, 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 '21 Reported	of which IFRS 16	of which non-recurring	of which Stock Option plan, derivatives, PPA, foreign exchange differences	31 July '21 Reported	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
Net Sales	**599.2**				**599.2**	**375.1**		(0.7)		**375.7**
Purchases of consumables	248.1			(0.9) (a)	249.0	158.3		0.0	5.4 (a)	152.9
Gross Margin (A)	**351.1**				**350.2**	**216.7**				**222.9**
GM%	*58.6%*				*58.4%*	*57.8%*				*59.3%*
Personnel costs	126.9	(0.0)	0.5	0.4 (b)	126.1	105.5	(0.0)		1.6 (b)	103.9
Costs for services	86.1	(0.4)	2.8		83.7	68.8	(0.5)	2.6		66.7
Costs for the use of third-party assets, net of other operating income	(35.8)	(104.3)	0.0		68.5	(17.1)	(57.9)	(0.4)		41.2
Provisions	1.5				1.5	1.4				1.4
Other operating costs	11.7	1.0	0.3		10.3	10.1	0.3	2.1	0.0	7.6
Other operating costs (B)	**190.4**	**(103.8)**	**3.6**	**0.4**	**290.1**	**168.7**	**(58.1)**	**4.3**	**1.6**	**220.8**
EBITDA (A - B)	**160.8**	**103.8**	**(3.6)**	**0.5**	**60.1**	**48.1**	**58.1**	**(5.0)**	**(7.1)**	**2.1**
EBITDA%	*26.8%*				*10.0%*	*12.8%*				*0.5%*
Depreciation, amortization and write-downs of assets	103.9	71.1		4.3 (c)	28.5	103.8	71.0	0.0	4.3 (c)	28.5
EBIT	**56.9**	**32.7**	**(3.6)**	**(3.8)**	**31.7**	**(55.8)**	**(12.9)**	**(5.0)**	**(11.4)**	**(26.5)**
EBIT %	*9.5%*				*5.3%*	*-14.9%*				*-7.0%*
Net financial (income)/charges	29.8	(22.2)		4.1 (d)	11.7	41.8	(24.3)	0.0	(7.0) (d)	10.5
PBT	**27.0**	**10.4**	**(3.6)**	**0.3**	**20.0**	**(97.6)**	**(37.3)**	**(5.0)**	**(18.4)**	**(37.0)**
Taxes	10.0	3.8	(0.9)	0.1	7.0	(21.8)	(8.9)	(1.2)	(4.4)	(7.3)
Net Income	**17.0**	**6.6**	**(2.8)**	**0.2**	**13.0**	**(75.9)**	**(28.4)**	**(3.8)**	**(14.0)**	**(29.7)**

(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 2021, compared with the same period of the previous year and the end of the previous year (in millions of euros).

€mln	31 July '21 Reported	31 July '20 Reported	31 January '21 Reported	chg. Jul '21 vs Jan '21
Trade Receivables	95.5	86.7	102.1	(6.6)
Inventory	410.3	448.7	420.1	(9.8)
Trade Payables	(266.9)	(303.5)	(264.0)	(2.9)
Trade Working Capital	**238.9**	**231.9**	**258.2**	**(19.3)**
Other current assets/(liabilities)	(105.3)	(98.6)	(88.9)	(16.4)
Net Working Capital	**133.6**	**133.3**	**169.3**	**(35.7)**
Tangible and Intangible Assets	1,988.2	1,975.5	1,960.7	27.5
Net deferred taxes	(9.0)	(106.1)	(2.5)	(6.5)
Other long term assets/(liabilities)	(4.2)	(5.0)	(7.6)	3.5
Pension funds and other provisions	(39.5)	(40.7)	(40.1)	0.6
Net Capital Employed	**2,069.1**	**1,957.0**	**2,079.8**	**(10.7)**
Net Equity	863.2	653.7	764.3	98.9
Net Financial Debt	1,205.9	1,303.2	1,315.5	(109.7)
Total source of financing	**2,069.1**	**1,957.0**	**2,079.8**	**(10.7)**

Net invested capital decreased by €10.7 million to €2,069.1 million compared with January 2021, mainly due to the €35.7 million decrease in net working capital, offset by an increase of €27.5 million relating to net fixed assets. The €98.9 million increase in shareholders' equity mainly reflects the capital increase completed in July 2021, amounting to €81 million.

Lastly, the change in net deferred taxes compared with July 2020 is due to the realignment of the brands at the end of 2020.

Net financial position

€mln	31 July '21 excluded IFRS 16	31 July '20 excluded IFRS 16
Net Debt	**316.2**	**424.6**
Net Debt MTM of Derivatives excluded	**318.2**	**410.6**
EBITDA LTM Adjusted	**131.0**	**95.8**
Leverage on EBITDA	**2.4x**	**4.3x**

At 31 July 2021, the Group's net financial position was €318.2 million net of the mark-to-market effect (positive for €1.9 million) and the adoption of IFRS 16 (€889.6 million more in net liabilities for future rents). Thanks to the cash generation shown above, total debt was down markedly compared with 31 July 2020 (-€92.4 million), also lower than the pre-pandemic level, which at 31 July 2019 was €413.6 million (down €95.4 million).

This decrease is higher than the additional liquidity deriving from the capital increase: despite the loss in turnover of approximately €440 million recorded in 2020 and in the first months of 2021, due exclusively to the numerous lockdowns, the Group was able to fully recover the levels of net financial position before the advent of the pandemic, also excluding the proceeds from the capital increase.

Leverage (net financial position over EBITDA) was down sharply at 2.4x (down by 1.9x compared with the close of a year ago and by 3.1x compared with 31 January 2021). The average interest rate for the period was 3.49% + 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 2021, compared with the same period of the previous year (in millions of euros).

€mln	31 July '21 excluded IFRS 16	31 July '20 excluded IFRS 16	Chg.
EBITDA Adjusted	**60.1**	**2.1**	**58.1**
Adjustments	(4.0)	(6.6)	2.6
Change in Trade Working Capital	(10.3)	(83.5)	73.2
Other changes in Working Capital	13.6	1.2	12.4
Capex	(34.3)	(11.8)	(22.5)
Operating Cash Flow	**25.2**	**(98.6)**	**123.8**
Financial charges	(11.8)	(10.4)	(1.3)
Severance indemnity payment	(1.0)	(0.8)	(0.2)
Proceeds from capital increase	81.0	0.0	81.0
Taxes and others	(10.5)	9.1	(19.6)
Net Cash Flow (excl derivatives MtM and IFRS 16)	**82.9**	**(100.7)**	**183.7**

Operating cash flow

Despite the lockdown which affected the first quarter of 2021, cash flow for the first six months of the year was positive at €82.9 million. Two factors were decisive in achieving this result: (i) cash generated by the business in the second quarter of €75.7 million and (ii) cash deriving from the capital increase, which added €81 million to cash and cash equivalents.

Thanks to the EBITDA generated and an improvement in net working capital of €85.6 million, compared with the previous year, operating cash flow increased by €123.8 million, despite an increase in net investments of €22.5 million.

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 2021 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 '21 Reported**	***IFRS 16 Impacts***	**31 July '21 excl. IFRS 16**
Revenues	599.2	-	599.2
Other operating income and revenues	31.4	*0.6*	32.0
Total revenues	**630.6**	***0.6***	**631.2**
Purchases of consumables	248.1	-	248.1
Staff costs	126.9	*0.0*	126.9
Depreciation, amortization and write-downs of assets	103.9	*(71.1)*	32.8
Other operating expenses			
Service costs	86.1	*0.4*	86.6
Costs for the use of third-party assets	(4.4)	*104.9*	100.5
Write-downs and provisions	1.5	-	1.5
Other operating costs	11.7	*(1.0)*	10.6
Results before net financial expenses and taxes	**56.9**	***(32.7)***	**24.2**
Financial income	0.2	*(0.2)*	0.0
Financial expenses	34.1	*(22.4)*	11.7
Exchange rate gains and losses	4.1	-	4.1
Gains (losses) from equity investments	(0.0)	-	(0.0)
Net result for the period before tax	**27.0**	***(10.4)***	**16.6**
Taxes	10.0	*(3.8)*	6.2
Net Income for the period	**17.0**	***(6.6)***	**10.4**

€mln	31 July '21 Reported	*IFRS 16 Impacts*	31 July '21 excl. IFRS 16
Net Sales	**599.2**		**599.2**
Gross Profit	**351.1**		**351.1**
% on net sales	*58.6%*		*58.6%*
EBITDA	**160.8**	***(103.8)***	**57.0**
% on net sales	*26.8%*		*9.5%*
EBIT	**56.9**	***(32.7)***	**24.2**
% on net sales	*9.5%*		*4.0%*
EBT	**27.0**	***(10.4)***	**16.6**
% on net sales	*4.5%*		*2.8%*
Net Profit for the period	**17.0**	***(6.6)***	**10.4**
% on net sales	*2.8%*		*1.7%*

The same effects on the reclassified consolidated statement of financial position at 31 July 2021 are summarised below:

€mln	31 July '21 Reported	*IFRS 16 Impacts*	31 July '21 excl. IFRS 16
Trade Receivables	95.5	*0.0*	95.5
Inventory	410.3	*0.0*	410.3
Trade Payables	(266.9)	*(0.9)*	(267.7)
Trade Working Capital	**238.9**	***(0.9)***	**238.0**
Other assets/(liabilities)	(105.3)	*18.5*	(86.9)
Net Working Capital	**133.6**	***17.6***	**151.2**
Tangible and Intangible Assets	1,988.2	*(846.7)*	1,141.5
Net deferred taxes	(9.0)	*(6.0)*	(15.0)
Other long term assets/(liabilities)	(4.2)	*(11.7)*	(15.9)
Pension funds and other provisions	(39.5)	*0.0*	(39.5)
Net Capital Employed	**2,069.1**	***(846.9)***	**1,222.3**
Net Equity	863.2	*42.8*	906.0
Net Financial Debt	1,205.9	*(889.6)*	316.2
Total source of financing	**2,069.1**	***(846.9)***	**1,222.3**

Significant events during the first half of 2021

In February 2021, the Parent Company, OVS S.p.A., began the process of obtaining two waivers (collectively, the “2021 Waiver”) in relation, respectively, to (i) the Loan Agreement and (ii) the SACE Loan Agreement (as defined in the notes, see Note 13). This process, which involved the submission of two separate waiver requests relating to the Loan Agreement and the SACE Loan Agreement, signed by the Parent Company, OVS S.p.A., on 17 March 2021 and supplemented on 25 March 2021, was concluded on 30 March 2021 following, *inter alia*, the signing of two letters of acceptance of the waiver requests by, respectively, Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as Agents pursuant to, respectively, the Loan Agreement and the SACE Loan Agreement, both countersigned by the Parent Company, OVS S.p.A., and the approval of the 2021 Waiver.

As described in greater detail in the notes to the condensed consolidated half-year financial statements, the 2021 Waiver provides for:

- the waiver of any Default or Event of Default for any breach of the maximum permitted value of the financial parameter of the Leverage at any Test Date up to and including January 2022;
- the inclusion of a new test of the ratio of net financial debt as at 31 January 2022 to EBITDA for the 2021 financial year;
- the sending to banks of a Group liquidity statement from 31 March 2021 to 31 January 2022;
- compliance with a monthly Liquidity Covenant, under which the OVS Group will have, from 31 March 2021, liquidity of no less than €15 million at the end of each month. The last test is scheduled for 31 January 2022.

Other events that took place during the first half of 2021 include the completion of the transfer of ownership of the STEFANEL business unit, comprising the Stefanel brand and 23 DOS, to OVS on 1 March 2021. The total price of the acquisition was approximately €3.7 million. The 23 stores, which are in high-quality locations, have been progressively reopened and will serve as a starting point for the re-launch of the brand, together with a more extensive growth plan already under way in the second half of 2021.

On 9 March 2021, the OVS Group completed its acquisition of the Piombo brand. The Group had already opened 500 Piombo-branded corners in its DOS network in 2020. The inclusion of the Piombo brand in the menswear range has attracted new customers in 2021, offering a high-quality product that has extended the price range and therefore the margin in some product categories. This resulted in the Group’s decision to acquire the brand through its subsidiary 82 S.r.l., signing the sale agreement with Ciro Paone S.p.A. for €2.3 million.

Again in March, OVS began its collaboration with GAP, with the creation of childrenswear corners at around 20 OVS stores and the inclusion of some GAP products for men, women and children on the OVS.it website. The results for the first few weeks have been extremely satisfactory, particularly in terms of online sales, demonstrating the high potential of the OVS.it website as a marketplace for third-party brands.

On 28 May 2021, the Ordinary Shareholders' Meeting of Parent Company OVS S.p.A. approved the financial statements for the year ended 31 January 2021, resolving on the allocation of the net profit for the year of €35,901,908 as follows: €1,795,095 to the legal reserve and €34,106,813 to retained earnings.
The Shareholders' 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).
Lastly, the Shareholders' Meeting approved the share buyback plan proposed by the Board of Directors on 15 April 2021, as detailed in the directors' explanatory report to the Shareholders' Meeting, which has been made available on the Company website at www.ovscorporate.it in the "Governance/2021 Shareholders' Meeting section".
Lastly, in the first half of 2021, the Parent Company OVS S.p.A. promoted a paid capital increase, in tranches, for a maximum amount including the share premium of €79,904,337.50, approved by the Extraordinary Shareholders' Meeting of 15 December 2020, through a rights offering (the "Offering") of up to 63,923,470 ordinary shares of OVS S.p.A. (the "New Shares").
The New Shares were offered optionally to the shareholders of OVS S.p.A..
At the end of the offering period, a total of 63,923,470 New Shares had been subscribed, equivalent to all the New Shares offered in the capital increase, for a total consideration of €79,904,337.50.
As a result of the above, OVS S.p.A. share capital now amounts to €290,923,470.00, divided into 290,923,470 shares with no par value.
On 30 July 2021, a declaration that the capital increase had been carried out pursuant to Article 2444 of the Italian Civil Code and the new text of the Articles of Association was filed with the Venezia Rovigo Companies Register.
For further details, see the section entitled "Shareholders' equity" in the notes to the condensed consolidated half-year financial statements at 31 July 2021.

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 2021.

Investments

Investments of €34.3 million were made in the first six months of the year, mainly comprising (i) around €10.4 million for new store openings; (ii) around €9.7 million to upgrade some stores in the network in order to update their image and various maintenance activities on the existing sales network; (iii) around €8.9 million to develop IT systems and distribution processes; (iv) the acquisition of the Piombo brand for around €2.3 million; and (v) the completion of the acquisition of the Stefanel business unit for €2.7 million (in addition to €1 million already paid during the previous year).

Related party transactions

Detailed information is provided on relations with related parties in the notes to the condensed consolidated half-year financial statements at 31 July 2021.

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 2021.

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

As of 31 July 2021, 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 2021, 1,442,250 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 Consolidated Law on Finance (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 2021, 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.
Following the paid capital increase described above, which was completed on 30 July 2021, the dilutive effect of this operation had to be neutralised by changing the strike price and any price for the access condition (only in the 2019-2022 Plan) of the three stock option plans in place. For more details on the adjustment of these values, please see the notes to these condensed consolidated half-year financial statements.

Significant events after the reporting date

On 1 August 2021, the agreement signed by OVS S.p.A. with Douglas Italia S.p.A. for the purchase of a business unit of non-material size, comprising 13 stores previously managed under the Douglas brand, became effective. This purchase did not entail any financial outlay for OVS. The stores, in line with the development plans on which their purchase was based, are being converted into one of the various formats of the OVS Group.
It should also be noted that, in the context of the approval of the results for the first half of 2021, in light of the excellent evolution of the Group's financial structure and its prospects, the Board of Directors, at its meeting of 22 September 2021, started the advisability of reviewing the current sources of financing, including through the issue of capital market instruments, linked to ESG parameters, enabling to benefit on more favourable terms than those currently in place.
No other significant events took place after 31 July 2021.

Business outlook

The main final financial figures of the OVS Group for the first half of 2021 confirm that the elements of discontinuity implemented in the Group's strategy in the last period are continuing to produce increasingly tangible results.
The new third-party brands included in OVS's commercial offering are attracting new customers, enabling both excellent cross-selling with the Group-owned brands and better stock management in some product categories. Some of these, particularly in womenswear, performed exceptionally well, with sales per square metre also doubling compared with the average, making this the best performing segment over the quarter.
The Group's own brands are also enriching the sales proposal substantially, allowing to cover some higher position in terms of quality and price, and sales per square metre, to be increased. A clear case of success in

this context is the Piombo brand, launched last autumn/winter in the menswear segment, which also performed very well during the spring/summer period. This year's autumn/winter collection, meanwhile, will see the launch of the Piombo brand for womenswear, with early signs pointing to success in this category as well.

The Upim business unit has also successfully pursued its expansion plan, increasing its presence with a local approach, both providing a complete local offering for day-to-day needs, and giving entrepreneurs with multi-brand stores, whose market share still decreased in the last year, a valid business alternative.
In addition, the new Stefanel brand, acquired in March 2021 was recently launched along with 23 directly operated stores. The heritage of the brand, which is well-known in Italy and abroad, has been maintained, but the collection has been revised to make it more contemporary, with prices that are more than 30% lower, while top quality has been maintained thanks to the Group's sourcing capacity.
We believe that the innovations introduced in the commercial offering, including those described above, are the foundations of our Group's new positioning: we are a multi-channel, contemporary, accessible platform offering easy-to-wear fashion that is mainly aimed at Italian families, sustainable and far removed from the concept of fast fashion. Our Group is not only a traditional, vertically integrated retailer, but now has one of the largest and most well-structured supply chains in Europe, with unmatched know-how in the children's segment (market share in Italy has reached 22.2% in terms of value and 31.3% in terms of quantity).
The digitalisation process also continues at a rapid pace, increasing the Group's flexibility, reducing costs and enhancing operational efficiency. To give just a few examples, during the first half of 2021: (i) the option of accessing "the entire product range in one click" was extended to another 250 franchise stores, allowing items not available in the stores to be sold in-store via i-pad; (ii) the first phase of the "Operational platform & order manager" was launched. Once it has been completed by the end of the year, this will allow real-time access from all the digital platforms to all of OVS's stock, effectively allowing, among other things, the effective use of stores as hubs for the distribution of items in the region; (iii) the new PLM (Product Lifecycle Management) system has been released and made operational, enabling all product data to be integrated, from the R&D phase to the shipping phase; and (iv) the project to review the distribution model in stores also continues. Thanks to predictive algorithms, this will improve product distribution criteria by capturing customer socio-demographics.
Sustainability plays a central part in all the digitalisation projects: together with multi-channel services, they will enable CO2 emissions and the consumption of natural resources to be reduced, thanks to the higher control of the suppliers and the goods purchased in the various supply countries, reduced travel and optimization of inbound and outbound goods shipments. This is also due to robust control of the entire supply chain: as a result of the very detailed information required to collaborate with our Group, it recently achieved first place on the Fashion Transparency Index, which analyses the performance of 250 of the world's leading fashion brands and retailers in terms of transparency.

Digitalisation and the intrinsic features of our commercial offering (less “fast fashion” and more “sustainable” and “cross-season”) are enabling our Group, as was also the case last year, to manage effectively some inevitable delays caused by the pandemic in the delivery of goods in certain supply countries and the inefficiencies in goods shipments worldwide: we therefore do not believe that the current context will have a significant effect on the evolution of the Group’s top line and profitability as this year continues.

We would like to thank our shareholders for the success of the capital increase, which was completed on 30 July of this year and was fully subscribed. We believe that the trust placed in us is valid proof of your endorsement of the strategies we have implemented and we are sure that these will create value in the short and medium-to-long term.

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 (Mercato Telematico Azionario, the Italian screen-based stock market) pursuant to articles 70, paragraph 8 and 71, paragraph 1-*bis* of the Regulation for Issuers.

Venice, 22 September 2021

For the Board of Directors
Chief Executive Officer

Stefano Beraldo

Condensed consolidated half-year financial statements at 31 July 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(thousands of euro)

ASSETS	Note	31.07.2021	of which related parties	31.01.2021	of which related parties
Current assets					
Cash and cash equivalents	*1*	144,813		77,507	
Trade receivables	*2*	95,480		102,061	1,617
Inventories	*3*	410,272		420,110	
Financial assets	*4*	2,852		43	
Financial assets for leases	*5*	2,866		3,408	1,319
Current tax assets	*6*	14,849		15,637	
Other receivables	*7*	15,041		10,707	
Total current assets		**686,173**		**629,473**	
Non-current assets					
Property, plant and equipment	*8*	238,621		234,702	
Right of use	*9*	849,696		824,352	
Intangible assets	*10*	599,730		604,139	
Goodwill	*11*	300,142		297,541	
Equity investments	*12*	0		0	
Financial assets	*4*	0		0	
Financial assets for leases	*5*	5,301		6,086	1,303
Other receivables	*7*	8,276		9,228	
Total non-current assets		**2,001,766**		**1,976,048**	
TOTAL ASSETS		**2,687,939**		**2,605,521**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.07.2021	of which related parties	31.01.2021	of which related parties
Current liabilities					
Financial liabilities	*13*	89,292		71,617	
Financial liabilities for leases	*14*	127,983		171,497	
Trade payables	*15*	266,867	(2)	263,996	(2)
Current tax liabilities	*16*	5,654		3,927	
Other payables	*17*	129,569	1,153	111,304	1,843
Total current liabilities		**619,365**		**622,341**	
Non-current liabilities					
Financial liabilities	*13*	371,840		414,105	
Financial liabilities for leases	*14*	772,582		745,365	
Employee benefits	*18*	34,343		35,146	
Provisions for risks and charges	*19*	5,147		4,927	
Deferred tax liabilities	*20*	9,023		2,485	
Other payables	*17*	12,460		16,867	
Total non-current liabilities		**1,205,395**		**1,218,895**	
TOTAL LIABILITIES		**1,824,760**		**1,841,236**	
SHAREHOLDERS' EQUITY					
Share Capital	*21*	290,923		227,000	
Treasury shares	*21*	(1,496)		(1,496)	
Other reserves	*21*	556,939		503,941	
Net result for the period		16,993		35,037	
GROUP SHAREHOLDERS' EQUITY		**863,359**		**764,482**	
MINORITY INTERESTS	*21*	(180)		(197)	
TOTAL SHAREHOLDERS' EQUITY		**863,179**		**764,285**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,687,939**		**2,605,521**	

CONSOLIDATED INCOME STATEMENT
(thousands of euro)

	Note	31.07.2021	of which non-recurring	of which related parties	31.07.2020	of which non-recurring	of which related parties
Revenues	*22*	599,242		395	375,069	(679)	161
Other operating income and revenues	*23*	31,389		728	19,388	359	769
Total revenues		**630,631**	**0**		**394,457**	**(320)**	
Purchase of raw materials, consumables and goods	*24*	248,124			158,327		
Staff costs	*25*	126,903	461	2,335	105,479		3,256
Depreciation, amortisation and write-downs of assets	*26*	103,864			103,839		
Other operating expenses							
Service costs	*27*	86,134	2,845	(96)	68,800	2,579	85
Cost for the use of third-party assets	*28*	(4,408)		(97)	2,309		(63)
Write-downs and provisions	*29*	1,472		(28)	1,398		
Other operating charges	*30*	11,654	336		10,079	2,094	
Result before net financial expenses and taxes		**56,888**	**(3,642)**		**(55,774)**	**(4,993)**	
Financial income	*31*	215		66	377		102
Financial expenses	*31*	(34,143)			(35,186)		
Exchange rate gains and losses	*31*	4,081			(7,030)		
Gains (losses) from equity investments	*31*	0			(0)		
Net result for the period before tax		**27,041**	**(3,642)**		**(97,613)**	**(4,993)**	
Taxes	*32*	(10,031)	874		21,754	1,198	
Net result for the period		**17,010**	**(2,768)**		**(75,859)**	**(3,795)**	
Net result for the period attributable to the Group		**16,993**			**(75,866)**		
Net result for the period attributable to minority interests		**17**			**7**		
Earnings per share (in euros)							
- basic		0.075			(0.334)		
- diluted		0.073			(0.315)		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(thousands of euro)

	Note	31.07.2021	31.07.2020
Net result for the period (A)		**17,010**	**(75,859)**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Actuarial gains (losses) for employee benefits	18-21	(163)	351
- Tax on items recognised in the reserve for actuarial gains (losses)	20-21	39	(84)
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**(124)**	**267**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	21	1,078	(1,191)
- Change in consolidation reserve	21	(40)	0
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**1,038**	**(1,191)**
Total other items of comprehensive income (B)		**914**	**(924)**
Total comprehensive income for the period (A) + (B)		**17,924**	**(76,783)**
Total comprehensive income attributable to the Group		17,907	(76,790)
Total comprehensive income attributable to minority interests		17	7

CONSOLIDATED STATEMENT OF CASH FLOWS
(thousands of euro)

	Note	31.07.2021	31.07.2020
Operating activities			
Net result for the period		17,010	(75,859)
Provision for taxes	*32*	10,031	(21,754)
Adjustments for:			
Net depreciation, amortisation and write-downs of fixed assets, leasing effects included	*26*	103,864	103,839
Net capital losses (gains) on fixed assets, leasing effects included		857	142
Net financial expenses (income), leasing effects included	*31*	33,927	34,808
Expenses (income) from foreign exchange differences and currency derivatives	*31*	6,972	(14,581)
Loss (gain) on derivatives due to change in fair value	*31*	(11,053)	21,612
Allocations to provisions	*18-19*	250	15
Utilisation of provisions	*18-19*	(1,001)	(764)
Cash flows from operating activities before changes in working capital		**160,857**	**47,458**
Cash flow generated (absorbed) by change in working capital	*2-3-6-7-15-16-17-20*	33,176	(75,350)
Taxes paid		(3,714)	0
Net interest received (paid), leasing effects included		(49,361)	(25,945)
Realised foreign exchange differences and cash flows from currency derivatives		(2,575)	12,180
Other changes		1,402	435
Cash flow generated (absorbed) by operating activities		**139,785**	**(41,222)**
Investment activities			
(Investments) in fixed assets	*8-10-11*	(34,494)	(11,779)
Disposals of fixed assets	*8-10-11*	927	23
(Increase) decrease in equity investments	*12*	0	0
Cash out due to business combination during the period		(2,709)	0
Cash flow generated (absorbed) by investment activities		**(36,276)**	**(11,756)**
Financing activities			
Net change in financial assets and liabilities	*4-13*	(21,035)	195,494
(Repayment) of lease liabilities / Collection of assets for leases	*5-14*	(95,774)	(49,571)
Increase in share capital and reserves		80,606	0
Dividends distribution		0	0
Cash flow generated (absorbed) by financing activities		**(36,203)**	**145,923**
Increase (decrease) in cash and cash equivalents		**67,306**	**92,945**
Cash and cash equivalents at the beginning of the period		**77,507**	**45,656**
Cash and cash equivalents at the end of the period		**144,813**	**138,601**

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 period	Total shareholders' equity attributable to the OVS Group	Minority interests	Total shareholders' equity
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**
Balance at 01 February 2021	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,840)**	**(1,013)**	**8,386**	**4,341**	**(25,812)**	**35,037**	**764,482**	**(197)**	**764,285**
- Allocation of earnings for financial year 2020	-	-	*1,795*	-	-	-	-	-	*33,242*	*(35,037)*	*0*	-	*0*
- Paid capital increase	63,923	16,683	-	-	-	-	-	-	-	-	80,606		80,606
- Management incentive plan	-	-	-	-	-	-	*428*	-	*(64)*	-	*364*	-	*364*
Relations with Shareholders	63,923	16,683	1,795	-	-	-	428	-	33,178	(35,037)	80,970	-	80,970
- Net result for the period	-	-	-	-	-	-	-	-	-	*16,993*	*16,993*	*17*	*17,010*
- Other items of comprehensive income	-	-	-	-	*(124)*	*1,078*	-	*360*	*(400)*	-	*914*	-	*914*
Total comprehensive income for the period	-	-	-	-	(124)	1,078	-	360	(400)	16,993	17,907	17	17,924
Balance at 31 July 2021	**290,923**	**528,678**	**11,679**	**(1,496)**	**(3,964)**	**65**	**8,814**	**4,701**	**6,966**	**16,993**	**863,359**	**(180)**	**863,179**

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

The Parent Company, 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 MTA, organised and managed by OVS S.p.A.
Trading on the MTA, as ordered by Borsa Italiana, began on Monday, 2 March 2015.

These condensed consolidated half-year financial statements at 31 July 2021 have been prepared pursuant to Article 154-*ter* of Legislative Decree 58/1998 and the relevant Consob provisions and were approved by the Board of Directors on 22 September 2021.

The Group's main activities are set out in the Interim Report on Operations.

SUMMARY OF ACCOUNTING POLICIES AND VALUATION CRITERIA

Basis of preparation

The condensed consolidated half-year financial statements at 31 July 2021 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 2021 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 2021, prepared pursuant to IFRS.

The condensed consolidated half-year financial statements at 31 July 2021 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.

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.

These condensed consolidated half-year financial statements at 31 July 2021 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.

Please see the Interim Report on Operations for detailed information on the nature of the Group's activity.

PricewaterhouseCoopers S.p.A. has performed a limited audit on these condensed consolidated half-year financial statements at 31 July 2021.

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 2021 in the light of events in the first half of 2021, 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.

Accounting policies and consolidation criteria

The accounting policies and consolidation criteria used to prepare the condensed consolidated half-year financial statements at 31 July 2021 are consistent with those used to prepare the consolidated financial statements for the year ended 31 January 2021, 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 2021, as they became mandatory after completion of the relevant approval procedures by the competent authorities. However, their application did not have material effects on the Group's financial position or result. The exception is the adoption of the second amendment to IFRS 16 Leases, relating to rent concessions beyond 30 June 2021, which the Group decided to adopt early (please see the following note for details).

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR ANNUAL REPORTING PERIODS STARTING ON OR AFTER 1 JANUARY 2021

In preparing these consolidated financial statements, the same accounting standards and drafting criteria were substantially applied as in the preparation of the financial statements for the year ended 31 January 2021, having regard to the updates to the reference framework that came into effect on 1 January 2021, described below, which in any case did not have a significant impact on the Group, with the exception of the amendment to IFRS 16 described below.
The measures that entered into force on 1 January 2021 are set out below.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2
On 27 August 2020, the IASB published the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2, which supplement the provisions already issued in 2019 on the replacement of the benchmark interest rate as a consequence of the reform already introduced. The endorsement of the European Union took place on 14 January 2020. The amendments are effective for annual reporting periods starting on or after 1 January 2021. These amendments have had no impact on the Group's condensed consolidated half-year financial statements.

Second amendment to IFRS 16 Leases – Covid-19 Related Rent Concessions beyond 30 June 2021
It will be recalled that, on 28 May 2020, the IASB published an amendment to IFRS 16 to regulate the accounting by lessees of any concessions granted by lessors on operating lease payments due to the effects of the Covid-19 pandemic, as of 1 January 2020 but not after June 2021.
The European Union approved the amendment on 12 October 2020. It was applicable to financial statements for accounting periods beginning on or after 1 June 2020, but, as early adoption was permitted, the OVS Group had already opted to apply the amendment to the financial statements for the year ended 31 January 2021 (please see these financial statements for further details).
On 31 March 2021, the IASB approved the second amendment to IFRS 16, "Covid-19 Related Rent Concessions beyond 30 June 2021".
This amendment extends a practical means of simplifying the accounting by lessees of rent concessions (i.e. reductions or cancellations of lease payments granted to a lessee by a lessor) obtained as a result of the Covid-19 pandemic, beyond 30 June 2021.
The practical expedient 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, entering them in the income statement as operating income directly reducing lease liabilities.
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 2022;

- 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.

In March 2020, the OVS Group began an extensive negotiation process with all of its lessors to review its lease agreements in view of the pandemic and the consequent closure of stores due to legal measures: the mitigation of rent liabilities that these negotiations resulted in was largely, but not entirely, reflected in the 2020 results. In particular, only concessions on leases that the Group had obtained with formal acceptance by lessors before 31 January 2021 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). Agreements signed after this date have been reflected in the accounts in financial year 2021, even though, for management purposes, the Group has valued them on the basis of the reference period in these amendment agreements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED EARLY 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, or, if approved, apply to annual periods commencing after 1 February 2021, are shown below.

On 14 May 2020, the IASB published the following amendments:

- *Amendments to IFRS 3 Business Combinations*. The amendments aim to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this involving any changes to the provisions of IFRS 3;
- *Amendments to IAS 16 Property, Plant and Equipment*. The amendments are intended not to permit the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of tangible assets. These sales revenues and the related costs will therefore be recognised in the income statement;
- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. The amendment clarifies that when estimating whether a contract is onerous, all costs directly attributable to the contract must be considered;
- *Annual Improvements 2018-2020*: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All the amendments will take effect on 1 January 2022, but have not yet been approved by the European Union.

On 18 May 2017, the IASB published IFRS 17 Insurance Contracts (and subsequently, on 25 June 2020, the Amendments to IFRS 17), which is intended to replace IFRS 4 Insurance Contracts. The standard will apply from 1 January 2023, but has not yet been approved by the European Union.

On 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The aim of the document is to clarify how to classify payables and other short- or long-term liabilities. The amendments will come into effect on 1 January 2023, as established on 15 July 2020, deferring the original date of entry into force by one year. They have not yet been approved by the European Union.

Lastly, the IASB has published some amendments to the following standards: Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2, Definition of Accounting Estimates - Amendments to IAS 8. The amendments aim to improve disclosure on accounting policies so as to provide more useful information to investors and other primary users of the financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policy. The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods starting on or after 1 January 2023, although early adoption is permitted.

The Group will adopt these new standards and amendments on the basis of the expected application date, and will assess their potential impacts on the consolidated financial statements when they are approved by the European Union.

Business combinations

On 1 March 2021, the transfer of ownership to OVS of the STEFANEL business unit, comprising the Stefanel brand and 23 directly operated stores, was completed. The total price paid to the vendor (Stefanel S.p.A. in extraordinary administration) to purchase the business unit was approximately €3.7 million. The 23 stores, which are in high-quality locations, have been progressively reopened and will serve as a starting point for the re-launch of the brand, with a more extensive growth plan already under way in the second half of 2021.

The following table shows the fair value at the acquisition date of the components of the consideration transferred:

(amounts in thousands of euros)	
Cash and cash equivalents	3,709
Total amount transferred	**3,709**

In 2021 the Group incurred costs related to the purchase of €324 thousand. They include legal and notarial costs, stamp duty and tax on the registration of trademarks and patents and other professional service costs.

Below is a summary of the amounts relating to the shareholders' equity acquired and those deriving from the provisional purchase price allocation process:

(amounts in thousands of euros)	Net equity transferred	Purchase price allocation (provisional)	Total amount transferred
Tangible assets	331	-	331
Right of use	-	14,911	14,911
STEFANEL brand	-	-	-
Goodwill	-	2,601	2,601
Other non-current receivables	234	-	234
Inventories	1,216	(966)	250
Other current receivables	22	-	22
Deferred tax assets (liabilities)	-	270	270
Financial liabilities for leases	-	(14,911)	(14,911)
Total amount transferred	**1,804**	**1,905**	**3,709**

Scope of consolidation

The condensed consolidated half-year financial statements at 31 July 2021 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	290.923.470	EUR	Parent Company
82 S.r.l.	Venice - Mestre	10.000	EUR	70%
Foreign companies				
OVS Department Stores D.O.O.	Belgrade - Serbia	1.046.239.658	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%
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%

The liquidation procedure for OBS Sales Private Ltd was completed in the half-year ended 31 July 2021.

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**	**31.07.2021**	**31.01.2021**	**31.07.2021**	**31.07.2020**
US Dollar	USD	1.19	1.21	1.20	1.11
Hong Kong dollar	HKD	9.25	9.41	9.31	8.60
Chinese renminbi	RMB	7.68	7.80	7.76	7.81
Croatian kuna	HRK	7.50	7.57	7.54	7.55
Serbian dinar	RSD	117.60	117.76	117.54	117.60
Indian rupee	INR	88.39	88.43	88.27	82.91

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 2021 do not include all the information relating to financial risks described in the consolidated financial statements for the year ended 31 January 2021: 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 2021.

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 2021, the total guarantee amount was €65.9 million, including €20.6 million in overdue receivables (€61.9 million at 31 January 2021, including €18.9 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 and prospective losses into account 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 €95.5 million (€102.1 million at 31 January 2021).

Written-down or written-off receivables amounted to €11.8 million (€11.2 million at 31 January 2021).

Overdue receivables amounted to €25.1 million (€30.6 million at 31 January 2021).

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

To further enhance the financial solidity achieved by the Group with the shares and instruments put in place in 2020 (see the annual financial statements at 31 January 2021 for further details), the Parent Company, OVS S.p.A., completed the capital increase already announced in previous months during the half-year, further increasing available cash by approximately €80 million. For a detailed description of the capital increase, please see the note entitled "Shareholders' equity" below.

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 and was amended on 19 September 2019) does not include an obligation to hedge interest rate risk. Similarly, the SACE Loan Agreement does not provide for any obligation in this regard.

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 above loan agreements (March 2023 for the Loan Agreement and June 2024 for the SACE Loan Agreement), 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 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.
In exceptional cases, the Group may also unwind hedging derivative contracts for expected goods purchases, as it did in the previous year (please see the 2020 annual financial report). No such transaction was necessary in the first half of 2021.

The derivatives are recognised at 31 July 2021 at fair value, according to the methods of recognition and measurement established in IFRS 9. Under this accounting standard, the entity is still permitted, under certain conditions, to book derivatives using hedge accounting. In view of the operational complexity in managing the correspondence between the theoretical underlyings (the flows subject to the management hedging described) and the derivatives, the OVS Group has decided not to adopt hedge accounting.

Consequently, the fair value of existing financial instruments and subsequent changes in such instruments are directly charged to the income statement on each reporting date. The fair value of derivatives is quantified using common valuation techniques and is mainly determined by the difference between the notional amount in USD converted into euro at the forward exchange rate at the time of entering into the contract and the notional amount in USD converted into euro at the exchange rate at the end of the reference period. This difference may be positive or negative depending on changes in the EUR/USD exchange rate.

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 2021.

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 2021 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.

Although STEFANEL represents a separate and independent business unit for the reading of income statement data, for the purposes of this half-year financial report it has been temporarily included in the data on the OVS operating segment, due to its insignificant size in relation to the two main segments (and in view of its recent acquisition), as well as the greater operational synergy with OVS that management has assigned to the new business.

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 2021			31 July 2020		
(thousands of euros)	**OVS**	**UPIM**	**Total**	**OVS**	**UPIM**	**Total**
Revenues by segment	**472,417**	**126,825**	**599,242**	**299,834**	**75,235**	**375,069**
EBITDA Adjusted	**49,704**	**10,429**	**60,133**	**(425)**	**2,480**	**2,055**
% of revenues	10.5%	8.2%	10.0%	-0.1%	3.3%	0.5%
Non-recurring expenses			(3,642)			(4,993)
Forex reclassification			871			(5,446)
Stock Option plan			(364)			(1,631)
IFRS 16 effects			103,754			58,080
EBITDA			**160,752**			**48,065**
Depreciation, amortisation and write-downs of assets			(103,864)			(103,839)
Profit before net financial expenses and taxes			**56,888**			**(55,774)**
Financial income			215			377
Financial expenses			(34,143)			(35,186)
Foreign exchange gains and losses			4,081			(7,030)
Net result for the period before tax			**27,041**			**(97,613)**
Taxes			(10,031)			21,754
Net result for the period			**17,010**			**(75,859)**

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 the annual financial statements for the year ended 31 January 2021, to which you are referred. In fact, the seasonality described above is further accentuated in the case of cash flows, given the impact on sales in March and April 2021 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).

		31.07.2021	31.01.2021	change
1	**Cash and cash equivalents**	**144,813**	77,507	67,306

The balance represents cash and cash equivalents at 31 July 2021 and 31 January 2021 and breaks down as follows (in thousands of euros):

		31.07.2021	31.01.2021	change
1)	Bank and post office deposits	139,230	72,230	67,000
2)	Cheques	5	5	0
3)	Cash and cash equivalents on hand	5,578	5,272	306
Total		**144,813**	**77,507**	**67,306**

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.

The significant balance at 31 July 2021 is mainly due to the completion of the capital increase on 30 July 2021. For a detailed description of the capital increase, please see the note entitled "Shareholders' equity" below.

In addition, at 31 July 2021, ordinary current accounts were set up as pledges (last updated on 1 July 2021) to secure the Loan Agreement (described in note 13 below), in the amount of €65,656 thousand, and foreign currency current accounts in the amount of USD8,074 thousand, corresponding to €6,794 thousand, the balance of which is still fully available to the OVS Group.

		31.07.2021	31.01.2021	change
2	**Trade receivables**	**95,480**	102,061	(6,581)

The breakdown of trade receivables at 31 July 2021 and at 31 January 2021 was as follows (in thousands of euros):

	31.07.2021	31.01.2021	change
Trade receivables			
Receivables for retail sales	431	433	(2)
Receivables for wholesale sales	96,994	97,404	(410)
Receivables for services rendered	3,885	7,932	(4,047)
Disputed receivables	6,020	5,855	165
Trade receivables from related parties	0	1,617	(1,617)
Subtotal	**107,330**	**113,241**	**(5,911)**
(Provision for doubtful accounts)	(11,850)	(11,180)	(670)
Total	**95,480**	**102,061**	**(6,581)**

Receivables for wholesale sales derive from sales to affiliates.

Receivables from services mainly include charges for department management and sub-letting 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.

It should also be noted that trade receivables (mainly for the provision of products to the franchising affiliates) amounting to €94.4 million were also used to secure the Loan Agreement at 31 July 2021.

Changes in the provision for doubtful accounts for the half-year ended 31 July 2021 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2021	**11,180**
Allocations in the period	1,250
Utilisations in the period	(580)
Balance at 31 July 2021	**11,850**

The accrual to the "Provision for doubtful accounts" expresses the presumed realisable amount of receivables that are still collectable at the closing date of each period and has been adjusted to the risk assessments related to the particular situation in the period.

The drawings for the period relate to receivable positions for which elements of certainty and accuracy, or the presence of insolvency procedures, determine the derecognition of the position.

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.

		31.07.2021	31.01.2021	change
3	**Inventories**	**410,272**	420,110	(9,838)

The breakdown of inventories is shown in the following table:

(amounts in thousands of euros)	31.07.2021	31.01.2021
Goods	459,405	464,564
Gross stock	**459,405**	**464,564**
Provision for depreciation	(41,812)	(33,126)
Provision for inventory differences	(7,321)	(11,328)
Total provision for stock write-downs	**(49,133)**	**(44,454)**
Total	**410,272**	**420,110**

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.

It should be recalled that during 2020, the OVS Group, like all clothing retailers, had to manage the overstock generated as a result of the closure of almost the entire sales network in March and April 2020, and consequent losses of sales of goods regularly purchased.

This had resulted in the Group postponing the unsold goods from the Spring/Summer collection until 2021, given the high proportion of children's segment goods. In particular, the spring goods delivered in January-February 2020 (which were not "seen" by customers due to the store closures) had been withdrawn for storage. Some summer goods had been distributed to stores when they reopened, to support sales towards the end of the season, while the remainder were kept in storage.

This strategic decision enabled the Group to optimise its planned purchases for the first half of 2021, although the partial lockdowns that mainly affected March and April 2021 hit the spring collection for a second time. As the collection had already been rolled forward from 2020, this penalised its sell-out and therefore the level of the depreciation provisions made at 31 July 2021.

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, including in light of the pandemic. 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 2021 are shown below:

(amounts in thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2021	**33,126**	**11,328**	**44,454**
Provisions/accruals	19,669	6,931	26,600
Utilisation	(10,983)	(10,938)	(21,921)
Balance at 31 July 2021	**41,812**	**7,321**	**49,133**

		31.07.2021	31.01.2021	change
4	**Current financial assets**	**2,852**	43	2,809
4	**Non-current financial assets**	**0**	0	(0)

The breakdown of the "Financial assets" item into current and non-current at 31 July 2021 and at 31 January 2021 is shown below:

(amounts in thousands of euros)	31.07.2021	31.01.2021
Derivatives (current portion)	2,852	43
Total current financial assets	**2,852**	**43**
Derivatives (non-current portion)	0	0
Total non-current financial assets	**0**	**0**
Total	**2,852**	**43**

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.

		31.07.2021	31.01.2021	change
5	**Current financial assets for leases**	**2,866**	3,408	(542)
5	**Non-current financial assets for leases**	**5,301**	6,086	(785)

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

		31.07.2021	31.01.2021	change
6	**Current tax assets**	**14,849**	15,637	(788)

The balance mainly consists of receivables for excess IRES payments on account (€13,017 thousand) paid on a historical basis, already net of the payable for taxes accrued during the period. The residual amount relates to withholding tax on fees and other Tax receivables and receivables for tax withheld at source.

		31.07.2021	31.01.2021	change
7	**Other current receivables**	**15,041**	10,707	4,334
7	**Other non-current receivables**	**8,276**	9,228	(952)

Other receivables break down as follows:

	31.07.2021	31.01.2021	change
Other receivables	4,309	3,429	880
Receivables from insurance companies for claims reimbursment	156	216	(60)
Receivables from employees	1,061	1,018	43
Accrued income and prepaid expenses - rents and service charges	895	873	22
Accrued income and prepaid expenses - insurance	621	726	(105)
Accrued income and prepaid expenses - interest on security deposits	24	24	0
Accrued income and prepaid expenses - other	7,975	4,421	3,554
Total current receivables	**15,041**	**10,707**	**4,334**
Security deposits	4,366	3,909	457
Minor investments	20	20	0
Other receivables	3,890	5,299	(1,409)
Total non-current receivables	**8,276**	**9,228**	**(952)**

The “Other receivables” item in current receivables relates to guarantee deposits made for new leases amounting to €251 thousand and receivables for business unit disposals amounting to €1,922 thousand, while the remainder refers to social security receivables and advances to suppliers and shippers.

Receivables from insurance companies comprise reimbursement for damage to goods during transport (€29 thousand), damage due to flooding of a OVS store in Marcon (€119 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 €2,009 thousand and the share of deferred financial fees (€1,024 thousand) incurred to obtain the revolving credit facilities 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 €0.2 million were used to secure the Loan Agreement at 31 July 2021.

“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 €3,649 thousand and the medium/long-term portion of deferred financial fees of €206 thousand.

		31.07.2021	31.01.2021	change
8	**Property, plant and equipment**	**238,621**	234,702	3,919

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

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

In addition, pursuant to the Loan Agreement, at 31 July 2021 a lien was created on property in the amount of €175.5 million.

		31.07.2021	31.01.2021	change
9	**Right of use**	**849,696**	824,352	25,344

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

For a detailed analysis, see Appendix 2, concerning changes in the period.

		31.07.2021	31.01.2021	change
10	**Intangible assets**	**599,730**	604,139	(4,409)

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

Intangible assets at 31 July 2021 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 2021, 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 €54.7 million, amortised over 20 years (included under “Other intangible assets”);

- The Upim franchising network for €21.8 million, amortised over 20 years (included under "Other intangible assets");
- Licences relating to OVS stores for €77.1 million, amortised over 40 years (included under "Concessions, licences and brands");
- Licences relating to Upim stores for €20.2 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 2021, no new indicators of potential impairment had been identified that had not already been incorporated into the impairment tests carried out at the time of the 2020 financial statements. No further specific impairment tests were therefore necessary for 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. Based on this analysis, for the half-year ended 31 July 2021, administrative authorisation relating to a store in the OVS sector was written down by €462 thousand.
With regard to the brands, during the half-year OVS S.p.A. completed its acquisition of the PIOMBO brand through its subsidiary 82 S.r.l., signing the sale agreement with Ciro Paone S.p.A. for €2.3 million.

It should also be noted that, pursuant to the Loan Agreement, at 31 July 2021 a lien was created on OVS Group brands in the amount of €390.8 million.

		31.07.2021	31.01.2021	change
11	**Goodwill**	**300,142**	297,541	2,601

The goodwill mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011.
The change during the period is entirely due to the purchase of the STEFANEL business unit and the provisional allocation of the purchase price of €2.6 million to goodwill. Please refer to the note entitled "Business combinations" above.

With reference to goodwill, at 31 July 2021 no new possible impairment indicators were identified that had not already been incorporated in the impairment tests made on financial statements at 31 January 2021 and therefore no further specific impairment tests were required on the item in question.

		31.07.2021	31.01.2021	change
12	**Equity investments**	**0**	0	0

At 31 January 2021, the value of the equity investment in the consortium company Centomilacandele S.C.p.A. held by OVS S.p.A. (31.63%), amounting to €136 thousand, was fully written down when this company was placed in liquidation during 2020.

		31.07.2021	31.01.2021	change
13	**Current financial liabilities**	**89,292**	71,617	17,675
13	**Non-current financial liabilities**	**371,840**	414,105	(42,265)

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 July 2021 and 31 January 2021 is shown below:

(amounts in thousands of euros)	31.07.2021	31.01.2021
Current bank payables	28,767	41,074
Current portion of non-current debt	59,605	21,396
Other current financial payables	920	9,147
Current financial liabilities	**89,292**	**71,617**
Non-current bank payables	371,831	414,079
Other non-current financial payables	9	26
Non-current financial liabilities	**371,840**	**414,105**

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 2021 are shown below:

(amounts in thousands of euros)	Maturity	Interest rate	At 31 July 2021		
			Total	of which non-current portion	of which current portion
Facility Revolving	02/03/2023	Euribor + 3.75%	20,000	-	20,000
Banca Sella Loan	30/11/2021	Euribor + 3.50%	2,238	-	2,238
Import financing	05/08/2021	Euribor + 1.10%	484	-	484
Due for financial expenses			6,045	-	6,045
Current bank payables			**28,767**	**-**	**28,767**
Facility B1	02/03/2023	Euribor + 4.00%	250,000	250,000	-
Facility B2	26/08/2022	Euribor + 3.75%	83,333	33,333	50,000
SACE Loan	30/09/2024	Euribor + 2.25%	100,000	90,000	10,000
SG Loan	30/06/2024		486	302	184
Loan ancillary costs			(2,383)	(1,804)	(579)
Non-current bank payables			**431,436**	**371,831**	**59,605**

The lines of credit available to the Group at 31 July 2021 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, 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 credit line of €100,000,000 (Term B2) with repayment originally planned in equal half-yearly instalments as of 28 February 2020 and subsequently remodelled after the 2020 Waiver, which came into effect on 24 June 2020. At 31 July 2021, this line was outstanding in the amount of €83,333,333.33 and its current repayment plan provides for an instalment of €16,666,666.67 in August 2021 and two instalments of €33,333,333.33 each in February and August 2022;
   - a revolving credit facility of €100,000,000, which can be drawn down in various currencies (the "Revolving Credit Facility" or "RCF");
2. A loan agreement signed on 24 June 2020, disbursed on 25 June 2020 (the "SACE Loan Agreement" and the relevant loan, the "SACE Loan") totalling €100,000,000.

In February 2021, the Parent Company OVS S.p.A. began the process of obtaining two further waivers in relation, respectively, to (i) the Loan Agreement and (ii) the SACE Loan Agreement (collectively, the "2021 Waiver"). This process, which involved the submission of two separate waiver requests relating to (i) the Loan Agreement and (ii) the SACE Loan Agreement, signed by the Parent Company on 17 March 2021 and supplemented on 25 March 2021, was concluded on 30 March 2021 following, *inter alia*, the signing of two letters of acceptance of the waiver requests by Intesa Sanpaolo S.p.A. as the Agent of the Loan Agreement and UniCredit S.p.A. as the Agent pursuant to the SACE Loan Agreement, both countersigned by the Parent Company, and the consequent approval of the 2021 Waiver.

The 2021 Waiver has, *inter alia*, introduced the following changes:

- the waiver of any Default or Event of Default (each term as defined in the Loan Agreement and the SACE Loan Agreement) in respect of any breach of the maximum permitted value of the Leverage financial parameter (as defined in the Loan Agreement and in the SACE Loan Agreement) on any Test Date (as defined in the Loan Agreement and the SACE Loan Agreement) up to and including January 2022 (therefore with reference to the Test Dates scheduled for April 2021, July 2021, October 2021 and January 2022);
- the inclusion of a new test on the ratio of net financial debt at 31 January 2022 to EBITDA relating to 2021, the maximum value of the said test being less than or equal to 4.0x;
- the sending to the banks of a liquidity prospectus, to be drawn up in line with the provisions of the previous 2020 Waiver obtained in May 2020 (and described in the 2020 annual financial report to which the reader is referred), as of 31 March 2021. The last statement will be sent on 31 January 2022;
- compliance with a monthly liquidity covenant under which the Group will have at least €15 million of

liquidity at the testing date. The first test of this covenant took place on 31 March 2021 and the last test is scheduled for 28 February 2022.

Regarding the Loan Agreement, the applicable interest rate for the Term B1 Facility at 31 July 2021 was equal to the sum of (i) the spread of 4.00% 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 Credit Facility, at 31 July 2021, is equal to the sum of (i) the margin of 3.75% 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 should be 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 Margin increases to 4.00%, which was what actually happened; while for the Term B2 Facility and the Revolving Credit Facility, as of 1 February 2020, the increase in the Margin 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 2021, the ratio of average financial debt to EBITDA was 3.11x. This value at 31 July 2021 does not constitute a Default or Event of Default, regardless of its value, as provided for in Waiver 2021.

The final due date of the Loan Agreement, which also coincides with the 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 and trademarks owned by OVS S.p.A. (in particular on the OVS and UPIM brands);
7. a pledge on some current accounts held by OVS S.p.A..

OVS S.p.A. undertakes to announce the occurrence of any significant adverse events or events of default that could restrict and/or impede the ability of the Parent Company 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. has undertaken 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 indicated above, the 2021 Waiver that came into force on 30 March 2021 resulted, *inter alia*, in the waiver of any Default or Event of Default (each term as defined in the Loan Agreement and the SACE Loan Agreement) in respect of any breach of the maximum permitted value of the financial parameter of the Leverage on any Test Date (as defined in the Loan Agreement and the SACE Loan Agreement) up to and including October 2021 (therefore with reference to the Test Dates scheduled for April 2021, July 2021 and October 2021), establishing a new parameter for the Test Date of January 2022 only (Leverage of 4.0x as described above) and therefore maintaining compliance with the same as from the Test Date of April 2022.

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 an event of default that the Group has the power to rectify:

i. with respect to the non-payment of any amount due pursuant to a Finance Document (as defined in the Loan Agreement), provided that it is due to technical or administrative error or a Disruption Event (as defined in the Loan Agreement), within three working days of the relevant expiry; and
ii. with reference to events of default other than non-payment, breach of the financial parameter and some other specific circumstances (related, *inter alia*, to the clauses of the Loan Agreement relating to

"provision and contents of a compliance certificate", "negative pledges", "disposals" and "financial indebtedness") within 21 days of the date on which the Agent sends a written notice to the OVS Group or the day on which the OVS Group becomes aware of non-compliance with the contractual covenant.

If the default is not rectified, Banca IMI S.p.A. (now Intesa Sanpaolo S.p.A.) as the Agent Bank has the option (but not the obligation, unless requested to do so by the Majority Lenders) of, *inter alia*, demanding early repayment of the loan, including by enforcing the guarantees granted.

The main characteristics of the SACE Loan are set out below. The loan amount of €100,000,000 is 80% guaranteed by SACE. This loan, disbursed in a lump sum, has a term of 4.3 years, with the deadline for payment of the final instalment in September 2024. The loan provides for a grace period of 24 months and ten equal instalments of €10,000,000 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, is 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 is 2.25% + 3M Euribor (zero if the parameter is negative) for the entire term of the SACE Loan and will not be subject to increases/decreases according to the change in leverage.

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 €5,000,000. 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. At 31 July 2021 the residual value of this loan was €2,238,410.

For the sake of completeness, this loan was repaid early in August 2021.

The breakdown of the consolidated net financial debt of the OVS Group at 31 July 2021 and 31 January 2021, determined according to the provisions of the Consob Communication of 28 July 2006 and pursuant to the ESMA/2013/319 Recommendations, also net of the effects on debt of the application of IFRS 16, is as follows:

(amounts in thousands of euros)	31.07.2021	31.07.2021 excluded IFRS 16	31.01.2021	31.01.2021 excluded IFRS 16
Net debt				
A. Cash	144,813	144,813	77,507	77,507
B. Cash equivalents	-	-	-	-
C. Securities held for trading	-	-	-	-
D. Liquid assets (A)+(B)+(C)	**144,813**	**144,813**	**77,507**	**77,507**
E. Current financial receivables	**5,718**	**2,852**	**3,451**	**43**
F. Current bank payables	(28,767)	(28,767)	(41,074)	(41,074)
G. Current portion of non-current debt	(59,605)	(59,605)	(21,396)	(21,396)
H. Other current financial payables	(128,903)	(1,623)	(180,644)	(9,608)
I. Current debt (F)+(G)+(H)	**(217,275)**	**(89,995)**	**(243,114)**	**(72,078)**
J. Net current debt (I)+(E)+(D)	**(66,744)**	**57,670**	**(162,156)**	**5,472**
K. Non-current bank payables	(371,831)	(371,831)	(414,079)	(414,079)
L. Bonds issued	-	-	-	-
M. Other non-current financial payables	(772,591)	(2,070)	(745,391)	(1,630)
N. Non-current debt (K)+(L)+(M)	**(1,144,422)**	**(373,901)**	**(1,159,470)**	**(415,709)**
O. Net debt (J)+(N)	**(1,211,166)**	**(316,231)**	**(1,321,626)**	**(410,237)**
Non-current financial receivables	**5,301**	**0**	**6,086**	**0**
Net financial position	**(1,205,865)**	**(316,231)**	**(1,315,540)**	**(410,237)**

Other current and non-current financial payables

The following table shows the breakdown of other current and non-current financial payables at 31 July 2021 and at 31 January 2021:

(amounts in thousands of euros)	31.07.2021	31.07.2021 excluded IFRS 16	31.01.2021	31.01.2021 excluded IFRS 16
Derivatives	920	920	9,147	9,147
Payables for finance leases	127,983	703	171,497	461
Other current financial payables	**128,903**	**1,623**	**180,644**	**9,608**
Derivatives	9	9	26	26
Payables for finance leases	772,582	2,061	745,365	1,604
Other non-current financial payables	**772,591**	**2,070**	**745,391**	**1,630**

		31.07.2021	31.01.2021	change
14	**Current financial liabilities for leases**	**127,983**	171,497	(43,514)
14	**Non-current financial liabilities for leases**	**772,582**	745,365	27,217

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 practical expedients 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 described above) resulted in a gain in the income statement of approximately €18.4 million. Further concessions from landlords have been contractualised or are in the process of being formalised since 31 July 2021 and will therefore be recognised by the end of 2021.

It should also be noted that current financial liabilities for leases include a portion of rent and interest (around €3 million) that, at the reporting date, had not been paid as it is part of extended negotiations with the respective real estate owners.

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	
	31.07.2021	**31.01.2021**	**31.07.2021**	**31.01.2021**
Within 1 year	165,753	163,821	124,395	121,532
From 1 to 5 years	530,767	516,601	423,376	405,606
Beyond 5 years	398,872	393,111	349,206	339,760
Total	**1,095,392**	**1,073,533**	**896,977**	**866,898**

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

	31.07.2021	31.01.2021
Minimum payments owed for finance leases	1,095,392	1,073,533
(Future financial expenses)	(198,415)	(206,635)
Present value of payables for finance leases	896,977	866,898

		31.07.2021	31.01.2021	change
15	**Trade payables**	**266,867**	263,996	2,871

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 €141,309 thousand; it also includes exposure in foreign currency (mainly USD) amounting to USD154,210 thousand.

		31.07.2021	31.01.2021	change
16	**Current tax liabilities**	**5,654**	3,927	1,727

This item mainly includes the current portion of the substitute Tax payable arising from the realignment of the tax value with the statutory value of the OVS and Upim brands recognised in the Parent Company's financial statements, i.e. €3,714 thousand, and the IRAP payable of €1,807 thousand accrued during the period, already net of the receivable from previous years.

The remaining portion relates to the current tax payables of the subsidiaries 82 S.r.l. and OVS Hong Kong Sourcing Ltd.

		31.07.2021	31.01.2021	change
17	**Other current payables**	**129,569**	111,304	18,265
17	**Other non-current payables**	**12,460**	16,867	(4,407)

The breakdown of the "Other payables" item into current and non-current at 31 July 2021 and at 31 January 2021 is shown below:

	31.07.2021	31.01.2021	change
Payables to employees for unused leave and related contributions	7,323	5,994	1,329
Payables to employees for deferred salaries, overtime, bonuses and related contributions	17,026	15,926	1,100
Payables to Directors and Auditors for emoluments	443	531	(88)
Other payables	32,610	28,781	3,829
Payables to pension and social security institutions	6,753	4,285	2,468
VAT payables	34,979	28,016	6,963
Other tax payables	1,778	2,335	(557)
Other payables - to customers	312	309	3
Accrued expenses and deferred income - rents and leasing	2,201	4,030	(1,829)
Accrued expenses and deferred income - utilities	4,440	2,993	1,447
Accrued expenses and deferred income - insurance	366	434	(68)
Accrued expenses and deferred income - other	21,338	17,670	3,668
Total current payables	**129,569**	**111,304**	**18,265**
Tax payables	3,714	7,428	(3,714)
Accrued expenses and deferred income - other	8,746	9,439	(693)
Total non-current payables	**12,460**	**16,867**	**(4,407)**

Payables to employees relate to benefits accrued and not paid out at 31 July 2021.

“Other payables” mainly relate to the recognition of €19,238 thousand for the value of expected returns on sales made, pursuant to IFRS 15 (€16,651 thousand at 31 January 2021).

The balance also includes advance payments by customers for pre-orders of goods and purchases of vouchers amounting to €5,359 thousand, and payables for deposits and securities received from customers to guarantee affiliation agreements of €6,837 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 €11,213 thousand of accrued expenses for local taxes, €580 thousand of travel expenses, €154 thousand of bank charges, €2,066 thousand of deferred income for contributions payable by partners and lessors and €5,230 thousand of unredeemed reward points relating to customer loyalty programmes (€3,600 thousand at 31 January 2021).

“Non-current payables” also include €8,250 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 €496 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.

They also include the non-current portion of the substitute Tax payable arising from the realignment of the tax value with the statutory value of the OVS and Upim brands recognised in the Parent Company’s financial statements.

		31.07.2021	31.01.2021	change
18	**Employee benefits**	**34,343**	35,146	(803)

Changes in employee benefits for the half-year ended 31 July 2021 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2021	**35,146**
Provision in the period	6
Actuarial (gains)/losses	163
Benefits paid	(972)
Balance at 31 July 2021	**34,343**

The item mainly comprises the amount allocated by the Parent Company, OVS S.p.A. 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.

		31.07.2021	31.01.2021	change
19	**Provisions for risks and charges**	**5,147**	4,927	220

Changes in the “Provision for risks and charges” item for the half-year ended 31 July 2021 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2021	**4,927**
Provision in the period	250
Utilisations in the period	(30)
Balance at 31 July 2021	**5,147**

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.

		31.07.2021	31.01.2021	change
20	**Deferred tax liabilities**	**9,023**	2,485	6,538

Changes in the "Deferred tax liabilities" item in the half-year ended 31 July 2021 are shown below:

(amounts in thousands of euros)	Balance at 31.01.2021	Allocated/ released to income statement	Allocated/ released to statement of comprehensive income	Allocated/ released to reserve	Balance at 31.07.2021
Provision for stock write-downs	10,570	636		270	11,476
Appropriation for local taxes	2,149	184			2,333
Provisions for risks and charges	1,169	53			1,222
Doubtful accounts	2,320	162			2,482
Tangible and intangible assets	(42,166)	(3,212)			(45,378)
IFRS 9 - Doubtful accounts	204	0			204
IFRS 15 - Rights of return	1,854	584			2,438
IFRS 16 - Leasing	(359)	0			(359)
Employee severance benefits calculated according to IAS 19	1,213	0	39		1,252
Tax loss	19,640	(5,039)			14,601
Other minor	921	(339)		124	706
Total net prepaid (deferred)	**(2,485)**	**(6,971)**	**39**	**394**	**(9,023)**

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 IRES tax benefit of €19,640 thousand on the losses recorded by the Parent Company in the previous year is also expected to be fully recovered due to the foreseeable generation of positive tax results, which can already be partially seen in the first half of 2021.

SHAREHOLDERS' EQUITY

Shareholders' equity amounted to €863.2 million.

In the first half of 2021, the Parent Company, OVS S.p.A., promoted a paid capital increase, in tranches, for a maximum amount including the share premium of €79,904,337.50, approved by the Extraordinary Shareholders' Meeting of 15 December 2020, through a rights offering (the "Offering") of up to 63,923,470 ordinary shares of OVS S.p.A. (the "New Shares") with no par value.

The New Shares were offered optionally to the shareholders of OVS S.p.A..

The Offering took the form of a public offering exclusively in Italy and on the basis of the Prospectus relating to the offering and admission to trading of the New Shares on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. (the "MTA").

The New Shares were offered for subscription at a price of €1.25 each, divided into €1.00 for share capital and €0.25 for share premium, as determined by the Board of Directors on 5 July 2021.

The New Shares were offered optionally to the holders of ordinary shares in the Company, based on the option ratio of 13 New Shares for every 46 ordinary shares held (the "Option Rights").

The New Shares have regular rights attached and are therefore fungible with the ordinary shares of OVS S.p.A. traded on the MTA. Consequently, the New Shares are assigned dividend no. 4 and the ISIN code IT0005043507.

The ISIN code IT0005433260 was assigned to the Option Rights for subscription for New Shares.

The period of validity of the Offering started on 12 July 2021 and ended on 26 July 2021, inclusive (the "Option Period").

The Option Rights were tradeable on the MTA from 12 July 2021 to 20 July 2021 inclusive.

The Option Rights not exercised by the end of the Option Period could be offered by the Company on the MTA, within the month following the end of the Option Period, for at least two open market days, unless they had already been fully sold, pursuant to Article 2441, paragraph 3, of the Italian Civil Code (the "Stock Exchange Offering").

During the Option Period, 218,391,256 option rights were exercised to subscribe for 61,719,268 New Shares, accounting for approximately 96.55% of the total New Shares, for a total amount of €77,149,085.00.

In accordance with the commitment made on 13 November 2020, shareholder TIP - Tamburi Investment Partners S.p.A. subscribed for and fully paid up all of the New Shares to which it was entitled (14,960,127 New Shares) and those deriving from the exercise of the additional option rights purchased to avoid splitting, as per the internal dealing notice circulated, with the resulting overall subscription of 14,960,153 New Shares, representing approximately 23.40% of the New Shares in the capital increase.

In accordance with the commitment made on 13 November 2020, shareholder and CEO Stefano Beraldo also subscribed for and fully paid up all of the New Shares to which he was indirectly and optionally entitled (657,098 New Shares) and those deriving from the exercise of the additional option rights purchased to avoid splitting, as per the internal dealing notice circulated, with the resulting overall subscription of

657,111 New Shares, representing approximately 1.03% of the New Shares in the capital increase.
At the end of the Option Period, 7,799,484 rights had not been exercised (the “Unopted rights”), relating to the subscription for 2,204,202 New Shares, corresponding to approximately 3.45% of the total New Shares, with a total value of €2,755,252.50.
The Unopted Rights could be offered by OVS pursuant to Article 2441, paragraph 3, of the Italian Civil Code, through Banca Akros S.p.A., during the sessions of 28 July and 29 July 2021, unless the offering were prematurely closed in the event of the sale of all of the Unopted Rights. The Unopted Rights were offered with the ISIN code IT0005433328 as part of the Stock Market Offering.
The Unopted Rights could be used to subscribe for the New Shares for a price of €1.25 per New Share (including a share premium of €0.25), in the ratio of 13 New Shares for every 46 Unopted Rights purchased.
The exercise of the Unopted Rights acquired as part of the Stock Exchange Offering and, consequently, the subscription for New Shares, was to take place by and no later than 29 July 2021, with the same value date, if the Stock Exchange Offering were to close early due to the sale of all of the Unopted Rights during the session of 28 July 2021, or (ii) by and no later than 30 July 2021, with the same value date, if all of the Unopted Rights were not sold during the first session and the Stock Exchange Offering closed on 29 July 2021.

During the first session of 28 July 2021, all 7,799,484 option rights not exercised at the end of the Option Period were sold, relating to the subscription for 2,204,202 New Shares, corresponding to approximately 3.45% of total shares.
The exercise of the Unopted Rights purchased as part of the offering on the MTA and, consequently, the subscription of the relevant New Shares had to be carried out, on penalty of forfeiture, by and no later than 29 July 2021. The Unopted Rights were made available to buyers through authorised intermediaries participating in the Monte Titoli S.p.A. clearing system.
As mentioned above, as a result of the sale during the stock exchange session of 28 July 2021 of all the 7,799,484 option rights not exercised during the offering period (for a corresponding income of €1,096,607), 2,204,202 ordinary shares of OVS New Shares deriving from the exercise of all the 7,799,484 Unopted Rights were subscribed for a consideration of €2,755,252.50.
Since during the offering period, 61,719,268 New Shares were subscribed, accounting for approximately 96.55% of total shares, 63,923,470 New Shares were therefore subscribed overall, equivalent to all shares offered in the capital increase, for a total consideration of €79,904,337.50.
As a result of such operation, OVS’s share capital now amounts to €290,923,470.00, divided into 290,923,470 shares with no par value.
On 30 July 2021, a declaration that the capital increase had been carried out pursuant to Article 2444 of the Italian Civil Code and the new text of the Articles of Association was filed with the Venezia Rovigo Companies Register.
All of the changes in the items included in shareholders’ equity are described in more detail in the relevant accounting schedule.

21 Share capital

At 31 July 2021, the share capital of OVS S.p.A. amounted to €290,923,470, comprising 290,923,470 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.
On 24 February 2015, the global offering 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.
Lastly, the paid capital increase in tranches described above entailed a capital increase of €63,923,470, increasing the share capital from €227,000,000 to €290,923,470, divided into 290,923,470 ordinary shares with no par value.

21 Treasury shares

At 31 July 2021, 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 2021.
These transactions were carried out as part of the authorisation to buy back 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 €528.7 million, derives from increases in the capital of OVS S.p.A., as previously mentioned, and is shown net of costs relating to both the listing process in 2015, amounting to €7,590 thousand (gross costs of €10,469 thousand and deferred tax of €2,879 thousand), and the capital increase process that took place in the first half of 2021, amounting to €394 thousand (gross costs of €518 thousand and deferred tax of €124 thousand).

The **legal reserve** came to €11.7 million, and was created when earnings for previous years were allocated.

There are also **other reserves**, with a positive net balance of €16.6 million, which mainly include retained earnings of €7.0 million, the effects of the direct recognition in shareholders' equity of actuarial gains/(losses) relating to employee severance benefits, the translation reserve and the effects of booking management incentive plans in equity reserves in accordance with the provisions of IFRS 2 (see also note 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 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 €183 thousand for net losses accrued from 2017 to date.

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:

	31.07.2021	31.07.2020
Revenues from retail sales	594,307	377,482
VAT on retail sales	(107,257)	(68,388)
Net sales	**487,050**	**309,094**
Revenues from sales to affiliates, administered and wholesale	111,876	65,807
Subtotal net sales	**598,926**	**374,901**
Revenues from ancillary services	316	168
Total	**599,242**	**375,069**

23 Other operating income and revenues

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

	31.07.2021	31.07.2020
Revenues from services rendered	19,315	11,013
Rental and leasing revenues	7,531	5,934
Damages	859	147
Capital gains from asset disposals	743	232
Other revenues	2,941	2,062
Total	**31,389**	**19,388**

Revenues from services provided mainly relate to the fees from commercial partners in concessions at the OVS Group's stores, in addition to 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.

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 consist of purchases of products for sale and amount to €248,124 thousand.

The item breaks down as follows:

	31.07.2021	31.07.2020
Purchase of raw materials, consumables and goods	238,286	213,883
Change in inventories	9,838	(55,556)
Total	**248,124**	**158,327**

25 Staff costs

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

	31.07.2021	31.07.2020
Wages and salaries	93,971	76,781
Social security charges	25,294	21,746
Employee severance benefits	6,345	6,067
Other staff costs	668	301
Directors' fees	625	584
Total	**126,903**	**105,479**

The number of employees, expressed as the full-time equivalent headcount, was 5,935 at the end of the half-year, compared with 5,915 at 31 January 2021. The first half of 2021, and in particular the months of March and April 2021, were also affected by a partial reduction in ordinary wage and salary costs, as a result of the extraordinary instruments made available by the Italian government due to the pandemic and already described in detail in the 2020 annual financial statements, although to a much lesser extent than in the first half of 2020.

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. 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 2021.
In total, the Board of Directors, in execution of the powers granted to it, approved the following Plans:

Stock Option Plan	Assignable	Assigned	Exercised
2015-2020	-	5,101,375	-
2017-2022	145,000	3,935,000	-
2019-2022	-	5,000,000	-
Total	**145,000**	**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, 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 €9,787 thousand (of which €9,423 thousand was accounted for at 31 January 2021), were recognised with a balancing entry in shareholders' equity. It should also be noted that during the first half of 2021 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 2021 are as follows:

Stock Option Plan	Price	Currency	Options at 31.01.2021	Options Assigned	Options Cancelled	Options Exercised	Options Forfeited	Options at 31.07.2021
2015-2020 Plan	4.88	Euro	2,947,963	-	-	-	-	2,947,963
2017-2022 Plan	6.39	Euro	1,442,250	-	-	-	-	1,442,250
2019-2022 Plan	1.85	Euro	5,000,000	-	-	-	-	5,000,000
Total			**9,390,213**					**9,390,213**

At 31 July 2021, 9,390,213 options were potentially exercisable (accrued or accruable).

No options were exercised in the first half of 2021.

Following the paid capital increase described above, which was completed on 30 July 2021, the dilutive effect of this operation had to be neutralised by changing the strike price and any price for the access condition (only in the 2019-2022 Plan) of the three stock option plans in place. The new values, determined according to the formulas commonly used in similar situations, are shown below:

Stock Option Plan *(in euros)*	Strike price	New Strike price	Access condition	New access condition
2015-2020 Plan	4.88	4.08	n.a.	n.a.
2017-2022 Plan	6.39	5.26	n.a.	n.a.
2019-2022 Plan	1.85	1.72	2.50	2.11

In view of the structure of the Stock Option Plan 2019-2022, a change is also advisable to take account of the effects – extraordinary and unforeseen when the plan was drafted – of the Covid-19 pandemic, which had serious adverse effects on the 2020 results, while maintaining as far as possible the content and mechanisms of the approved plan: cumulative EBITDA of €400 million, taking into account the 2019, 2021 and 2022 financial years (compared with the 2019, 2020 and 2021 financial years previously taken into account), with a consequent change to the initial term of the Plan.

Lastly, 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:

	31.07.2021	31.07.2020
Amortisation of intangible assets	9,612	9,514
Depreciation of tangible assets	21,104	21,438
Amortisation of right of use	71,392	71,376
Write-downs of tangible and intangible assets	1,756	1,511
Total	**103,864**	**103,839**

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

For a detailed analysis, see Appendix 2, 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 on stores.

27 Other operating expenses: Service costs

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

	31.07.2021	31.07.2020
Advertising	12,190	7,740
Utilities	14,657	12,990
Miscellaneous sales costs	27,237	20,979
Service costs - professional and consulting services	10,365	8,597
Travel and other employee expenses	3,391	2,972
Insurance	1,548	1,449
Maintenance, cleaning and security	16,030	13,467
Service costs - other services	599	509
Board of Statutory Auditors' fees / Supervisory Body	117	97
Total	**86,134**	**68,800**

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

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

	31.07.2021	31.07.2020
Rental costs and ancillary charges	(5,941)	636
Leasing of plant, equipment and vehicles	1,533	1,673
Total	**(4,408)**	**2,309**

The item "Rental costs and ancillary charges" mainly includes rents deriving from leases accounted for outside the scope of IFRS 16, the variable components of rents falling within the scope of the same principle 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 principles and consolidation criteria", the application of practical expedients relating to discounts and/or exemptions from payments on lease agreements due to the Covid-19 emergency entailed a gain in the income statement of approximately €18.4 million (including around €16.0 million relating to 2020 but signed off during 2021), bringing the net balance of the item at 31 July 2021 to -€5,941 thousand. Further concessions from landlords, again connected to the pandemic, have been contractualised or are in the process of being formalised since 31 July 2021 and are expected be recognised definitively in the accounts by the end of 2021.

29 Other operating expenses: Write-downs and provisions

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

	31.07.2021	31.07.2020
Doubtful accounts	1,222	1,383
Provisions for risks	250	15
Total	**1,472**	**1,398**

For details of the amounts described above, see Note 2 "Trade receivables" and Note 19 "Provisions for risks and charges".

30 Other operating expenses: Other operating charges

Other operating charges break down as follows:

	31.07.2021	31.07.2020
Materials and equipment for offices and stores	2,792	2,185
Taxes	4,350	4,914
Capital losses	1,600	445
Donations	255	447
Corporate expenses	381	314
Other general and administrative expenses	373	309
Other operating expenses	1,903	1,465
Total	**11,654**	**10,079**

31 Financial income (expenses)

FINANCIAL INCOME

	31.07.2021	31.07.2020
Financial income on bank current accounts	0	2
Financial income from miscellaneous sources	8	11
Financial income from the offering of unexercised rights	0	0
Financial income on financial assets for leases	207	364
Total	**215**	**377**

FINANCIAL EXPENSES

	31.07.2021	31.07.2020
Financial expenses on bank current accounts	0	24
Financial expenses on loans	9,742	8,820
Interests on lease liabilities	22,494	24,749
Interest cost on provision for employee severance benefits	6	22
Other financial expenses/fees	1,901	1,571
Total	**34,143**	**35,186**

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 2021 was 5.13%.

FOREIGN EXCHANGE GAINS AND LOSSES

	31.07.2021	31.07.2020
Foreign exchange gains	70	18,375
Foreign exchange losses	(7,042)	(3,793)
Gains (losses) on the change in fair value of currency derivatives	11,053	(21,612)
Total	**4,081**	**(7,030)**

32 Taxes

The tax impact in the consolidated income statement breaks down as follows:

	31.07.2021	31.07.2020
Current taxes	3,058	0
Deferred (prepaid) taxes	6,973	(21,754)
Total	**10,031**	**(21,754)**

The effective tax charge for the first half of 2021 is 37.1% and differs from the theoretical tax charge mainly due to certain permanent items increasing taxable income for the period as well as the significant impact of the IRAP charge on the result for the period.

By contrast, the first half of 2020 was affected by a significant pre-tax loss of the Parent Company, which generated deferred tax assets on the tax gain, while there was no IRAP provision for the half-year, given the significant loss in the period.

Lastly, see Note 20 “Deferred tax liabilities”, which shows the change in deferred tax liabilities and the related impact on the income statement of €6,973 thousand, mainly relating to tax-deductible amortisation of the OVS and Upim brands (realigned at the end of 2020 as required by Article 110 of Decree-Law 104/2020) and the partial use of 2020 tax losses, in the amount of €19,640 thousand.

EARNINGS PER SHARE

As previously indicated, due to the listing of the Parent Company OVS S.p.A. in March 2015 and the subsequent paid capital increase completed on 30 July 2021, the current share capital is divided into 290,923,470 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), and taking into account the newly issued shares for the period in which they were actually outstanding.

	Period ended 31.07.2021	**Period ended 31.07.2020**
Result for the period (in thousands of euros)	16,993	(75,866)
Number of ordinary shares at the end of the period	290,923,470	227,000,000
Average weighted number of shares outstanding for the calculation of basic earnings per share	228,261,072	226,190,774
Basic earnings per share (in euros)	**0.075**	**(0.334)**
Diluted earnings per share (in euros)	**0.073**	**(0.315)**

Diluted earnings per share were substantially in line with basic earnings per share, at 31 July 2021 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.

As a result of the alignment of the Consob Regulation with the parameters set forth by IAS 24 for determining related parties, in June 2021, Coin S.p.A. ceased to be a related party, as previously understood according to Consob. For this reason, income statement balances up to that date are shown, while the statement of financial position balances at 31 July 2021 are no longer shown.

(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 2021	-	-	-	0	95,480	0.0%
At 31 January 2021	1,617	-	-	1,617	102,061	1.6%
Current financial assets for leases						
At 31 July 2021	-	-	-	0	2,866	0.0%
At 31 January 2021	1,319	-	-	1,319	3,408	38.7%
Non-current financial assets for leases						
At 31 July 2021	-	-	-	0	5,301	0.0%
At 31 January 2021	1,303	-	-	1,303	6,086	21.4%
Trade payables						
At 31 July 2021	-	2	-	2	(266,867)	0.0%
At 31 January 2021	-	2	-	2	(263,996)	0.0%
Other current payables						
At 31 July 2021	-	-	(1,153)	(1,153)	(129,569)	0.9%
At 31 January 2021	-	-	(1,843)	(1,843)	(111,304)	1.7%

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. Commercial relations with the company had already ceased in 2020.

The following table summarises the economic relationships 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 2021						
Revenues	395	-	-	395	599,242	0.1%
Other operating income and revenu	728	-	-	728	31,389	2.3%
Purchases of raw materials, consumables and goods	-	-	-	0	(248,124)	0.0%
Staff costs	-	-	(2,335)	(2,335)	(126,903)	1.8%
Service costs	(32)	128	-	96	(86,134)	(0.1)%
Costs for the use of third-party asse	97	-	-	97	4,408	2.2%
Write-downs and provisions	-	28	-	28	(1,472)	(1.9)%
Other operating charges	-	-	-	0	(11,654)	0.0%
Financial income	66	-	-	66	215	30.7%
Financial charges	-	-	-	0	(34,143)	0.0%

At 31 July 2020, the OVS Group's economic relations with related parties were as follows:

(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 revenu	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 asse	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	-	-	102	377	27.0%
Financial charges	-	-	-	0	(35,186)	0.0%

The main economic relations with related parties in the first half of 2021 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 2021						
Cash flow generated (absorbed) by operating activities	-	128	(2,818)	(2,690)	139,785	(1.9)%
Cash flow generated (absorbed) by investing activities	-	-	-	0	(36,276)	0.0%
Cash flow generated (absorbed) by financing activities	-	28	-	28	(36,203)	(0.1)%

(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)%

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 amounted to €80,904 thousand (€75,872 thousand at 31 January 2021) 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 2021	548	91
Period ended 31 July 2020	508	70

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 2021 were influenced by non-recurring net expenses of €2,768 thousand.

	31.07.2021	31.07.2020
Revenues	-	679
Other operating income and revenues	-	(359)
Staff costs	461	-
Service costs	2,845	2,579
Other operating charges	336	2,094
Taxes	(874)	(1,198)
Total	**2,768**	**3,795**

Non-recurring charges refer to:

- staff costs of €461 thousand relating to transactions with employees;

- services costs of €2,845 thousand, mainly relating to expenses of €2,619 thousand directly attributable to the Covid-19 crisis;

- other operating costs of €336 thousand, mainly relating to expenses of €238 thousand directly attributable to the Covid-19 crisis;

- the tax effect on the above non-recurring items of €874 thousand.

In accordance with the above Consob Communication, it should also be noted that in the first half of 2021, no atypical and/or unusual transactions were entered into as defined by the Communication.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 1 August 2021, the agreement signed by OVS S.p.A. with Douglas Italia S.p.A. for the purchase of a business unit of non-material size, comprising 13 stores previously managed under the Douglas brand, became effective. This purchase did not entail any financial outlay for OVS. The stores, in line with the development plans on which their purchase was based, are being converted into one of the various formats of the OVS Group.

It should also be noted that, in the context of the approval of the results for the first half of 2021, in view of the current market environment and the Group's performance, the Board of Directors, at its meeting of 22 September 2021, discussed and assessed the advisability of reviewing the current sources of financing, including through the issue of capital market instruments on more favourable terms than the current ones. In view of the Group's good sustainability performance, any instrument under consideration could also have features related to ESG parameters.

No other significant events took place after 31 July 2021.

APPENDICES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following documents contain additional information on the condensed consolidated half-year financial statements at 31 July 2021.

Appendices:

1: Property, plant and equipment at 31 July 2021;
2: Right-of-use assets at 31 July 2021;
3: Intangible assets at 31 July 2021.

APPENDIX 1

Property, plant and equipment

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

	Balance at 31.01.2021	Movements during the period: Purchases	Sales / disposals	Amortisation / write-downs	Reclassifica-tions	Balance at 31.07.2021
Leasehold improvements						
initial cost	214,179	5,916	(3,309)	0	0	216,786
write-downs	0	0	0	0	0	0
amortisation	(163,814)	0	2,950	(4,297)	0	(165,161)
net	**50,365**	**5,916**	**(359)**	**(4,297)**	**0**	**51,625**
Land and buildings						
initial cost	6,829	0	(6)	0	0	6,823
write-downs	0	0	0	0	0	0
amortisation	(1,893)	0	6	(16)	0	(1,903)
net	**4,936**	**0**	**0**	**(16)**	**0**	**4,920**
Plant and machinery						
initial cost	305,973	6,423	(3,611)	0	0	308,785
write-downs	0	0	0	0	0	0
amortisation	(230,604)	0	3,044	(6,049)	0	(233,609)
net	**75,369**	**6,423**	**(567)**	**(6,049)**	**0**	**75,176**
Industrial and commercial equipment						
initial cost	353,485	13,098	(10,607)	0	0	355,976
write-downs	0	0	0	0	0	0
amortisation	(263,029)	0	9,785	(9,370)	0	(262,614)
net	**90,456**	**13,098**	**(822)**	**(9,370)**	**0**	**93,362**
Other tangible assets						
initial cost	63,677	1,000	(163)	0	(1,237)	63,277
write-downs	0	0	0	0	0	0
amortisation	(55,440)	0	121	(1,372)	234	(56,457)
net	**8,237**	**1,000**	**(42)**	**(1,372)**	**(1,003)**	**6,820**
Assets under construction and payments on account						
initial cost	5,339	3,065	(1,686)	0	0	6,718
write-downs	0	0	0	0	0	0
amortisation	0	0	0	0	0	0
net	**5,339**	**3,065**	**(1,686)** (1)	**0**	**0**	**6,718**
Total						
initial cost	949,482	29,502	(19,382)	0	(1,237)	958,365
write-downs	0	0	0	0	0	0
amortisation	(714,780)	0	15,906	(21,104)	234	(719,744)
net	**234,702**	**29,502** (3)	**(3,476)** (2)	**(21,104)**	**(1,003)**	**238,621**

(1) Of this amount, € 1,686 thousand represents assets under construction at 31.01.2021, relcassified to the specific asset categories in the first half 2021.

(2) Includes € 1,294 thousand relating to fixed assets disposed of and written down in the period due to the closure of point of sale.

(3) Acquisitions / increases in the period include Property, plant and machinery from the acquisition of the STEFANEL business unit which took place on 01.03.2021, whose valuation is still provisional at 31.07.2021.

APPENDIX 2

Right of use

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

	Balance at 31.01.2021	Movements during the period					Balance at 31.07.2021
		Purchases	Remeasure-ments	Decreases	Amortisation / write-downs	Reclassifica-tions	
Land and buildings							
initial cost	1,075,778	92,404	2,729	(13,317)	0	0	1,157,594
write-downs	0	0	0	0	0	0	0
amortisation	(254,366)	0	0	13,317	(70,653)	0	(311,702)
net	**821,412**	**92,404** (1)	**2,729**	**0**	**(70,653)**	**0**	**845,892**
Plant and machinery							
initial cost	640	0	0	0	0	0	640
write-downs	0	0	0	0	0	0	0
amortisation	(95)	0	0	0	(36)	0	(131)
net	**545**	**0**	**0**	**0**	**(36)**	**0**	**509**
Industrial and commercial equipment							
initial cost	2,023	0	0	0	0	0	2,023
write-downs	0	0	0	0	0	0	0
amortisation	(460)	0	0	0	(105)	0	(565)
net	**1,563**	**0**	**0**	**0**	**(105)**	**0**	**1,458**
Other assets							
initial cost	4,572	288	312	(465)	0	1,237	5,944
write-downs	0	0	0	0	0	0	0
amortisation	(3,740)	0	0	465	(598)	(234)	(4,107)
net	**832**	**288**	**312**	**0**	**(598)**	**1,003**	**1,837**
Total							
initial cost	1,083,013	92,692	3,041	(13,782)	0	1,237	1,166,201
write-downs	0	0	0	0	0	0	0
amortisation	(258,661)	0	0	13,782	(71,392)	(234)	(316,505)
net	**824,352**	**92,692**	**3,041**	**0**	**(71,392)**	**1,003**	**849,696**

(1) Acquisitions / increases in the period include € 14,911 thousand as balances of the acquisition of the STEFANEL business unit which took place on 01.03.2021, whose valuation is still provisional at 31.07.2021; for more details on the provisional PPA, please refer to the paragraph "Business combinations" of the Explanatory Notes.

APPENDIX 3

Intangible assets

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

	Balance at 31.01.2021	Movements during the period Purchases	Sales / disposals	Amortisation / write-downs		Balance at 31.07.2021
Rights to industrial patents and intellectual property rights						
initial cost	168,075	4,731	(1)	0		172,805
write-downs	0	0	0	0		0
amortisation	(142,014)	0	0	(4,935)		(146,949)
net	**26,061**	**4,731**	**(1)**	**(4,935)**		**25,856**
Concessions, licences and trademarks						
initial cost	515,600	2,350	(1,385)	0		516,565
write-downs	(10,896)	0	400	(462)		(10,958)
amortisation	(9,551)	0	80	(575)		(10,046)
net	**495,153**	**2,350**	**(905)**	**(1,037)**		**495,561**
Assets under construction and payments on account						
initial cost	933	402	(933)	0		402
write-downs	0	0	0	0		0
amortisation	0	0	0	0		0
net	**933**	**402**	**(933)** (1)	**0**		**402**
Other intangible assets						
initial cost	165,410	21	0	0		165,431
write-downs	0	0	0	0		0
amortisation	(83,418)	0	0	(4,102)		(87,520)
net	**81,992**	**21**	**0**	**(4,102)**		**77,911**
Total						
initial cost	850,018	7,504	(2,319)	0		855,203
write-downs	(10,896)	0	400	(462)	(2)	(10,958)
amortisation	(234,983)	0	80	(9,612)		(244,515)
net	**604,139**	**7,504**	**(1,839)**	**(10,074)**		**599,730**
Goodwill						
initial cost	297,541	2,601	0	0		300,142
write-downs	0	0	0	0		0
amortisation	0	0	0	0		0
net	**297,541**	**2,601** (3)	**0**	**0**		**300,142**

(1) Of this amount, € 933 thousand represents assets under construction at 31.01.2021, reclassified to the specific asset categories in the first half 2021.

(2) Included € 462 thousand relating to assets written down after impairment test of point of sale.

(3) Acquisitions / increases in the period include the goodwill from the acquisition of the STEFANEL business unit which took place on 01.03.2021, whose valuation is still provisional at 31.07.2021; for more details on the provisional PPA, please refer to the paragraph "Business combinations" of the Explanatory Notes.

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 2021 to 31 July 2021.

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 2021 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.

Mestre, Venice, 22 September 2021

Stefano Beraldo
Chief Executive Officer

Nicola Perin
Financial Reporting Officer

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 2021, 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 2021 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, 24 September 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(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

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Treviso, 24 September 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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PricewaterhouseCoopers SpA

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