OVS

Annual Report

2021

OVS | OVS kids | upim | BluKids | CROFF | STEFANEL

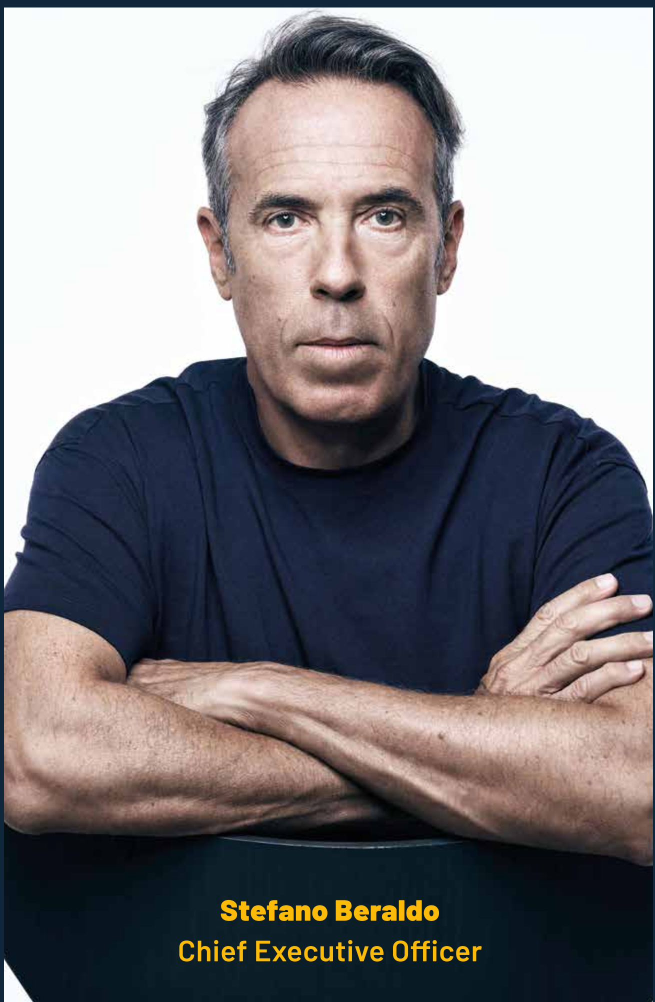
OVS

Contents

Letter to Shareholders

Dear Shareholders,

The results achieved in 2021 were excellent, despite the checkerboard closures during the first part of the year to contain Covid-19. The significant improvement in sales, combined with fewer mark-downs and cost-related initiatives, pushed EBITDA to pre-pandemic levels. The strong operating cash flow generated thanks to the excellent operating result and the constantly careful management of working capital resulted in a substantial reduction in the net financial position and consequent deleverage.



Stefano Beraldo
Chief Executive Officer

The growth in sales was well above the performance of the clothing market and of any other player, strengthening OVS's leadership in Italy, with an increase in market share from 8.4% to 9.3%.
In 2022, we will again pursue our commitment to implementing the business model that enabled us to achieve these results. We continue to develop the concept of OVS as a marketplace, where the house brand remains central but is at the same time surrounded by new brands. In 2021, we introduced Piombo Donna, which is greatly appreciated, and launched Stefanel, with encouraging results. Other brands that generate synergies with our offering will follow, and we will constantly assess opportunities to make acquisitions in line with our business model, when the conditions are right.

Investments have continued, in order to improve our omni-channel shop and to offer services that increasingly seek to customise the shopping experience. Initiatives such as "Ipad to franchisee" and "find your size" are already appreciated and enable the franchisee and the end-customer to access the entire range with one click, helping them to find the right product in the desired size and colour imme-

diately. CRM has also confirmed the soundness of our digital strategy, indicating a sustained increase in the number of loyal customers and a percentage of sales generated by them that shows an optimal mix between recurring sales and sales from new entries.

We have continued to open small stores, mainly in franchising, in a context that, partly due to lower consumer mobility, rewards local stores. We have also intervened in many existing stores, with a thorough restyling to give them a new, warm and welcoming image, using wooden furnishings, sofas, real plants, and eco-friendly materials to attract those customers who pay the greatest amount of attention to the quality of the environment. After the hiatus caused by the lockdown, we have resumed our plans for international expansion and intend to add approximately 50 stores to our existing network of 300.

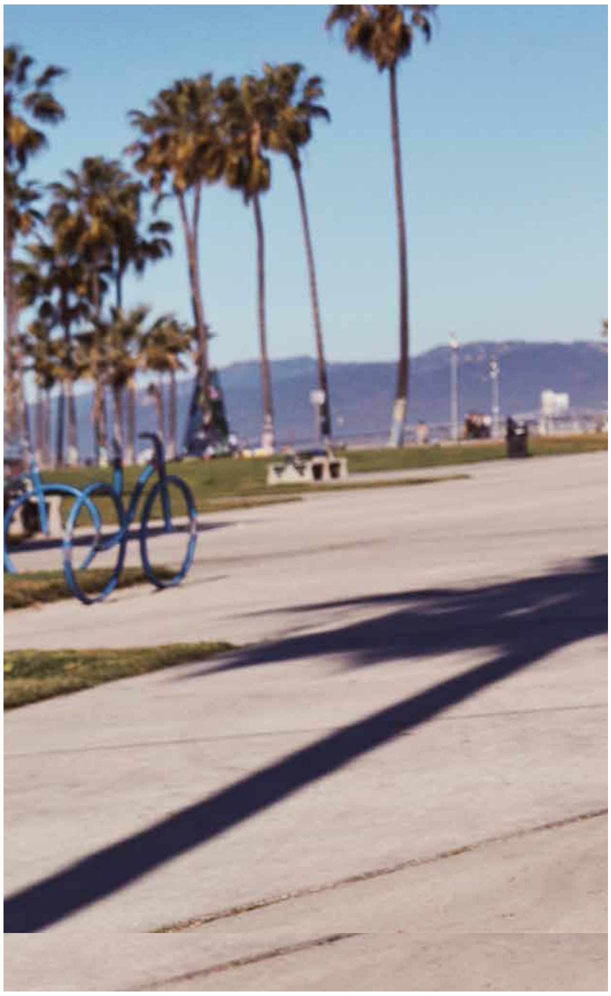
Given the important awards received for sustainability and transparency, we now have to maintain a position at that level, and, above all, to ensure that customers continue to perceive us as a company that is highly sensitive to sustainability issues and to associate this with our brands.

Despite a still unfavourable external environment, in the light of current results and further ongoing actions, we believe that we can look forward to 2022 with cautious optimism and can foresee the possibility of further growth in economic results, with adequate cash generation.
We would like to thank all our shareholders who put their faith in our business model and strategy because they believe in the potential for growth and future remuneration that our Group will be able to achieve.

Highlights

147.2M

EBITDA



1,359M

Net sales

(in milions of euro)

190M

Net financial position

130M

Operating cash flow

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	*Standing Auditor*
Emanuela Italia Fusa	*Standing Auditor*

Independent auditor

PricewaterhouseCoopers S.p.A.

Financial Reporting Officer

Nicola Perin

Group structure at 31 January 2022

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

OVS S.p.A.

70%
82 S.r.l.

31.63%
Centomilacandele S.C.p.A.
in liquidazione

100%
OVS Department Stores d.o.o.
Serbia

100%
OVS Maloprodaja d.o.o.
Croatia

100%
OVS Fashion Espana S.L.

100%
OVS France SAS

100%
OVS Hong Kong Sourcing Ltd
Hong Kong

100%
OVS India Sourcing Private Ltd
India

100%
COSI International Ltd
Hong Kong

100%
COSI International Ltd
Shanghai

Brand

OVS

LOVE PEOPLE. NOT LABELS.

OVS is Italy's leading brand of clothing for men, women, and kids, with over 1,200 stores in Italy and abroad. OVS is about contemporary, essential Italian style at excellent value for money and with a good deal of attention to sustainability in the choice of materials and production processes.

The brand is evolving towards a logic of being both a physical and digital platform, thanks to the progressive introduction of complementary brands that are able to satisfy different lifestyles of its wide customer base.

OVS kids

OVS is the undisputed leading company on the Italian market for kids' clothes and can boast a double-digit market share with its OVS KIDS brand. The brand is present in all OVS sales points as well as in 450 stand-alone stores in Italy and abroad.

Its target consists of kids from 0 -14 years old, offering competitively priced clothing of the highest quality made with carefully selected raw materials, and developed to combine style and practical wear. From the Fagottino line, dedicated to babiesin their first 36 months, to kids' clothes for up to 8 years, and on to older kids from 9 to 14 years.

Quality is an essential requirement for OVS. For many of its clothing and underwear items, OVS uses Biocotton (grown without synthetic chemicals) and has Oeko-Tex certification that guarantees no chemicals are used in the garments.

Upim, founded in Verona in 1928, is the Italian family department store and a reference point for service shopping affordable, accessible and oriented towards the actual needs of families.

With over 700 stores, including sales points dedicated to kids' clothing, it offers a local-based service with a wide, varied range of products, ranging from clothing for the whole family, to beauty and homecare products. Attention to contemporary style and people's real lives, taking into account the needs of families and the real needs of their customers, which make Upim an everyday presence, a tradition in the home and a genuine reference point for each store's local area.

Blukids is Upim's clothing brand specifically for kids. It has around 300 stand-alone stores in Italy and internationally, with an average retail area of 100-250 sq m, and it can also be found in 300 Upim stores. It is a benchmark for accessible, affordable shopping to meet the everyday needs of mums and kids.

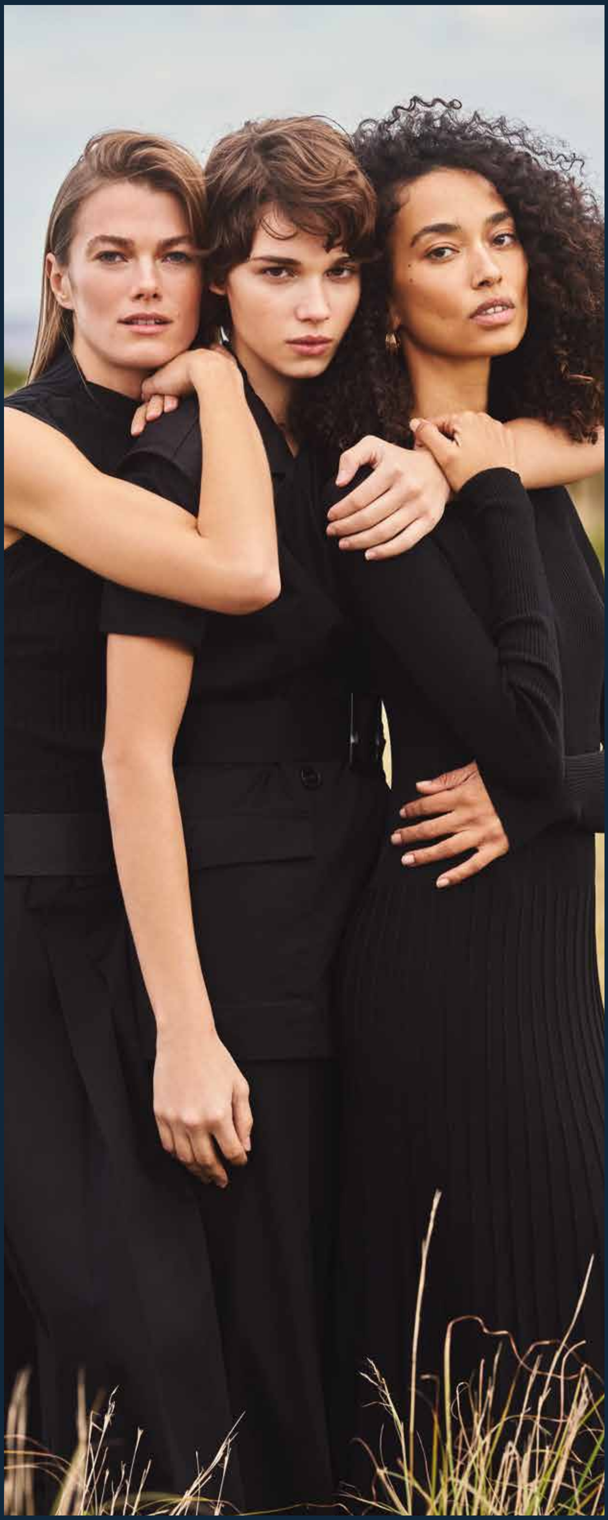
Blukids accompanies kids as they grow, at any moment during the day, from school to special occasions. Blukids offers collections for baby (0-36 months old), kids (2-9 years old) and juniors (9-15 year old), which stand out for their quality and affordable prices.

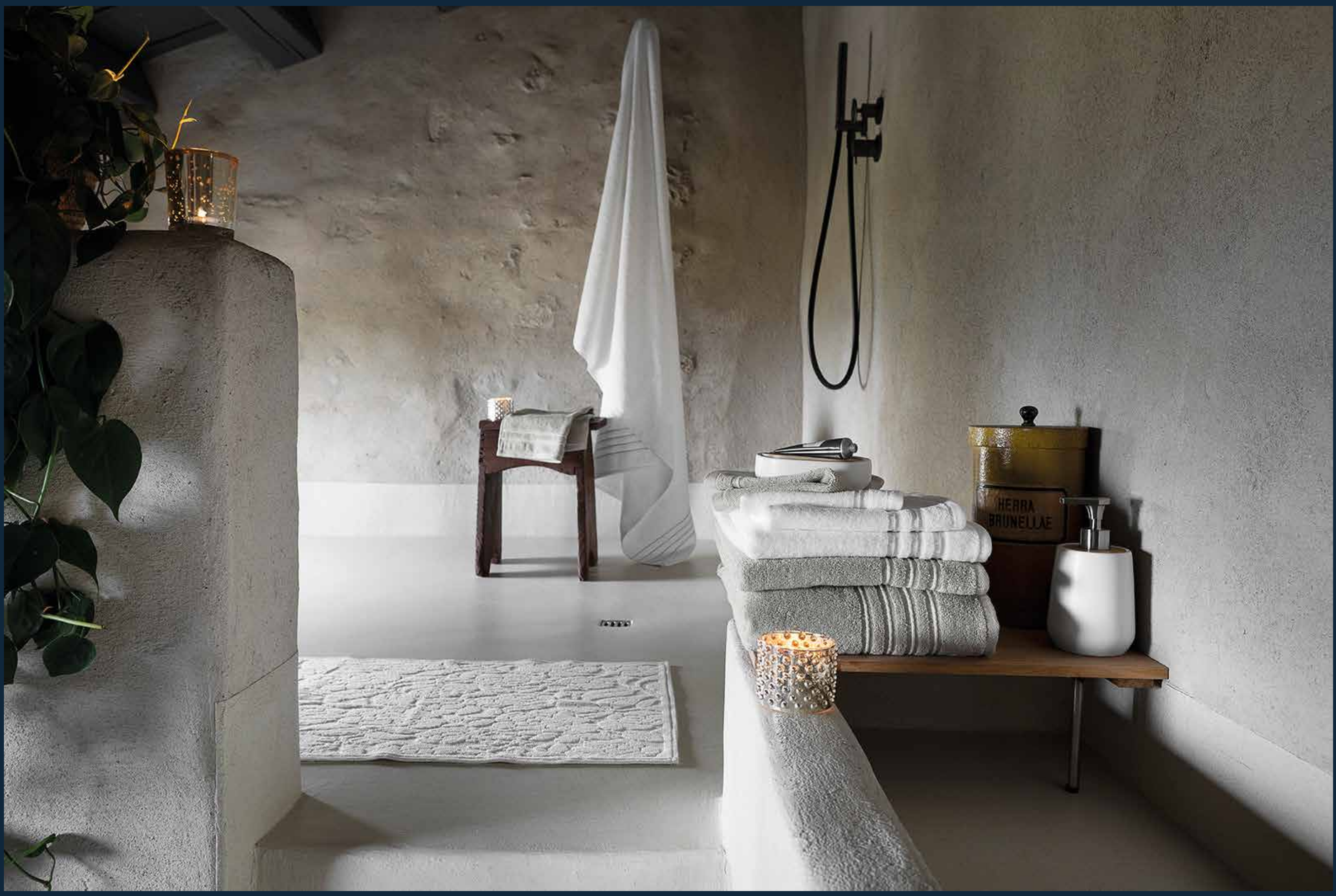
Underwear items and accessories complete the product offer.

Quality is an essential requirement for Upim. For many of its clothing and underwear items, Blukids uses Biocotton (grown without synthetic chemicals) and has Oeko-Tex certification that guarantees no chemicals are used in the garments. The company is part of the Better Cotton Initiative.

Historical Italian clothing brand, acquired from OVS in March 2021, Stefanel is known in Italy and in the world for the design and quality, especially for its knitwear.
The collections combine style and versatility and aim at a contemporary woman, eclectic, with personality, that doesn't need a label to express it.

Clean and simple lines for an "effortless" elegance, thought to be worn and interpreted in every moment of the day.





CROFF

The home decoration brand, dedicated to people who love contemporary design, easy, informal, for everyday use.

Its collections express different areas within the home, from textiles to tableware and kitchen items, accessories, complementary furnishing items, with a range of basic products, all offering excellent value for money.

Report on Operations at 31.01.2022

Foreword on methodology

The Annual Report at 31 January 2022 has been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board, and includes the following:

- Separate and consolidated statement of financial position
- Separate and consolidated income statement
- Separate and consolidated statement of comprehensive income
- Separate and consolidated statement of cash flows
- Statement of changes in shareholders' equity of the Parent Company and the Group
- Notes to the separated and consolidated financial statements at 31 January 2022.

In this Report on Operations at 31 January 2022, in addition to the indicators provided for in the financial statements and in compliance with the International Financial Reporting Standards (IFRSs), some alternative performance indicators used by management to monitor and assess the Group's performance are also presented. In particular, with the introduction of the new IFRS 16 international accounting standard, relating to the accounting treatment of leases, with effect from financial year 2019, in order to make the Group's data comparable with the years prior to 2019 and for a better understanding of performance in relation to other comparables in the sector, some adjustments have been introduced with regard to: EBITDA, operating result, profit before tax, net result for the year, net invested capital, net financial position and cash flow generated by operating activities, as detailed below. For this reason, the results are also commented on excluding IFRS 16 in order to maintain a consistent basis of comparison. As in the previous year, the impacts of the application of IFRS 16 have been reported separately, and the reconciliation with the financial statements is further detailed in the section entitled "Reconciliation of the consolidated results for 2021" below.

Group operating performance

The results achieved in 2021 were excellent.
The growth in sales of 33.4% over 2020, obtained with a substantial like-for-like sales area, is well above the 18.7% recorded by the clothing market, and this confirms, once again, that the OVS Group has grown more than any other physical and/or digital player in its sector operating in Italy.

The results achieved in 2021 were excellent

We opened small stores, mainly in franchising (over 70%), in a context that, partly due to lower consumer mobility, rewards local stores. We also intervened in many existing stores, with a thorough restyling to give them a new, warm and welcoming image, using wooden furnishings, sofas, real plants, and eco-friendly materials to attract those customers who pay the greatest amount of attention to the quality of the environment. The initiative was appreciated by our customers and led to a trend in renovated stores that was well above the network average.

We introduced significant new products to the range with the addition of new brands from Piombo Donna that have proven very popular. OVS is increasingly a marketplace, where the house brand remains central but is at the same time surrounded by new brands. This attracts new visitors and helps us stay closer to our customers' different lifestyles.

Investments continued to be made to improve our online shop, and we now offer services that increasingly seek to customise the shopping experience. We are equipping our franchise stores with hand-held devices that allow customers to access the entire range with one click, and thus to find the right product in the desired size and colour immediately. In the third quarter of 2021, the Group launched the newly acquired Stefanel brand, with encouraging results.

The OVS business model, characterised by a commercial offering that provides clothing that lasts over time and is less dependent on a “fast fashion” approach, allowed us in 2021 to sell at full price most of the products that had remained unsold during the previous year due to the lockdown. The actions taken, the excellent operating result and the ongoing careful management of working capital helped to generate an operating cash flow of close to €130 million; including the capital increase of approximately €81 million, the result achieved in terms of deleveraging is extremely satisfying (adjusted net financial position of €190.3 million, leveraging of 1.29x, a marked improvement over the €401.1 million and 5.50x recorded at 31 January 2021).

Key information on operational results at 31 January 2022

The OVS Group's results for 2021 show generalised growth in all respects. Sales and EBITDA returned to pre-pandemic levels and, at the level of cash generation, the year ended 31 January 2022 was a record year.

Adjusted net sales came in at €1,359 million, up 33.4% compared with 2020 and substantially in line with the 2019 figures. Growth was strong across all brands and in both offline and online channels.

Adjusted EBITDA was €147.2 million, up by more than €74 million compared with 2020. The EBITDA margin was 10.8% (compared with 7.2% in 2020), due to the significant improvement in sales, fewer mark-downs and cost-related initiatives.

Adjusted net result for the year was €44.8 million, compared with a loss of €4.8 million at 31 January 2021.

The operating cash flow was €129.8 million in 2021, in addition to around €81 million deriving from the capital increase completed in July 2021.

Adjusted net financial position amounted to €190.3 million, less than half the €401.1 million recorded at 31 January 2021 and around €120 million higher than the pre-pandemic figure (€309.9 million at 31 January 2020).

In 2021, the OVS Group issued a Sustainability-Linked Bond and in April 2022 it contracted two new sustainability-linked lines of credit to replace existing ones, thus strengthening the Company's and the Group's commitment to achieving its sustainability objectives.
The Group's focus on sustainability for the last several years received major international recognition in the year just ended: in the "Fashion Revolution" 2021 Fashion Transparency Index, OVS was named the company most committed to transparency in the world.

The table below summarises the Group's key performance indicators.

Key performance indicators

€mln	31.01.2022 Reported	31.01.2022 Adjusted	31.01.2021 Reported	31.01.2021 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**1,358.9**	**1,358.9**	**1,017.8**	**1,018.5**	**340.4**	**33.4%**
Gross Profit	**768.5**	**771.0**	**563.4**	**565.3**	**205.7**	**36.4%**
% on net sales	*56.6%*	*56.7%*	*55.4%*	*55.5%*		
EBITDA	**334.7**	**147.2**	**205.1**	**72.9**	**74.2**	**101.8%**
% on net sales	*24.6%*	*10.8%*	*20.1%*	*7.2%*		
EBIT	**120.8**	**89.1**	**(1.7)**	**14.0**	**75.1**	**535.0%**
% on net sales	*8.9%*	*6.6%*	*-0.2%*	*1.4%*		
EBT	**73.1**	**66.3**	**(78.7)**	**(8.0)**	**74.3**	**933.8%**
% on net sales	*5.4%*	*4.9%*	*-7.7%*	*-0.8%*		
Net Profit	**48.6**	**44.8**	**35.1**	**(4.8)**	**49.6**	**1030.5%**
% on net sales	*3.6%*	*3.3%*	*3.4%*	*-0.5%*		
Net Financial Debt	**1,139.0**	**190.3**	**1,315.5**	**401.1**	**210.8**	**52.6%**
Market Share (%)		**9.3**		**8.4**		**10.1%**

The table shows the results adjusted to represent the Group's operating performance net of non-recurring events which are unrelated to ordinary operations and the effects of the adoption of IFRS 16.

In 2021, the results were adjusted mainly to strip out the impacts of IFRS 16. In particular, with regard to the effects of IFRS 16, the following should be noted: (i) €199.3 million on EBITDA to reflect rent, mainly net of the impact relating to the renegotiations triggered by the pandemic, pertaining to the year, (ii) €51.9 million in higher net costs on EBIT due to the reversal of depreciation and amortisation of €147.3 million, and (iii) €5.2 million in higher net costs on the reported result for the period due to the reversal of €43.4 million relating to net financial expenses and €3.3 million in lower taxes. Lastly, (iv) the net financial position was adjusted for a €964.0 million decrease in liabilities.
EBITDA in 2021 was also adjusted as follows: (i) €2.5 million in net foreign exchange gains on forward hedging of purchases of goods in foreign currency, reclassified from "Net financial expenses (income)" to "Purchases of raw materials, consumables and goods"; (ii) €6.6 million mainly in non-recurring expenses directly attributable to the Covid-19 emergency; (iii) €1.2 million in costs relating to stock option plans (non-cash costs); and (iv) other less significant net one-off costs.
Other adjustments that impacted EBIT and the result before tax related to: (i) costs of €8.5 million related to the amortisation of intangible assets due to the purchase price allocation (PPA) of past business combinations; and (ii) adjusted financial income of €18.5 million, mainly relating to foreign exchange gains arising from the valuation of items denominated in foreign currency, including with respect to forward derivativesves and realised foreign exchange gains (the latter reclassified to "Purchases of raw materials, consumables and goods").
Lastly, the adjusted net result for the period reflected taxes recalculated following the aforementioned adjustments, entailing a decrease in expenses of €3.7 million.

In 2020, the results had been adjusted mainly to strip out the impacts related to IFRS 16 and those arising from the realignment of the OVS and Upim brands. In particular, with regard to the effects of IFRS 16, the following should be noted: (i) €147.6 million on EBITDA to reflect rent, mainly net of the impact relating to the renegotiations triggered by the pandemic contractualised or being formalised after 31 January 2021, (ii) €8.4 million in lower net costs on EBIT due to the reversal of depreciation and amortisation of €139.3 million, and (iii) €30.7 million in lower net costs on the reported result for the period due to the reversal of €46.8 million relating to net financial expenses and €7.8 million in higher taxes. Lastly, (iv) the net financial position was adjusted for a €905.3 million decrease in liabilities.

Meanwhile, with regard to the full alignment of the "Brands" (OVS and Upim) totalling €371.4 million (as provided for in Article 110, paragraph 8-bis, of Decree Law no. 104/2020), the reported net result was adjusted for €95.1 million in lower revenues due to the release of net deferred liabilities.

EBITDA in 2020 was also adjusted, mainly as follows: (i) an extraordinary one-off premium of €0.7 million granted to a foreign partner; (ii) €1.2 million in net foreign exchange gains on forward hedging of purchases of goods in foreign currency sold in the year, reclassified from "Net financial expenses (income)" to "Purchases of raw materials, consumables and goods"; (iii) €9 million in non-recurring expenses directly attributable to the Covid-19 emergency; (iv) €2.1 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 €8.5 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 €8.3 million, mainly relating to foreign exchange differences arising from the valuation of items denominated in foreign currency, including with respect to forward derivativesves, and realised foreign exchange differences.
Lastly, the adjusted net result for the period was affected (for €7.7 million) by the taxes recalculated following the above adjustments.

Adjusted consolidated results

The following table shows the adjusted consolidated results for 2021, classified by nature, compared with the previous year (in millions of euro).

€mln	31.01.2022 Reported	31.01.2022 Adjusted	31.01.2021 Reported	31.01.2021 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**1,358.9**	**1,358.9**	**1,017.8**	**1,018.5**	**340.4**	**33.4%**
Purchases of consumables	590.4	587.9	454.4	453.2	134.7	29.7%
Gross Margin	**768.5**	**771.0**	**563.4**	**565.3**	**205.7**	**36.4%**
GM%	*56.6%*	*56.7%*	*55.4%*	*55.5%*		
Personnel costs	288.7	286.8	228.9	226.2	60.6	26.8%
Costs for services	196.0	190.7	159.8	151.8	38.9	25.6%
Rent costs	(77.5)	121.5	(55.2)	92.2	29.3	31.8%
Provisions	3.2	3.2	2.9	2.9	0.3	9.7%
Other operating costs	23.4	21.7	22.0	19.3	2.4	12.3%
Total operating costs	433.8	623.8	358.3	492.4	131.5	26.7%
Total operating costs on net sales %	*31.9%*	*45.9%*	*35.2%*	*48.3%*		
EBITDA	**334.7**	**147.2**	**205.1**	**72.9**	**74.2**	**101.8%**
EBITDA%	*24.6%*	*10.8%*	*20.1%*	*7.2%*		
Depreciation & Amortisation	213.9	58.0	206.7	58.9	(0.9)	(1.5%)
EBIT	**120.8**	**89.1**	**(1.7)**	**14.0**	**75.1**	**535.0%**
EBIT %	*8.9%*	*6.6%*	*-0.2%*	*1.4%*		
Net financial (income)/charges	47.7	22.8	77.1	22.0	0.8	3.8%
PBT	**73.1**	**66.3**	**(78.7)**	**(8.0)**	**74.3**	**933.8%**
Taxes	24.4	21.5	(113.8)	(3.1)	24.7	785.8%
Net Income	**48.6**	**44.8**	**35.1**	**(4.8)**	**49.6**	**1030.5%**

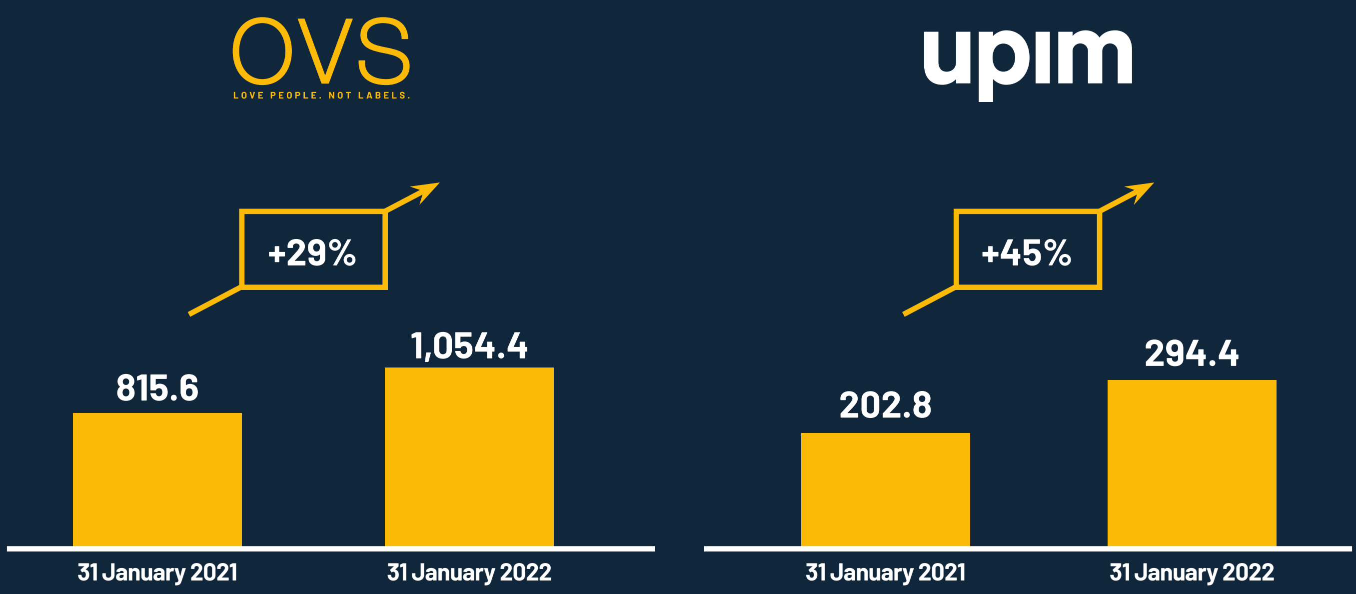
The following table shows the consolidated results by business segment for 2021 compared with the same period of the previous year (in millions of euro).

€mln	31.01.2022 Adjusted	31.01.2021 Adjusted	21 vs 20%
Net Sales			
OVS	1,054.4	815.6	29.3%
UPIM	294.4	202.8	45.1%
Other Business	10.1		
Total Net Sales	**1,358.9**	**1,018.5**	**33.4%**
EBITDA			
OVS	124.6	55.4	124.8%
EBITDA margin	*11.8%*	*6.8%*	
UPIM	27.2	17.5	55.5%
EBITDA margin	*9.2%*	*8.6%*	
Other business	(4.6)		
Total EBITDA	**147.2**	**72.9**	**102.0%**
EBITDA margin	**10.9%**	**7.2%**	
Depreciation & Amortisation	(58.0)	(58.9)	1.5%
EBIT	**89.1**	**14.0**	**537.3%**
Net financial income / (charges)	(22.8)	(22.0)	(3.8%)
PBT	**66.3**	**(8.0)**	**928.7%**
Taxes	(21.5)	3.1	785.9%
Net Income	**44.8**	**(4.8)**	**1040.3%**

Comments on the main items in the adjusted consolidated income statement

Net sales

Net sales (€m) of main Brands



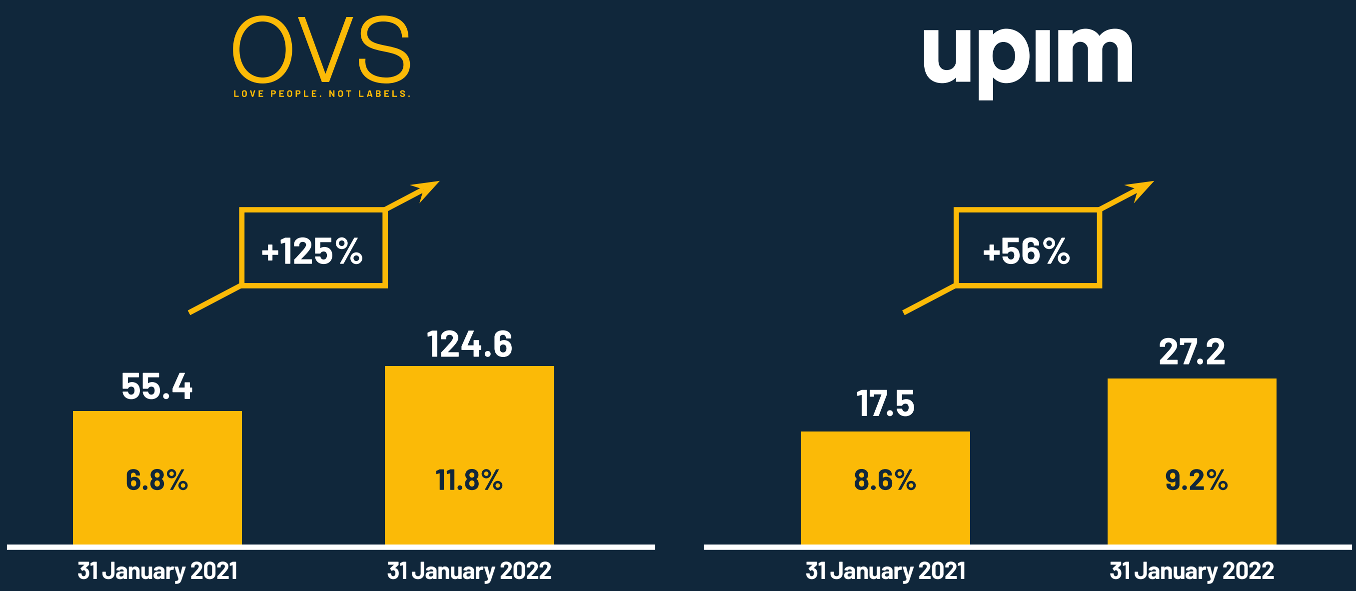
Net sales for the year were €1.359 billion, up 33.4% compared with 2020 and almost in line with the pre-pandemic performance in 2019. This performance characterised the OVS and Upim brands and all of the Group's distribution channels, including e-commerce.

2021 was also characterised by periods in which the Covid-19 pandemic re-emerged with varying levels of intensity and significant consequences in terms of sales performance. The first quarter was still characterised by periods of store closures and sales declined by 27.7% compared with 2019; in the second and third quarters, sales were 11% higher, while the fourth quarter, despite the emergence of the Omicron variant and some supply-chain difficulties in the retail sector, recorded sales in line with 2019.

Direct store sales increased by 34.2%, franchising network sales by 28.3% and e-commerce and market-place sales by 44.0%. Our franchising partners were also very satisfied with the saleability levels of our products. The OVS brand generated revenues of €1,054.4 million during the year, up by €238.8 million (+29.3%). Upim recorded revenues of €294.4 million, up €91.6 million (+45.1%).

EBITDA

EBITDA (€m) and EBITDA margin % of main Brands



Adjusted EBITDA was €147.2 million, up by more than €74.2 million (+101.8%) compared with 2020. Both brands recorded an excellent performance, with OVS registering an increase in EBITDA of €69.2 million (from 6.8% to 11.8% of sales) and Upim registering an increase of €9.7 million (from 8.6% to 9.2% of sales).

EBIT

EBIT, adjusted to better reflect the Group's operating performance, amounted to €89.1 million, up €75.1 million compared with €14.0 million in 2020. The pronounced increase is the same as that reported in adjusted EBITDA, with a balance of depreciation and amortisation for the year essentially in line with 2020.

Net result for the year

The adjusted result for the year was a profit of €44.8 million, up compared with 2020 (+€49.6 million), reflecting the increase in adjusted EBITDA.

Non-recurring income and expenses

The adjusted consolidated results of the OVS Group included, at 31 January 2022, non-recurring and non-operating income and expenses totalling €8.0 million before tax. These include extraordinary expenses of €6.6 million mainly attributable to the Covid-19 emergency and €0.7 million for transactions with employees, with the remainder attributable to other minor one-off expenses.

Net financial position

€mln	31.01.2022	31.01.2021
Net Debt reported	1,139.0	1,315.5
Net Dect Adjusted for MtM Derivatives & IFRS16	190.3	401.1
EBITDA Adjusted	147.2	72.9
Leverage on EBITDA Net Debt Adjusted / EBITDA Adjusted	**1.29x**	**5.50x**

Net financial debt does not consider the impact of the mark-to-market of derivativesves and the application of IFRS 16

At 31 January 2022, the net financial position, adjusted for the effect of the mark-to-market valuation of derivatives and the application of IFRS 16, was €190.3 million, down from 401.1 million at 31 January 2021. The ratio of adjusted Net Financial Position to adjusted EBITDA was 1.29x, down sharply from both 5.50x at 31 January 2021 and 1.98x at 31 January 2020. Due to the partial use of the cash generated and the issue of the Sustainability-Linked Bond for €160 million, the Parent Company, OVS S.p.A., repaid in advance an expensive bullet line of €250 million in November 2021. The improvement in financial structure continued in April 2022 with the repayment of remaining lines of €233 million in favour of a new sustainability-linked loan of €230 million, with significant advantages in terms of its economic aspects and term. All of the Group's main lines of financing are now linked to sustainability performance.

Summary statement of financial position

The table below shows the consolidated statement of financial position for 2021 compared with the end of the previous year (in millions of euros), with and without the effects of IFRS 16.

€mln	31.01.2022 Reported	31.01.2021 Reported	chg.
Trade Receivables	89.3	102.1	(12.8)
Inventory	389.8	420.1	(30.3)
Trade Payables	(317.9)	(264.0)	(53.9)
Net Operating Working Capital	**161.2**	**258.2**	**(96.9)**
Other assets / (liabilities)	(128.2)	(88.9)	(39.3)
Net Working Capital	**33.0**	**169.3**	**(136.3)**
Tangible and Intangible Assets	2,069.9	1,960.7	109.1
Net deferred taxes	(20.1)	(2.5)	(17.6)
Other long term assets / (liabilities)	(7.2)	(7.6)	0.5
Pension funds and other provisions	(39.8)	(40.1)	0.3
Net Capital Employed	**2,036.0**	**2,079.8**	**(43.9)**
Net Equity	896.8	764.3	132.6
Net Financial Debt	1,139.0	1,315.5	(176.5)
Total source of financing	**2,036.0**	**2,079.8**	**(43.9)**

€mln	31.01.2022 Excl. IFRS 16	31.01.2021 Excl. IFRS 16	chg.
Trade Receivables	89.3	102.1	(12.8)
Inventory	389.8	420.1	(30.3)
Trade Payables	(317.4)	(294.5)	(23.0)
Net Operating Working Capital	**161.7**	**227.7**	**(66.0)**
Other assets / (liabilities)	(111.8)	(72.5)	(39.3)
Net Working Capital	**49.9**	**155.2**	**(105.3)**
Tangible and Intangible Assets	1,151.9	1,138.7	13.2
Net deferred taxes	(27.0)	(10.6)	(16.4)
Other long term assets / (liabilities)	(18.8)	(19.3)	0.5
Pension funds and other provisions	(39.8)	(40.1)	0.3
Net Capital Employed	**1,116.2**	**1,224.0**	**(107.7)**
Net Equity	941.1	813.8	127.3
Net Financial Debt	175.0	410.2	(235.2)
Total source of financing	**1,116.1**	**1,224.0**	**(107.7)**

The reported net invested capital of the Group at 31 January 2022, which therefore also includes the impacts of IFRS 16, was €2,036.0 million, down €43.9 million compared with 31 January 2021, due to careful management of net operating working capital, which decreased by €66 million during the year. The increase in short-term net non-financial liabilities (mainly VAT payables and payables to staff and pension institutions) is mainly due to the gradual return to operation of the entire sales network.

Shareholders' equity

Consolidated shareholders' equity stood at €896.8 million at 31 January 2022, up compared with the previous year, when it was €764.3 million.
The reconciliation table for the shareholders' equity and the net result for the year of the Parent Company with the consolidated shareholders' equity and the consolidated net result for the year is shown below in the notes to the consolidated financial statements.

Adjusted summary consolidated statement of cash flows

The following table shows the 2021 statement of cash flows, compared with the statement of cash flows for the previous year, both restated according to management criteria and adjusted to exclude the effects of IFRS 16 as it does not have an impact on Group cash flows.

€mln	31.01.2022 Excl. IFRS 16	31.01.2021 Excl. IFRS 16	chg.
EBITDA - Adjusted	**147.2**	**72.9**	**74.2**
Adjustments	(9.2)	(14.3)	5.1
EBITDA Reported	138.0	58.7	79.3
Change in Trade Working Capital	66.0	(79.4)	145.4
Other changes in working Capital	39.0	(12.9)	51.9
Capex	(79.8)	(32.3)	(47.5)
Operating Cash Flow	**163.2**	**(65.9)**	**229.1**
Financial Charges	(21.7)	(22.0)	0.2
Severance indemnity payment	(1.3)	(2.1)	0.8
Corporate taxes & Others	(3.7)	0.0	(3.7)
Others	(6.6)	(1.1)	(5.6)
Net Cash Flow (Excl. paid capital increase. derivatives MtM and IFRS 16)	**129.8**	**(91.1)**	**220.9**
Proceeds from capital increase	81.0	0.0	81.0
Net Cash Flow (Excl. derivatives MtM and IFRS 16)	**210.8**	**(91.1)**	**301.9**
MtM derivatives	24.3	(16.8)	41.1
Net Cash Flow (Excl. IFRS 16)	**235.1**	**(107.9)**	**343.0**

Operating cash flow

The table above shows the adjusted cash flows to represent the Group's operating performance at the net of non-recurring events which are unrelated to ordinary operations and adjusted for the adoption of IFRS 16.

Operating cash flow was €163.2 million in 2021, compared with cash absorption of €65.9 million in 2020. This result was achieved due to the economic results for the year and the sale of goods during the previous season that had remained unsold in 2020 due to the lockdown. Net investments, which amounted to €79.8 million, returned to normal pre-pandemic levels. The net cash flow of €210.8 million includes the capital increase of approximately €81 million carried out in the year.

Dividends

Due to a greater than expected cash generation and the radical improvement in sources of financing, the Board of Directors has resolved to propose to the Shareholders' Meeting a dividend payment at the rate of €0.04 per share.

163.2M

operating cash flow

Reconciliation of consolidated results for 2021

The following table shows the Group's consolidated results for 2021, presenting separately the effect of the application of IFRS 16, 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	31.01.2022	of which IFRS 16	of which non-recurring	of which Stock Option Plan; Derivatives; PPA; Foreign Exchange differences		31.01.2022 Adjusted
Net sales	1,358.9		0	0		1,358.9
Other income	73.8	0.3	0	0		73.5
Revenues and other income	**1,432.7**	**0.3**	**0**	**0**		**1,432.4**
Purchases of consumables	590.4		0	2.5	(a)	587.9
Personnel cost	288.7		0.8	1.2	(b)	286.8
Other operating costs	218.8	(198.8)	7.2	0		410.4
EBITDA	**334.7**	**199.1**	**(8.0)**	**(3.8)**		**147.2**
Depreciation & Amortisation	213.9	147.3	0	8.5	(c)	58.1
EBIT	**120.8**	**51.9**	**(8.0)**	**(12.3)**		**89.1**
Net financial income / (charges)	(47.7)	(43.4)	0	18.5	(d)	(22.8)
PBT	**73.1**	**8.5**	**(8.0)**	**6.2**		**66.3**
Taxes	(24.4)	(3.3)	1.9	(1.5)		(21.5)
Net Profit	**48.6**	**5.2**	**(6.1)**	**4.7**		**44.8**

(a) they include foreign exchange differences on forward hedges of goods purchases in foreign currency, reclassified from "Net Financial income / (charges)" to "Puchases of consumables".
(b) they refer to cost of Stock Option Plan.
(c) they refer to depreciation and amortisation of intanbible assets of PPA operations.
(d) they mainly refer to exchange rate differences from the valuation of foreign currency items also with respect to forward derivative instruments and to realized exchange rate differences (the latter reclassified to the item "Purchases of raw materials, consumables and goods").

The following is the reconciliation table for the financial year 2020:

€mln	31.01.2021	of which realignment	of which IFRS 16	of which non-recurring	of which Stock Option Plan; Derivatives; PPA; Foreign Exchange differences		31.01.2021 Adjusted
Net sales	1,017.8			(0.7)	0.0		1,018.5
Other income	51.8		(5.2)	0.5	0.0		56.5
Revenues and other income	**1,069.7**	**0.0**	**(5.2)**	**(0.2)**	**0.0**		**1,075.1**
Purchases of consumables	454.4			0.0	1.2	(a)	453.2
Personnel cost	228.9		(0.1)	0.7	2.1	(b)	226.2
Other operating costs	181.3		(152.7)	11.3	0.0		322.7
EBITDA	**205.1**	**0.0**	**147.6**	**(12.2)**	**(3.4)**		**72.9**
Depreciation & Amortisation	206.7		139.3	0.0	8.5	(c)	58.9
EBIT	**(1.7)**	**0.0**	**8.4**	**(12.2)**	**(11.9)**		**14.0**
Net financial income / (charges)	(77.1)		(46.8)	0.0	(8.3)	(d)	(22.0)
PBT	**(78.7)**	**0.0**	**(38.4)**	**(12.2)**	**(20.2)**		**(8.0)**
Taxes	113.8	95.1	7.8	2.9	4.9		3.1
Net profit	**35.1**	**95.1**	**(30.7)**	**(9.2)**	**(15.3)**		**(4.8)**

(a) they include foreign exchange differences on forward hedges of goods purchases in foreign currency, reclassified from "Net Financial income / (charges)" to "Puchases of consumables".
(b) they refer to cost of Stock Option Plan.
(c) they refer to depreciation and amortisation of intanbible assets of PPA operations.
(d) they mainly refer to exchange rate differences from the valuation of foreign currency items also with respect to forward derivative instruments and to realized exchange rate differences (the latter reclassified to the item "Purchases of raw materials, consumables and goods").

With regard to the results at 31 January 2022, it should be noted that:

- Revenues and income, which came in at €1,358.9 million, mainly include the retail sales generated by the OVS, Upim and Stefanel brands.
- The gross operating margin or adjusted EBITDA, as the difference between revenues and operating costs, net of the effects of IFRS 16, excluding depreciation and amortisation (including amortisation of intangible assets deriving from the purchase price allocation of previous business combinations), non-recurring expenses and stock option plans, and adjusted to take account of foreign exchange gains or losses realised on forward instruments entered into by the Group and underlying goods already purchased and sold, amounted to €147.2 million, equal to 10.8% of sales.
- The reported and adjusted profit before tax came in at €73.1 million and €66.3 million, respectively (net of the effects of IFRS 16, non-recurring costs and other costs shown in the fifth column of the table).
- Net taxes amounted to €24.4 million, reflecting the excellent results of operations for the year.
- The reported and adjusted net profit for the year came in at €48.6 million and €44.8 million, respectively, net of the above expenses.

Impacts of IFRS 16 and alternative performance indicators

The consolidated income statement for 2021 is shown below, including and excluding the effects of IFRS 16.

€mln	31.01.2022 Reported	IFRS 16 Impacts	31.01.2022 Excl. IFRS 16
Revenues	1,358.9	-	1,358.9
Other operating income and revenues	73.8	*(0.3)*	73.5
Total Revenues	**1,432.7**	***(0.3)***	**1,432.4**
Purchases of consumables	590.4	-	590.4
Staff cost	288.7	*0.0*	288.8
Depreciation, ammortization and write-downs of assets	213.9	*(147.3)*	66.6
Other operating expenses			
- Service costs	196.0	*0.8*	196.8
- Costs for the use of third-party assets	(3.7)	*199.4*	195.7
- Write-downs and provisions	3.2	-	3.2
- Other operating costs	23.4	*(1.3)*	22.1
Results before net financial expenses and taxes	**120.8**	***(51.9)***	**68.8**
Financial income	0.4	*(0.4)*	0.0
Financial expenses	66.6	*(43.8)*	22.8
Exchange rate gains and losses	18.5	-	18.5
Gains (losses) from equity investments	0.0	-	0.0
Net result for the period before tax	**73.1**	***(8.5)***	**64.6**
Taxes	24.4	*(3.3)*	21.1
Net income for the period	**48.6**	***(5.2)***	**43.4**

The following is an overview of these effects on the profitability KPIs:

€mln	31.01.2022 Reported	IFRS 16 Impacts	31.01.2022 Excl. IFRS 16
Net sales	**1,358.9**		**1,358.9**
Gross Margin	**768.5**		**768.5**
% on net sales	*56.6%*		*56.6%*
EBITDA	**334.7**	***(199.3)***	**135.4**
% on net sales	*24.6%*		*10.0%*
EBIT	**120.8**	***(51.9)***	**68.8**
% on net sales	*8.9%*		*5.1%*
EBT	**73.1**	***(8.5)***	**64.6**
% on net sales	*5.4%*		*4.8%*
Net profit for the year	**48.6**	***(5.2)***	**43.4**
% on net sales	*3.6%*		*3.2%*

As already indicated in the introduction, with the adoption of the IFRS 16 accounting standard as of 2019, the main economic and financial indicators have been significantly affected and are not comparable with data from periods prior to 2019. With regard to the income statement figures presented above, the recognition of €147.3 million of depreciation of right of use assets under tangible assets, together with €43.4 million of net interest expenses on net lease liabilities, replacing €199.4 million of net rental costs (for leases and sub-leases under the standard), resulted in an increase in the operating result and EBITDA.

The following table shows the reclassified consolidated statement of financial position at 31.01.2022, including and excluding the effects of IFRS 16.

€mln	31.01.2022 Reported	IFRS 16 Impacts	31.01.2022 Excl. IFRS 16
Trade Receivables	89.3	0.0	89.3
Inventory	389.8	0.0	389.8
Trade Payables	(317.9)	0.5	(317.4)
Trade Working Capital	**161.2**	**0.5**	**161.7**
Other assets / (liabilities)	(128.2)	16.4	(111.8)
Net Working Capital	**33.0**	**16.9**	**49.9**
Tangible and Intangible Assets	2,069.9	(918.0)	1,151.9
Net deferred taxes	(20.1)	(6.9)	(27.0)
Other long term assets / (liabilities)	(7.2)	(11.7)	(18.8)
Pension funds and other provisions	(39.8)	0.0	(39.8)
Net Capital Employed	**2,035.9**	**(919.7)**	**1,116.2**
Net Equity	896.8	44.3	941.1
Net Financial Debt	1,139.0	(964.0)	175.0
Total source of financing	**2,035.9**	**(919.7)**	**1,116.1**

Alternative performance indicators

The OVS Group uses certain alternative performance indicators, which are not identified as accounting measures under IFRSs, to enable a better assessment of Group performance.

The calculation criterion applied by the Group may therefore not be consistent with those used by other groups and the balance obtained may not be comparable with theirs.

These alternative performance indicators are constructed solely on the basis of Group historical data.

They are calculated in accordance with the Guidelines on Alternative Performance Indicators issued by ESMA/2015/1415 and adopted by Consob with Communication no. 92543 of 3 December 2015. They refer only to the performance for the accounting year covered by this Annual Report and the comparison years, and not to the Group's expected performance, and should not be regarded as a substitute for the indicators envisaged by the reference accounting standards (IFRSs).

The alternative performance indicators used in the Annual Report are defined below:

Adjusted net sales: consists of total revenues, net of non-recurring revenues.

Adjusted purchases of raw materials, consumables and goods: consists of purchases of raw materials, consumables and goods, net of non-recurring components but including foreign exchange gains and losses for forward hedging on purchases of goods in foreign currencies, reclassified from "Net financial income (expenses)".

Reported gross margin: the gross margin on sales, calculated as the difference between net sales and purchases of raw materials, consumables and goods.

Adjusted gross margin: calculated as the difference between adjusted net sales and adjusted purchases of raw materials, consumables and goods.

With regard to **reported EBITDA, adjusted EBITDA, the reported operating result, adjusted EBIT, adjusted profit before taxes (PBT)** and the **adjusted net result for the year,** please see the section entitled "Reconciliation of consolidated results for 2021" above.

Net invested capital: consists of the total of non-current assets and current assets, excluding financial assets (current and non-current financial assets, current and non-current financial assets for leases, and cash and banks) net of non-current liabilities and current liabilities, excluding financial liabilities (current and non-current financial liabilities and current and non-current financial liabilities for leases).

Adjusted net invested capital: consists of net invested capital excluding the impacts of the adoption of the IFRS 16 accounting standard.

Net financial position or **net (financial) debt:** calculated as the sum of current and non-current financial liabilities and current and non-current financial liabilities for leases, net of the cash and banks balance, current and non-current financial assets including the positive fair value of derivative instruments, and current and non-current financial assets for leases.

Adjusted net financial position or **adjusted net (financial) debt:** represented by net (financial) debt excluding the impacts on current and non-current lease liabilities of IFRS 16 and the impacts of mark-to-market.

Adjusted summary consolidated statement of cash flows: consists of the net cash flow generated (absorbed) by operating, investment and financing activity, excluding the effects of the IFRS 16 accounting standard, and reclassified according to management criteria, i.e. based on the operating flow of adjusted EBITDA.


P

Operating performance of Parent Company OVS S.p.A.

The following table shows the consolidated results for 2021 of the Parent Company, OVS S.p.A., presenting separately the effects of the application of IFRS 16, net non-recurring expenses before IFRS 16, stock option expenses, amortisation of intangible assets deriving from the purchase price allocation (PPA) 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	31.01.2022	of which IFRS 16	of which non-recurring	of which Stock Option Plan; Derivatives; PPA; Foreign Exchange differences	31.01.22 adjusted
Net sales	1,350.7	0.0	0.0	0.0	1,350.7
Other income	73.1	0.3	0.0	0.0	72.8
Revenues and other income	**1,423.8**	**0.3**	**0.0**	**0.0**	**1,423.5**
Purchases of consumables	616.7	0.0	0.0	2.5	614.2
Personnel cost	278.7	0.0	0.8	1.2	276.7
Other operating costs	213.8	(196.0)	7.2	0.0	402.6
EBITDA	**314.6**	**196.3**	**(8.0)**	**(3.7)**	**130.0**
Depreciation & Amortisation	209.9	144.7	0.0	8.5	56.7
EBIT	**104.7**	**51.6**	**(8.0)**	**(12.2)**	**73.3**
Gains (losses) from equity investments	14.1	0.0	0.0	0.0	14.1
Net financial income / (charges) and exchange rate differences	(45.0)	(43.0)	0.0	20.6	(22.6)
PBT	**73.8**	**8.6**	**(8.0)**	**8.4**	**64.8**
Taxes	(23.9)	(3.2)	1.9	(2.0)	(20.6)
Net Profit	**49.9**	**5.4**	**(6.1)**	**6.4**	**44.2**

The following is the reconciliation table for the financial year 2020:

€mln	31.01.2021	of which realignment	of which IFRS 16	of which non-recurring	of which Stock Option Plan; Derivatives; PPA; Foreign Exchange differences	31.01.21 adjusted
Net sales	1,013.3	0.0	0.0	(0.7)	0.0	1,014.0
Other income	50.2	0.0	(5.3)	0.5	0.0	55.0
Revenues and other income	**1,063.5**	**0.0**	**(5.3)**	**(0.2)**	**0.0**	**1,069.0**
Purchases of consumables	481.2	0.0	0.0	0.0	1.2	480.0
Personnel cost	218.7	0.0	0.0	0.7	2.1	215.9
Other operating costs	177.6	0.0	(148.5)	10.9	0.0	315.2
EBITDA	**186.0**	**0.0**	**143.2**	**(11.8)**	**(3.3)**	**57.9**
Depreciation & Amortisation	200.9	0.0	135.4	0.0	8.5	57.0
EBIT	**(14.9)**	**0.0**	**7.8**	**(11.8)**	**(11.8)**	**0.9**
Gains (losses) from equity investments	14.1	0.0	0.0	0.0	0.0	14.1
Net financial income / (charges) and exchange rate differences	(77.6)	0.0	(46.1)	0.0	(9.6)	(21.9)
PBT	**(78.4)**	**0.0**	**(38.3)**	**(11.8)**	**(21.4)**	**(6.9)**
Taxes	114.3	95.1	7.8	2.8	5.1	3.5
Net Profit	**35.9**	**95.1**	**(30.5)**	**(9.0)**	**(16.3)**	**(3.4)**

With regard to the results at 31 January 2022, it should be noted that:

- Revenues and income, which amounted to €1,423.8 million, include the retail sales generated by the OVS and Upim brands.
- Depreciation and amortisation of €209.9 million refers to right of use assets for €144.7 million, while the remainder essentially relates to store improvements and refits.
- Other operating expenses of €213.8 million, gross of the effects of IFRS 16 (€196.0 million) and non-recurring expenses of €7.2 million, would have amounted to €402.6 million, and may be broken down as follows: costs for the use of third-party assets (€191.2 million), miscellaneous operating expenses (€20.8 million), service costs (€188.1 million) and write-downs and provisions (€2.5 million).
- Gains/(losses) on equity investments include income for dividends received from subsidiary OVS Hong Kong Sourcing Ltd of €18.5 million and expenses arising from the write-down of the Italian and foreign investee companies totalling €4.4 million.
- Net financial expenses of €45.0 million, gross of the effects of IFRS 16 of €43.0 million, would have amounted to €2.0 million, deriving from financial expenses of €22.6 million and foreign exchange losses and the positive fair value of forward derivatives in the income statement of €20.6 million.
- Taxes were negative for €23.9 million; without the adjustments in the columns on the table, they would also have been negative for €20.6 million.
- The reported and adjusted net result for the year was, respectively, a profit of €49.9 million and a profit of €44.2 million.

Financial performance

The financial performance is shown below, and is described in more detail in the notes to the separate financial statements.

€mln	31.01.2022	31.01.2021
Working capital (A)	(49.4)	104.0
Net Capital Employed (B)	2,065.8	1,958.5
Net Financial position	1,131.9	1,309.8
Shareholders' Equity	884.5	752.7

(A) The item includes: Trade receivables and payables, current and deferred tax assets, other receivables, inventories, current and deferred tax liabilities, other payables, employee benefits and provisions for risks and charges.
(B) The item includes: Property, plant and equipment, right of use assets, intangible assets, goodwill and equity investments.

Financial management

Net debt stood at €1,131.9 million at 31 January 2022, compared with €1,309.8 million at 31 January 2021. The breakdown is as follows (in millions of euro):

€mln	31.01.2022	31.01.2021
Cash and net financial assets	139.7	74.0
Credits / (debts) on derivatives	15.2	(9.1)
Credits / (debts) to subsidiaries	2.5	1.2
Credits / (debts) to banks	(329.5)	(476.6)
Credits / (debts) to other financial institutions	0.0	0.0
Credits / (debts) for leases	(959.8)	(899.3)
Net financial position	**(1,131.9)**	**(1,309.8)**

Payables to banks are described later in this report.

Main subsidiaries

OVS Hong Kong Sourcing Ltd

OVS Hong Kong Sourcing Ltd, which has its registered office in Hong Kong, operates in the Far East (mainly China, Bangladesh and India, and, more generally, in areas outside Europe), aiming to select suppliers, win orders, and manage the entire product development and quality control phase up to delivery. OVS Hong Kong Sourcing Ltd, which has facilities in various countries, is able to support production activities and monitor that the costs and quality of products are in line with Group standards. Specifically, the company focuses on strengthening existing supplier relationships in the Asia region, further boosting its presence in Bangladesh and China by increasing purchasing volumes. At the same time, purchasing has also increased in the India and Pakistan region, and the search has continued for more sources of supply in countries in that area that can meet the quality standards required by the Group in a context of lower costs (e.g. Cambodia and Vietnam).

The company recorded net profit of €17.5 million in 2021 (compared with €19.1 million in 2020).

OVS Maloprodaja d.o.o.

The company operates in the Croatian market, directly managing five OVS stores.
There were no new store openings, and three store closures, in 2021.

The company is not material for the purposes of the consolidated financial statements.

OVS Department Stores d.o.o.

The company operates in the Serbian market, directly operating eight OVS stores.
In 2021, the Company opened three new directly operated stores: one in full format in Belgrade and two in Kids format in Niš and Novi Sad. Two stores were closed.

The company is not material for the purposes of the consolidated financial statements.

OVS Fashion España S.L.

OVS Fashion España S.L., which was acquired in 2016 in order to achieve more direct operation of the major Spanish retail market, operates the sales network in Spain, with 88 stores in franchising and three directly operated stores. There were five closures and 24 new openings of stores in franchising in 2021.

The company is not material for the purposes of the consolidated financial statements.

OVS France S.A.S.

OVS France S.A.S., which was established in 2018 for the direct operation of stores in France, became operational in 2019 with the first temporary opening of a full-format directly operated store in Paris. This store stopped selling to the public in December 2020, as the company is continuing its DOS development plan in the “Kids” format. The first store openings will take place in the first half of 2022. The company is not currently material for the purposes of the consolidated financial statements.

82 S.r.l.

82 S.r.l. was incorporated in 2017 and is a subsidiary of OVS S.p.A., which owns 70% of the company. Partner Massimo Piombo is a minority shareholder, holding the remaining 30%. The company was initially established to undertake the development through several stores of the PIOMBO brand, dedicated to upper casual men’s wear. In 2018, 82 S.r.l., the licensee of the PIOMBO brand, granted OVS S.p.A. the sub-license of the brand after structured negotiations, for organisational reasons, and simultaneously revised its strategy of opening DOS and focusing its business on the operational management of the brand. As part of this strategy, it should finally be noted that on 9 March 2021 an agreement was signed for the sale of the PIOMBO brand with Ciro Paone S.p.A., as a result of which the latter became the owner of the brand. For further details, please see the section on “Significant events during the reporting period”.

The company was not material in 2021 for the purposes of the consolidated financial statements.

Management of financial and operating risks

The Group operates in the commercial sphere, both retail and wholesale, with exposure to market risks relating to changes in interest rates, exchange rates and goods prices. The risk of changes in prices and cash flows is connected to the very nature of the business and can be only slightly mitigated by the use of appropriate risk management policies.

Credit risk

Credit risk represents the Group's exposure to the risk of potential losses arising from default by a counterparty.
The current macroeconomic context has made continual monitoring of credit increasingly important, so that situations in which there is a risk of insolvency and delayed payment deadlines can be anticipated.
There were no significant concentrations of credit risk in the year under review.
To reduce this risk generally, the Group also obtains guarantees in the form of sureties in respect of loans granted for the supply of goods.
Financial assets are recognised in the financial statements net of write-downs calculated on the basis of the risk of counterparty default, determined by using available information on the solvency of the customer and taking historical data into account.

For information on the Group's assessment of credit risks associated with the macroeconomic situation, please see the sections headed "Significant events during the reporting period" and "Significant events after the reporting period" below.

Liquidity risk

Liquidity risk is the risk that financial resources may be difficult to access.
As of the reporting date, the Group believes that it can access, through available sources of financing and lines of credit, sufficient funds to meet its foreseeable financial requirements.
With regard to the Group's assessments of liquidity risks, please see the section entitled "Significant events after the reporting period" below.

Market risk

Market risk includes the effects that changes in the market might have on the Group's commercial activity that is sensitive to consumer spending choices.
Positive results can be influenced, inter alia, by the business environment, interest rates, taxation, local economic conditions, uncertainty over the economic outlook and shifts to other goods and services in consumer spending choices. Consumer preferences and economic circumstances may change from time to time in every market in which the Group operates.
For this reason, the ability to combat the deflationary price pressure associated with increased competition and changes in consumer choices, which could have adverse effects on the finan-

cial situation and results, has become strategically important.
For information on the Group's assessment of market risks associated with the ongoing pandemic and the recent conflict between Russia and Ukraine, please see the sections headed "Significant events during the reporting period" and "Significant events after the reporting period" below.

Risk of change in prices and cash flows

The Group's margins are influenced by changes in the prices of the goods it deals in.
Any reduction in the price of items sold, if not accompanied by a corresponding reduction in purchase cost, generally entails a decrease in operating results.
The Group's cash flows are also exposed to the risk of changes in market exchange rates and interest rates. Specifically, exposure to exchange rates arises because the Group operates in currencies other than the euro, in which it purchases a substantial part of the products marketed, listed or pegged to the US dollar.
Lastly, interest rate fluctuations affect the market value of the Group's financial liabilities and its net financial expenses.

Objectives and policies for managing the risk of cash flow changes

The Group has guidelines in place for financial operations that involve the use of forward derivatives to reduce foreign exchange risk against the US dollar (forward currency purchase contracts) and the risk of interest rate fluctuations.

Derivatives

Nominal value of derivative contracts

The nominal value of a derivative contract is the amount of each contract in monetary terms. Monetary amounts in foreign currency are converted into euros at the spot exchange rate on the reporting date.

Interest rate risk

Given the projections for the 6-month Euribor rate until the expiry of the loan agreements, it was decided not to take action to hedge the risk of interest rate fluctuations.

Foreign exchange 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.

The derivatives described are recognised at 31 January 2022 at fair value, according to the methods of recognition and measurement established in the reference accounting standards (IFRS 9). Under this accounting standard (as was already the case under IAS 39), the entity may, under certain conditions, 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, resulting in a certain level of volatility in the Group's results. This is appropriately taken into account in the presentation of adjusted figures in this document.

Investment and development

Gross investments of €79.8 million were made in 2021. The investments, which are coming back into line with the Group's dynamic of expansion, mainly related to (i) the restructuring of 30 stores in the existing network, extraordinary maintenance and other commercial activities relating to the existing network, amounting to around €27 million, (ii) new store openings (around €33 million) under the Group's brands, (iii) the development of IT and digital transformation systems (around €12 million), (iv) the upgrading of the logistics unit (around €6 million) in order to improve distribution efficiency, and (v) maintenance of the head office (around €1.5 million).
The investments made in 2020 amounted to €32.1 million, including around €23.5 million relating to extraordinary restructuring and maintenance and €8.6 million for new store openings.

At Group level, the sales network comprised a total of 2,052 stores at 31 January 2022 (including the small-format stores) including 831 DOS (16 abroad), 1,107 affiliated stores (302 abroad) and 114 administered stores (77 abroad).
In 2021 (1 February 2021–31 January 2022), the network continued to expand and achieved further growth in terms of stores (net of closures) of 230 uni-

ts, including 71 DOS and 159 affiliated stores, while the number of administered stores remained the same.
In 2020 (1 February 2020–31 January 2021), the Group had increased the number of stores (net of closures) by 52 units, including 61 affiliated stores and six administered stores, while the number of DOS decreased by 15 units.

Research and development

The Group did not carry out any research and development activities during the year pursuant to the provisions of the reference accounting standards.
However, a number of people are continuously employed in creating and developing collections, to ensure an exclusive offering that is consistent with the positioning of the Group's various brands.

Specifically, the activities carried out by dedicated teams are classified as subject to the "Community framework" Directive 2006/c 323/01, which defines "industrial research" as:

> *"industrial research or planned research or critical investigation aimed at acquiring new knowledge and skills for developing new products, processes or services or bringing about a significant improvement in existing products, processes or services […]."*

Related party transactions

In accordance with the applicable laws and regulations, the Parent Company's Board of Directors approved the "Procedure governing related party transactions", first by resolution of 23 July 2014, effective from 2 March 2015, and subsequently, by resolution of 19 September 2018, approved a new updated version of this document, effective from 19 September 2018.

The Procedure was adopted by the Company in implementation of Article 2391-bis of the Italian Civil Code and the regulation on related party transactions adopted by Consob by Resolution no. 17221 of 12 March 2010 as amended, also taking into account the instructions and clarifications provided by Consob in Communication no. DEM/10078683 of 24 September 2010.

The Procedure identifies the rules governing the approval and execution of transactions with related parties entered into by OVS, directly or through subsidiaries, in order to define the relevant competencies and responsibilities and ensure the transparency and substantive and procedural correctness of such transactions.

Information on, and details of, relations with related entities are provided in the notes to the consolidated financial statements and the separate financial statements, pursuant to IAS 24.

Significant events during the reporting period

Impacts of the pandemic on Group performance

The Group's sales came in at €1,359 million in 2021, up 33.4% compared with 2020, a year marred by the effects of the restrictions imposed to tackle the spread of Covid-19. Thanks to the actions taken during the emergency phase, the Group was able to react and return to results almost in line with its pre-pandemic performance. 2021 was also characterised by periods in which there were peaks in the intensity of the pandemic, similar to 2020, with major consequences in terms of sales performance. In particular, the first quarter was again marked by periods of store closures, and sales were down 27.7% compared with 2019. In the second and third quarters of 2021, however, sales were 11% higher, while in the fourth quarter, despite the arrival of the new Omicron variant and some supply chain difficulties in the retail sector, the Group recorded sales in line with 2019.

The Group also continued to take action to safeguard the health and safety of its employees, while working to further strengthen managerial flexibility.

There is still some uncertainty over how the pandemic situation will evolve, particularly as regards the possible transmission of new variants of the virus, which continues to influence the international mobility of customers.

However, Italy has one of the highest population vaccination levels, and new treatment and vaccination tools have been developed by scientists, allowing us to look at the next few months with cautious optimism.

For more information, please see the notes to the financial statements.

+ 33.4 %
Group's sales

+ 11 %
Sales in the second and third quarters

Other significant events during the reporting period

In February 2021, the Parent Company, OVS S.p.A., began the process of obtaining two waivers (together, the "2021 Waiver") in relation, respectively, to (i) the "Loan Agreement" and (ii) the "SACE Loan Agreement" (as defined in note 13 in the notes to the financial statements). This process, which involved the submission of two separate waiver requests, one relating to the Loan Agreement and the other to 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 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 more detail in the notes to the consolidated 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 on the ratio of net financial debt as at 31 January 2022 to EBITDA for the 2021 financial year;
- the sending to the banks of a monthly statement on the Group's liquidity from 31 March 2021 until 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 was scheduled for 31 January 2022.

> On 1 March 2021 the transfer of ownership of the STEFANEL business unit to OVS was finalised

Other events that took place in the first half of 2021 include the finalisation 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 paid for the acquisition was approximately €3.7 million. The 23 stores, in high-quality locations, have been progressively reopened and 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 men's wear range attracted new customers in the first few months of 2021, offering a high quality product that has extended the range of prices offered 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 children's wear 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 months 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 appropriation of the profit for the year of €35,901,908 (€1,795,095 to the legal reserve and €34,106,813 to retained earnings).

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

Lastly, the Shareholders' Meeting approved the share buy-back plan proposed by the Board of Directors on 15 April 2021, as detailed in the directors' explanatory report to the Shareholders' Meeting, which is available on the Company website at ww.ovscorporate.it. in the section "Governance/2021 Shareholders' Meeting".

Lastly, in the first half of 2021, the Parent Company OVS S.p.A. carried out 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 on 15 December 2020, through an optional offer of up to 63,923,470 ordinary shares of OVS S.p.A. (the "New Shares").

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

At the end of the offer period, a total of 63,923,470 New Shares had been subscribed, equivalent to all the New Shares offered in the optional capital increase, for a total consideration of €79,904,337.50. As a result of the above, the share capital of OVS S.p.A. is now €290,923,470.00 and is divided into 290,923,470 shares with no par value.

On 30 July 2021, the certificate of completion of the capital increase was filed with the Venezia Rovigo Companies Register pursuant to Article 2444 of the Italian Civil Code and the new text of the Articles of Association.

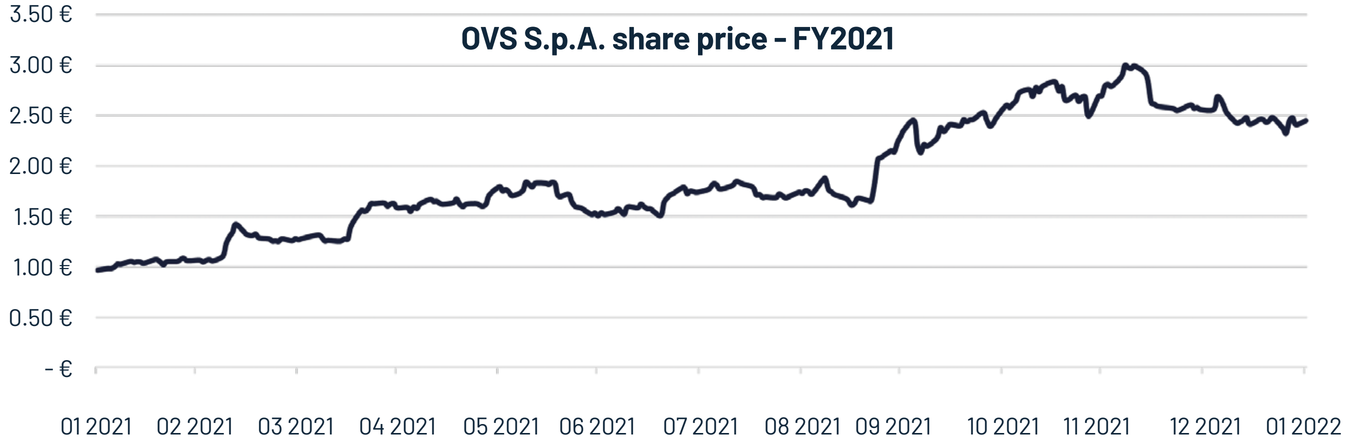
For further details, please see the section headed "Shareholders' equity" in the notes to the consolidated financial statements at 31 January 2022.

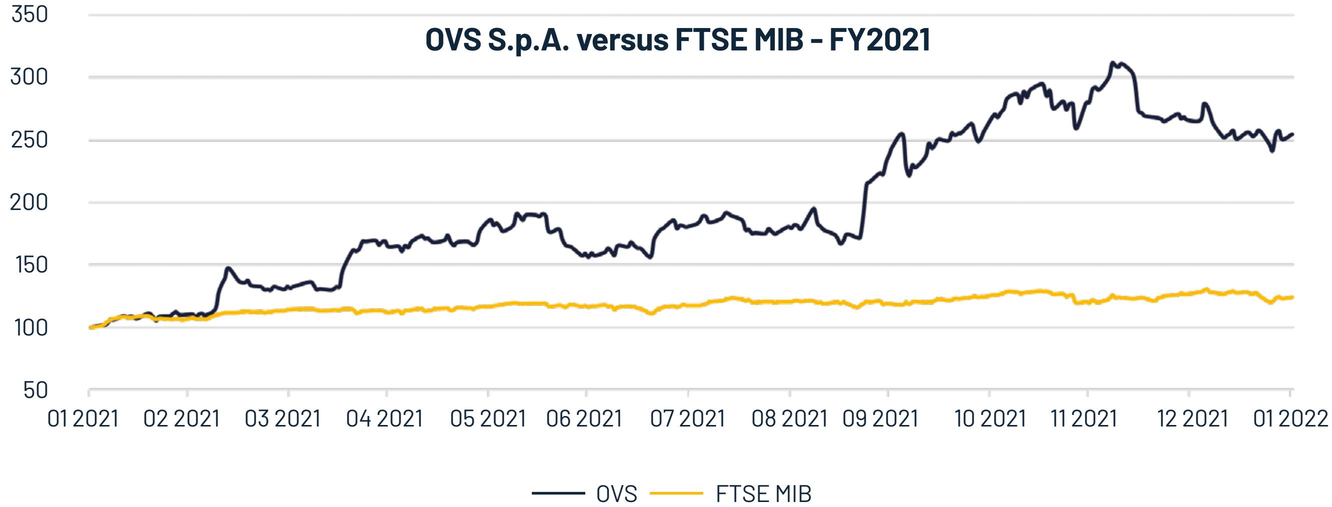
Other significant events during the year include, as already mentioned, the sustainability-linked bond, the issue of which significantly improved the Group's financial structure, reducing the cost of debt and freeing up resources to activate technological innovation initiatives aimed at energy saving, including the installation of photovoltaic panels, the replacement of lighting systems with others with less heat dispersion and the digitalisation of store energy control and management systems. This transaction was completed in November 2021 with the subscription for bonds for a total nominal amount of €160 million. For more information, please see note 6.14 in the notes to the consolidated financial statements. Due to the partial use of the cash generated and the issue of the Sustainability-Linked Bond, the Parent Company, OVS S.p.A., repaid in advance an expensive bullet line of €250 million, relating to the Loan Agreement, in November 2021. As reported in the section headed "Significant events after the reporting period" below, the improvement in financial structure continued in April 2022 with the repayment of remaining lines of €233 million in favour of a new sustainability-linked loan of €230 million, with significant advantages in terms of its economic aspects and term.

Lastly, it should be noted that in December 2021, OVS S.p.A. and its Italian subsidiary 82 S.r.l. joined the national tax consolidation scheme, provided for in Articles 117 et seq. of Presidential Decree No. 117 of 22 December 1986 ("TUIR") and the Ministerial Decree of 1 March 2018. For further details, please see note 6.6 in the notes to the consolidated financial statements.

Other information
Notes on share performance

The OVS S.p.A. stock was listed on the Milan Stock Exchange on 2 March 2015 at a placement price of €4.10. The stock closed the previous year at €0.96 on 31 January 2021. One year later, on 31 January 2022, the stock was trading at €2.45, up by 155% compared with the end of the previous year.





After 2020, with the spread of the Covid-19 pandemic and the consequent significant drop in the share price, to €0.60, the shares recovered steadily in 2021, reaching €3.00 in 7 December 2021. The excellent economic and financial results that drove the share price up in the year to December 2021 have been partially overshadowed by the onset of inflationary pressure and geopolitical instability, which caused the shares to decrease to €2.45 on 31 January 2022.
In 2021, the OVS S.p.A. stock performed significantly better than the FTSE MIB, with growth of 155% compared with 24% for the Italian exchange.

At 15 April 2022, of the five brokers that monitor the OVS S.p.A. stock, three had given it a “buy” recommendation, and two a “neutral” recommendation.

For more information and updates on the share performance, and for the latest corporate information, please visit the “Investor Relations” section of the website at www.ovscorporate.it.

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 was 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 was intended to create value for shareholders by improving long-term corporate performance and attracting and retaining 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 allotted free of charge 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 allotted.

The same Shareholders' Meeting was also convened in extraordinary session to resolve upon the proposal to grant the Board of Directors, for a period of five years from the date of the resolution, the power to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000.00, through the issue, in one or more tranches, of up to 5,107,500 ordinary shares with no par value, to be reserved for the beneficiaries of the 2015-2020 Stock Option Plan, with the consequent amendment of Article 5 of the Articles of Association.

As of 31 January 2022, 2,598,963 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, 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 "2017-2022 Stock Option Plan".

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 January 2022, 1,182,000 options had been assigned under the "Stock Option Plan 2017-2022".

Finally, the Ordinary Shareholders' Meeting of 31 May 2019 approved, pursuant to Article 114-bis of the TUF, the adoption of an incentive plan named the "Stock Option Plan 2019-2022", to be implemented through the allocation of free options for subscription to newly issued ordinary shares of OVS S.p.A.. The Plan is reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries pursuant to Article 93 of Legislative Decree 58 of 24 February 1998, who have been 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, allotted free of charge to the Beneficiaries. Each Beneficiary may exercise the options actually accrued on 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 was initially set at €1.85.

As of 31 January 2022, 4,800,000 options had been assigned under the "Stock Option Plan 2019-2022". In view of the plan's structure, an amendment was also appropriate to take account of the effects of the Covid-19 pandemic, which were extraordinary and unforeseen when the plan was drafted and which had a significant impact on the 2020 results, while keeping the contents and mechanisms of the approved plan as unchanged as possible: Cumulative EBITDA of €400 million, taking into account the years 2019, 2021 and 2022 (compared with the 2019, 2020 and 2021 financial years previously taken into account), with a consequent change in the initial duration of the Plan.

In addition, as regards the three existing plans, it was also necessary to neutralise the dilutive effect of the capital increase in July 2021 by changing the strike price of these plans and any price for the access condition (only present in the 2019-2022 Plan). The new values, calculated 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

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.

Shares held by directors, statutory auditors and managers with strategic responsibilities

For information on the shares held by directors, statutory auditors and managers with strategic responsibilities, please see the Report on Remuneration, prepared in accordance with Article 123-ter of the Consolidated Law on Finance, Article 84-quater and Appendix 3A, Schedule 7-bis of Consob Regulation no. 11971/1999 as amended (the "Regulation for Issuers") and Article 6 of the Code of Corporate Governance, available in the Governance/Shareholders' Meeting section of the corporate website at www.ovscorporate.it.

Treasury shares

In 2018, OVS S.p.A. acquired a total of 809,226 treasury shares, amounting to 0.356% of the share capital, for a total amount of €1,496,000.

These transactions were carried out as part of the authorisation to buy treasury shares approved by the Shareholders' Meeting on 31 May 2018. The Shareholders' Meeting authorised, pursuant to Article 2357 et seq. of the Italian Civil Code and Article 132 of Legislative Decree 58 of 24 February 1998, the purchase of the Company's treasury shares, on one or more occasions, up to a maximum number that, taking into account the ordinary shares held from time to time by the Company and its subsidiaries, does not exceed, in total, 10% of the Company's share capital, for a period not exceeding 18 months from the date of the resolution.

At the Shareholders' Meeting of 31 May 2019, a share buy-back plan was approved, proposed by the Board of Directors on 17 April 2019, after the plan described above, which was partially unexecuted, was revoked. The plan provided for the purchase and disposal of treasury shares up to a maximum amount that, when taking into account the ordinary shares held from time to time by the Company and its subsidiaries, did not exceed, in total, 10% of the share capital. This plan expired naturally in November 2020 without being even partially implemented.

As of 31 January 2022, the Parent Company, OVS S.p.A., holds a total of 809,226 treasury shares purchased in 2018, equivalent to 0.356% of the share capital, amounting in total to €1,496,000.
There were no additional purchases or disposals in 2021.

For information on the share buy-back programme approved by the Shareholders' Meeting on 28 May 2021 and its implementation, defined by the Board of Directors on 31 January 2022 and launched on 2 February 2022, please see the section below on significant events after the end of the reporting period.

Article 15 of the Market Regulations (adopted by Consob by Resolution 20249 of 28 December 2017)

Investee companies with registered offices in non-EU countries, of which the biggest is OVS Hong Kong Sourcing Ltd, are not significant within the meaning of Article 151 of the Regulation for Issuers, as their respective assets make up less than 2% of the assets in the Group's consolidated financial statements at 31 January 2022, and their respective revenues make up less than 5% of the Group's consolidated revenues at 31 January 2022.

Article 16, paragraph 4, of the Market Regulations (adopted by Consob by Resolution 20249 of 28 December 2017)

At 31 January 2019, OVS S.p.A. was a 17.835%-owned investee company of Gruppo Coin S.p.A..
On 11 March 2019, Gruppo Coin S.p.A., the vendor, and Tamburi Investment Partners S.p.A., as the buyer, reached an agreement concerning the sale of the equity investment (17.835%) held by Gruppo Coin S.p.A. in OVS S.p.A.. Due to this purchase, Tamburi Investment Partners S.p.A., which was already a shareholder of OVS with an equity investment of approximately 4.912%, obtained a total stake of around 22.747% in OVS's capital.
Lastly, as a result of the paid capital increase completed in July 2021, shareholder Tamburi Investment Partners S.p.A. currently holds a total stake of approximately 25.140% in OVS's capital.
Despite the equity investment held by Tamburi Investment Partners S.p.A., OVS S.p.A. does not consider itself to be subject to management and coordination by the latter, as:

- it operates completely independently;
- there is no cash pooling function for the Group;
- key decisions relating to management of the Parent Company and its subsidiaries are taken by the Parent Company's own management bodies;
- the Parent Company's Board of Directors is responsible, inter alia, for reviewing and approving the strategic, business and financial plans and budgets of the Company and the OVS Group, reviewing and approving the organisational structure of the OVS Group, and assessing the adequacy of the organisational, management and accounting structure of the Company and the OVS Group.

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

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

Significant events after the reporting period

On 1 February 2022, the Parent Company, OVS S.p.A., and The GAP Inc. signed the final agreement for the sale to OVS of the Italian business unit of the GAP Group, which consists of GAP stores in Italy.
The agreement helps to create value for the OVS Group and represents a further step in the strategic evolution of OVS, which is increasingly becoming a platform open to collaborations with other brands that are consistent with its positioning and values.
OVS will use its wealth of retail experience and its exceptional creativity to accelerate GAP's expansion in Italy, in both physical and digital channels.
It will be recalled that on 20 October, The GAP Inc. had announced a strategic review of its business in Europe. The transfer to OVS of the 11 Italian stores will enable GAP to maintain a market presence with a more efficient partnership model and take advantage of the experience of OVS, which is the leader in the Italian clothing market. However, the GAP store in Milan will cease to operate in November 2022, when the lease agreement expires.
On 2 February 2022, the programme to increase the portfolio of treasury shares of the Parent Company, OVS S.p.A., became operational in order

to: (i) execute, directly or through intermediaries, any investment transactions, also to contain anomalous share price trends, regularise trading and price performance and support the liquidity of the security on the market to facilitate the orderly conduct of trading outside normal fluctuations related to market performance, without prejudice in any case to compliance with current provisions, (ii) retention for subsequent uses (shares held as inventory), including: as consideration in extraordinary transactions, also exchanges or disposals of equity investments to be carried out by means of exchange, transfers or other instruments of disposal and/or use, with other entities, including allocation to service bonds convertible into company shares or bonds with warrants; and iii) to service compensation and incentive plans based on financial instruments reserved for the directors and employees of the company and/or the companies directly or indirectly controlled by the company, either through the granting of free purchase options or free shares (stock option plans and stock grant plans) pursuant to Article 114-bis of the Consolidated Finance Act (TUF), as well as plans for the allocation of bonus shares to shareholders.
It will be recalled that the above share buy-back programme was approved by the Shareholders' Meeting on 28 May 2021 and its implementation was defined by the Board of Directors on 31 January 2022; the Board resolved to grant a mandate to a top-tier intermediary that, as of 2 February 2022, makes decisions regarding purchases of OVS shares fully independently, in accordance with contractually pre-established parameters and criteria as well as the provisions of the applicable regulations and the aforementioned Shareholders' Meeting resolution.
In accordance with the resolutions passed by the Shareholders' Meeting, buy-backs, which may take place on one or more occasions within the limits of the distributable profits and available reserves recorded in the latest financial statements approved at the time of each transaction, may concern a maximum number of shares with a total par value of not more than one-tenth of the share capital of OVS, including any shares owned by OVS and its subsidiaries.
The shares will be purchased at a unit price of no more or less than 15% of the reference price posted by the OVS stock during the trading session preceding each individual buy-back transaction.
The daily purchase amounts will not exceed 25% of the average daily volume of OVS shares traded during the 20 trading days preceding the buy-back dates.

The share buy-back programme will be carried out for a maximum of €10 million.
Authorisation to make the buy-backs will last until 28 November 2022, unless revoked earlier.
Any purchases will be made on the Euronext market, pursuant to Article 144-bis, paragraph 1, subparagraph b) of CONSOB Regulation no. 11971/1999 and other applicable provisions (including EU and Italian legislation on market abuse), to ensure the equal treatment of shareholders pursuant to Article 132 of the Consolidated Finance Act (TUF) and Article 5 of (EU) Regulation 596/2014, and in accordance with the operating procedures established in Borsa Italiana S.p.A.'s organisational and management regulations. OVS will provide the market, in accordance with the provisions in force, with details of any purchase transactions carried out.
As of today, the Company holds 3,355,351 treasury shares (equivalent to 1.1533% of the share capital), while its subsidiaries do not hold any OVS shares.
For further details, please refer to the authorisation resolution approved by the Shareholders' Meeting and the relevant explanatory report by the Board of Directors, available at www.ovscorporate.it (Governance/Shareholders' Meetings/Shareholders' Meeting of 28 May 2021).

On 1 February 2022, the Parent Company also appointed two new Managers with strategic responsibilities: the current Director of Sourcing, Operations and Sustainability and the current Director of OVS Retail Italia. Both managers have been with the Company for many years, and their appointment is part of a process of reorganising and strengthening the individual areas that they oversee. In particular, the former, in addition to managing all sourcing and operations, also focuses on sustainability-related activities and how these play out in relation to products, while the latter is responsible for the network of all OVS stores in Italy and for the Stefanel network. Both managers report directly to the Group Chief Executive Officer.

On 7 April 2022, OVS S.p.A. signed a loan agreement consisting of two lines of credit totalling €230 million, both sustainability-linked and with a term of five years.
This transaction will further improve the Group's financial structure, which has already been strengthened thanks to a strong performance in terms of cash flows generated during 2021, the recent capital increases and the issue of the sustainability-linked bond. The new lines present significant advantages in terms of cost, extension of terms and, more generally, contractual conditions in line with the Group's situation.
The loan agreement allows the Parent Company to access financial resources aimed, inter alia, at repaying and replacing: i) two lines of credit, one revolving line for €100 million and one term line for the remaining €33 million, granted under a loan agreement signed in 2015 and amended in 2019, both with a reduced maturity, and ii) a line of credit for €100 million that is 80% guaranteed by SACE, obtained under a loan agreement, signed in 2020 to meet needs related to the Covid-19 pandemic, which is no longer consistent with the Group's financial structure.

The new lines of financing contracted, which will mature in April 2027, consist of a term line of €110 million with a grace period until 31 May 2023, followed by a repayment plan consisting of eight twice-yearly instalments, and a revolving line of €120 million.
The lines, as per market practice, will be subject to compliance with a covenant relating to the ratio of the average adjusted NFP to adjusted EBITDA, set at 3.5x until 31 July 2023 and thereafter at 3.0x. These levels ensure a large margin compared with the current situation and future reasonable management forecasts.

The new loan includes pricing of between 175 bps and 225 bps, to which the value of Euribor should be added if positive, with costs lower than the lines being repaid.

The structure of the financing agreement also provides for a decrease or increase in the cost of financing of 10 bps, depending on the achievement of specific sustainability targets aligned with those provided for the sustainability-linked bond. With this agreement, all of the Group's main lines of financing are now linked to sustainability performance.
Another significant event occurring after 31 January 2022 was, unfortunately, the conflict between Russia and Ukraine, which began on 24 February this year. The war in Ukraine is having major and entirely unpredictable global consequences, not only because of the resulting serious humanitarian crisis, but also because of its potential economic and geopolitical effects on global markets. The initial effects were immediately reflected in increases in the costs of various commodities, such as gas and oil, as well as sharp drops in the world's largest stock markets.

The exposure of sales, which is to franchisees located in the Russian and Ukrainian markets, rather than Russian tourists buying in other markets, is essentially nothing compared with the OVS Group's annual turnover.
Furthermore, the Group does not have goods suppliers in Russia or Ukraine.
However, it cannot be ruled out that a further expansion of the conflict will have unforeseeable repercussions on other neighbouring countries where the Group operates with some subsidiaries.
The Parent Company is constantly monitoring the situation so that it can take any necessary action, particularly with regard to the containment of certain costs (such as electricity and gas supply).
Therefore, while it has no significant economic problems, the Group remains heavily involved in humanitarian matters, together with the Italian people, who reacted immediately, trying to offer practical tools to help people who have been forced to flee to other countries, including Italy.
In this regard, OVS has redoubled its commitment to providing support and protection, together with Save the Children, to the Ukrainian people affected by the war.
No other significant events took place after 31 January 2022.

Business outlook

After the important awards received for sustainability and transparency, we now have to maintain a position at that level, and, above all, to ensure that customers continue to perceive us as a company that is highly sensitive to sustainability issues and to associate this with our brands.

Despite a still unfavourable external environment, in the light of current results and further ongoing actions, we believe that we can look forward to 2022 with cautious optimism and can foresee the possibility of further growth in economic results, with adequate cash generation.

Proposal for approval of financial statements and appropriation of earnings for FY 2021 of OVS S.p.A.

Dear Shareholders,
We submit the following resolution for your approval:

"The Shareholders' Meeting of OVS S.p.A., in ordinary session,

- *having heard and approved the statements of the Board of Directors;*
- *having examined the data in the separate financial statements of OVS S.p.A. at 31 January 2022 and the Report on Operations of the Board of Directors;*
- *having acknowledged the reports of the Board of Statutory Auditors and the independent auditor;*
- *having examined the consolidated financial statements at 31 January 2022;*

resolves

1. *to approve the separate financial statements of OVS S.p.A. at 31 January 2022;*
2. *to approve the appropriation of the net profit for the financial year 2021 of OVS S.p.A., amounting to €49,925,001.00, as follows:*

i. *€2,496,250.00 to the legal reserve;*
ii. *to the Shareholders, an ordinary gross dividend of €0.04 for each of the ordinary shares in issue, therefore excluding treasury shares (date of payment on 22 June 2022, ex-dividend n.4 date on 20 June 2022 and date of record – the accounting day at the end of which the records of the accounts are valid for the purposes of entitlement to dividend payment – on 21 June 2022);*
iii. *the remainder carried forward".*

Mestre, Venice, 21 April 2022

for the Board of Directors
The Chief Executive Officer
Stefano Beraldo


Skatebrd
SMILE IS THE ANSWER

Consolidated financial statements

Consolidated statement of financial position
(thousands of euro)

ASSETS	Note	31.01.2022	of which related parties	31.01.2021	of which related parties
Current assets					
Cash and banks	6.1	143,150		77.507	
Trade receivables	6.2	89,293	0	102,061	1,617
Inventories	6.3	389,849		420,110	
Financial assets	6.4	15,213		43	
Financial assets for leases	6.5	2,470	0	3,408	1,319
Current tax assets	6.6	16,635		15,637	
Other receivables	6.7	16,242		10,707	
Total current assets		**672,852**		**629,473**	
Non-current assets					
Property, plant and equipment	6.8	250,782		234,702	
Right of use	6.9	922,232		824,352	
Intangible assets	6.10	599,171		604,139	
Goodwill	6.11	297,686		297,541	
Equity investments	6.13	0		0	
Financial assets	6.4	0		0	
Financial assets for leases	6.5	4,548	0	6,086	1,303
Other receivables	6.7	6,907		9,228	
Total non-current assets		**2,081,326**		**1,976,048**	
TOTAL ASSETS		**2,754,178**		**2,605,521**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2022	of which related parties	31.01.2021	of which related parties
Current liabilities					
Financial liabilities	6.14	100,782		71,617	
Financial liabilities for leases	6.15	135,083		171,497	
Trade payables	6.16	317,911	0	263,996	(2)
Current tax liabilities	6.17	4,591		3,927	
Other payables	6.18	156,522	6,778	111,304	1,843
Total current liabilities		**714,889**		**622,341**	
Non-current liabilities					
Financial liabilities	6.14	228,732		414,105	
Financial liabilities for leases	6.15	839,813		745,365	
Employee benefits	6.19	32,873		35,146	
Provisions for risks and charges	6.20	6,919		4,927	
Deferred tax liabilities	6.21	20,050		2,485	
Other payables	6.18	14,059		16,867	
Total non-current liabilities		**1,142,446**		**1,218,895**	
TOTAL LIABILITIES		**1,857,335**		**1,841,236**	
SHAREHOLDERS' EQUITY					
Share Capital	6.22	290,923		227,000	
Treasury shares	6.22	(1,496)		(1,496)	
Other reserves	6.22	558,973		503,941	
Net result for the year		48,500		35,037	
GROUP SHAREHOLDERS' EQUITY		**896,900**		**764,482**	
NON-CONTROLLING INTERESTS	6.22	(57)		(197)	
TOTAL SHAREHOLDERS' EQUITY		**896,843**		**764,285**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,754,178**		**2,605,521**	

Consolidated income statement

(thousands of euro)

	Note	31.01.2022	of which related parties	31.01.2021	of which related parties
Revenues	7.23	1,358,899	395	1,017,808	722
Other operating income and revenues	7.24	73,766	728	51,844	1,553
Total revenues		**1,432,665**		**1,069,652**	
Purchases of raw materials. consumables and goods	7.25	590,411		454,393	
Staff costs	7.26	288,721	9,713	228,907	5,352
Depreciation. amortisation and write-downs of assets	7.28	213,914		206,729	
Other operating expenses					
- Service costs	7.29	196,018	(96)	159,762	158
- Costs for the use of third-party assets	7.29	(3,741)	(97)	(3,369)	(331)
- Write-downs and provisions	7.29	3,162	(28)	2,882	83
- Other operating charges	7.29	23,407		22,005	
Profit before net financial expenses and taxes		**120,773**		**(1,657)**	
Financial income	7.30	368	66	672	187
Financial expenses	7.30	(66,622)		(69,469)	
Exchange rate gains and losses	7.30	18,547		(8,128)	
Gains (losses) from equity investments	7.30	0	0	(136)	(136)
Net result for the year before tax		**73,066**		**(78,718)**	
Taxes	7.31	(24,426)		113,826	
Net result for the year		**48,640**		**35,108**	
Net result for the year attributable to the Group		**48,500**		**35,037**	
Net result for the year attributable to minority insterests		**140**		**71**	
Earnings per share (in euros)	7.32				
- basic		0.187		0.156	
- diluted		0.185		0.156	

Consolidated statement of comprehensive income

(thousands of euro)

	Note	31.01.2022	31.01.2021
Net result for the year (A)		**48,640**	**35,108**
Other gain (losses) that will not be subsequently reclassified in the income statement			
- Change in consolidation reserve	6.22	(40)	0
- Actuarial gains (losses) for employee benefits	6.19-6.22	62	(236)
- Tax on items recognised in the reserve for actuarial gains (losses)	6.21-6.22	(15)	57
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**7**	**(179)**
Other gains (losses) that will be subsequently reclassified in the income statement			
- Change in translation reserve	6.22	2,099	(1,614)
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**2,099**	**(1,614)**
Total other items of comprehensive income (B)		**2,106**	**(1,793)**
Total comprehensive income for the year (A) + (B)		**50,746**	**33,315**
Total comprehensive income attributable to the Group		50,606	33,244
Total comprehensive income attributable the minority interests		140	71

Consolidated statement of cash flows
(thousands of euro)

	Note	31.01.2022	31.01.2021
Operating activities			
Net result for the year		48,640	35,108
Provision for taxes	7.32	24,426	(113,826)
Adjustments for:			
Net depreciation, amortisation and write-downs of fixed assets, including for leases	7.28	213,914	206,729
Net capital losses (gains) on fixed assets, leasing effects included		1,114	891
Write-downs of equity investment	7.30	0	136
Losses / (gains) from equity investments	7.30	0	0
Net financial expenses (income) including for leases	7.30	66,254	68,796
Expenses (income) from foreign exchange differences and currency derivatives	7.30	5,796	(8,607)
Loss (gain) on derivatives due to change in fair value	7.30	(24,343)	16,736
Allocations to provisions	6.19-6.20	1,690	268
Utilisation of provisions	6.19-6.20	(2,388)	(2,169)
Cash flows from operating activities before changes in working capital		**335,103**	**204,062**
Cash flow generated / (absorbed) by change in working capital	6.2-3-6-7-16-17- 18-21	141,680	(114,881)
Taxes paid		(7,428)	0
Net interests received (paid) including for leases		(86,389)	(51,613)
Realised foreign exchange differences and cash flows from currency derivatives		(1,585)	7,363
Other changes		3,265	526
Cash flow generated (absorbed) by operating activities		**384,646**	**45,457**
Investment activities			
(Investiments in) fixed assets	6.8-6.10-6.11	(82,291)	(40,088)
Disposals of fixed assets	6.8-6.10-6.11	928	1,856
(Increase) decrease in equity investments	6.13	0	0
Cash out due to business combination during the year		(2,709)	(1,000)
Cash flow generated (absorbed) by investment activities		**(84,072)**	**(39,232)**
Financing activities			
Net change in financial assets and liabilities	6.4-6.14	(147,277)	124,579
(Repayment) of lease liabilities / collection of lease assets	6.5-6.15	(168,260)	(98,953)
(Buy back) of treasury shares	6.22	0	0
Increase in share capital and reserves	6.22	80,606	0
Distribution of dividends		0	0
Cash flow generated (absorbed) by financing activities		**(234,931)**	**25,626**
Increase (decrease) in cash and cash equivalents		**65,643**	**31,851**
Cash and cash equivalents at the beginning of the year		**77,507**	**45,656**
Cash and cash equivalents at the end of the year		**143,150**	**77,507**

The cash effects of relations with related parties are described in the section "Relations with related parties" in the notes to these consolidated financial statements.

Consolidated statement of changes in shareholders' equity
(thousands of euro)

	Share capital	Share premium reserve	Legal reserve	Reserve for treasury shares	Reserve for actuarial gains (losses)
Balance at 01 February 2020	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,661)**
- Appropriation of earnings for financial year 2019	0	0	0	0	0
- Management Incentive plans	0	0	0	0	0
Transactions with shareholders	**0**	**0**	**0**	**0**	**0**
- Net result for the year	0	0	0	0	0
- Other items of comprehensive income	0	0	0	0	(179)
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**(179)**
Balance at 31 January 2021	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,840)**
Balance at 01 February 2021	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,840)**
- Appropriation of earnings for financial year 2020	0	0	1,795	0	0
- Paid capital increase	63,923	16,683	0	0	0
- Management incentive plans	0	0	0	0	0
Transactions with shareholders	**63,923**	**16,683**	**1,795**	**0**	**0**
- Net result for the year	0	0	0	0	0
- Other items of comprehensive income	0	0	0	0	47
Total comprehensive income for the period	0	0	0	0	47
Balance at 31 January 2022	**290,923**	**528,678**	**11,679**	**(1,496)**	**(3,793)**

Translation reserve	IFRS 2 reserve	Other reserves	Retained earnings	Net result for the year	Total shareholders' equity attribu-table the the OVS Group	Non-controlling interests	Total shareholders' equity
601	**6,356**	**4,341**	**114,466**	**(140,389)**	**729,097**	**(268)**	**728,829**
0	0	0	(140,389)	140,389	0	0	0
0	2,030	0	111	0	2,141	0	2,141
0	**2,030**	**0**	**(140,278)**	**140,389**	**2,141**	**0**	**2,141**
0	0	0	0	35,037	35,037	71	35,108
(1,614)	0	0	0	0	(1,793)	0	(1,793)
(1,614)	**0**	**0**	**0**	**35,037**	**33,244**	**71**	**33,315**
(1,013)	**8,386**	**4,341**	**(25,812)**	**35,037**	**764,482**	**(197)**	**764,285**
(1,013)	**8,386**	**4,341**	**(25,812)**	**35,037**	**764,482**	**(197)**	**764,285**
0	0	0	33,242	(35,037)	0	0	0
0	0	0	0	0	80,606	0	80,606
0	601	0	605	0	1,206	0	1,206
0	**601**	**0**	**33,847**	**(35,037)**	**81,812**	**0**	**81,812**
0	0	0	0	48,500	48,500	140	48,640
2,099	0	360	(400)	0	2,106	0	2,106
2,099	0	360	(400)	48,500	50,606	140	50,746
1,086	**8,987**	**4,701**	**7,635**	**48,500**	**896,900**	**(57)**	**896,843**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Notes to the financial statements

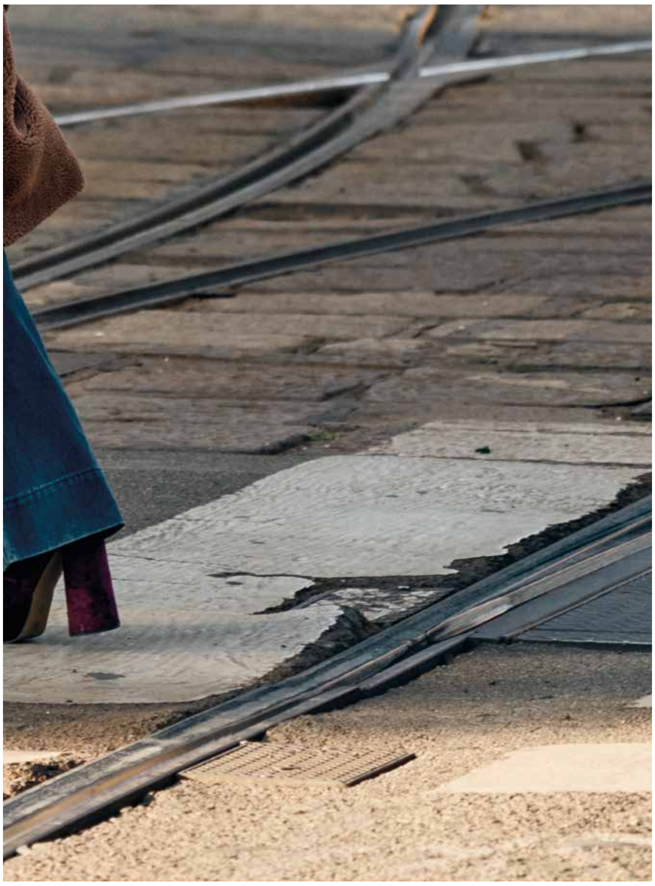
1. General information

OVS S.p.A. (hereinafter also the "Company" or the "Parent Company") is a company incorporated on 14 May 2014, domiciled in Italy and organised under the laws of the Italian Republic, with its registered office at Via Terraglio 17, Mestre, Venice, Italy.

Borsa Italiana, with Provision 8006 of 10 February 2015, approved the admission to trading of the shares of OVS S.p.A. to the Mercato Telematico Azionario (MTA), organised and managed by Borsa Italiana S.p.A..
Trading on the Mercato Telematico Azionario (MTA), as ordered by Borsa Italiana, began on Monday, 2 March 2015.

2. Impacts of the pandemic and the Ukraine conflict on Group performance

As described in more detail in the Report on Operations, the Group's sales came in at €1,359 million in 2021, up 33.4% compared with 2020, a year marred by the effects of the restrictions imposed to tackle the spread of Covid-19. Thanks to the actions taken during the emergency phase, the Group was able to react and return to results almost in line with its pre-pandemic performance.



2021 was also characterised by periods in which there were peaks in the intensity of the pandemic, similar to 2020, with major consequences in terms of sales performance. In particular, the first quarter was again marked by periods of store closures, and sales were down 27.7% compared with 2019. In the second and third quarters of 2021, however, sales were 11% higher, while in the fourth quarter, despite the arrival of the new Omicron variant and some supply chain difficulties in the retail sector, the Group recorded sales in line with 2019.

The Group also continued to take action to safeguard the health and safety of its employees, while working to further strengthen managerial flexibility.
There is still some uncertainty over how the pandemic situation will evolve, particularly as regards the possible transmission of new variants of the virus, which continues to influence the international mobility of customers. However, Italy has one of the highest population vaccination levels, and new treatment and vaccination tools have been developed by scientists, allowing us to look at the next few months with cautious optimism.

While there are glimpses of adaptation after the disruptive effects on the world's economies of the two years of pandemic, it must unfortunately be noted that the conflict between Russia and Ukraine, which began on February 24, is having major and entirely unpredictable global consequences, not only because of the resulting serious humanitarian crisis, but also because of its potential economic and geopolitical effects on global markets. The initial effects were immediately reflected in increases in the costs of various commodities, such as gas and oil, as well as sharp drops in the world's largest stock markets.

The exposure of sales, which is to franchisees located in the Russian and Ukrainian markets, rather than Russian tourists buying in other markets, is essentially nothing compared with the OVS Group's annual turnover.
Furthermore, the Group does not have goods suppliers in Russia or Ukraine.
However, it cannot be ruled out that a further expansion of the conflict will have unforeseeable repercussions on other neighbouring countries where the Group operates with some subsidiaries.

The Parent Company is constantly monitoring the situation so that it can take any necessary action, particularly with regard to the containment of certain costs (such as electricity and gas supply). Therefore, while it has no significant economic problems, the Group remains heavily involved in humanitarian matters, together with the Italian people, who reacted immediately, trying to offer practical tools to help people who have been forced to flee to other countries, including Italy.
In this regard, OVS has redoubled its commitment to providing support and protection to the Ukrainian people affected by the war.

3. Criteria for preparation of the consolidated financial statements

The structure of the consolidated financial statements, the main accounting policies and the valuation criteria used by the Group are described below.

3.1 Structure and content of the financial statements

The consolidated financial statements of the OVS Group at 31 January 2022 were prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. "IFRSs" is intended to mean all the revised International Accounting Standards (IAS), and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC). At the reporting date for the consolidated financial statements, these had been endorsed by the European Union under the procedure set forth in (EC) Regulation 1606/2002 of the European Parliament and the European Council of 19 July 2002.

The consolidated financial statements 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 euro as the current currency of the economies in which the Group chiefly operates, unless otherwise indicated.

These consolidated financial statements have been prepared on a going concern basis, as the directors have verified the absence of any financial, operational or other indicators that could signal problems with the Group's ability to meet its obligations in the foreseeable future, and particularly in the next 12 months.
Please see the following sections of these notes to the financial statements and the comments on the Report on Operations for a detailed review of the various measures put in place or available to the Group that ensure the normal performance of its business and compliance with its current obligations, despite a macroeconomic environment still characterised by uncertainty, particularly due to the instability in the commodities markets, which has intensified since the outbreak of the conflict in Ukraine on 24 February.

With regard to the presentation methods used for the consolidated accounting schedules, in the context of the options under IAS 1, the OVS Group has opted for the following types of accounting schedules:

- Statement of financial position: assets and liabilities are classified with current and non-current items shown separately;
- Income statement: prepared separately from the statement of comprehensive income with operating costs classified by nature;
- Statement of comprehensive income: includes, as well as net profit, 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 financing activities. The indirect method was used to prepare this statement;
- Statement of changes in shareholders' equity: shows net profit and each item of income and expense not posted to the income statement but recognised directly in equity pursuant to specific IAS/IFRS.

The schedules used, as specified above, provide the best representation of the OVS Group's financial position and profit performance.
The notes to the financial statements analyse, expand upon and comment on the values shown in the OVS Group's consolidated financial statements. They are accompanied by additional information deemed necessary to give a true and fair view of the Group's financial position and results.
Changes in the items recognised under assets and liabilities and in the income statement are elaborated upon when they are significant.

The consolidated financial statements were prepared on the basis of the historical cost criterion, except for derivatives, which are measured at fair value as required by IFRS 9.

Please see the Report on Operations at 31 January 2022 for detailed information on the nature of the Group's activity.

The financial statements have been audited by PricewaterhouseCoopers S.p.A..

3.2 Consolidation scope

The consolidated financial statements include, as well as the Parent Company's financial statements, the financial statements of all the subsidiaries as of the date at which control is assumed until the date at which this control ceases.

The following is a list of the 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	1,269,650,208	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%

The list of equity investments measured using the equity method is as follows:

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

During the year, the process of liquidation of OBS Sales Private Ltd and Sempione Retail AG was completed. Both companies were definitively written off.

3.3 Consolidation criteria

The consolidated financial statements include the financial statements of Parent Company OVS S.p.A. and the companies over which it has the right to exercise control pursuant to IFRS 10. This standard stipulates that an investor controls an entity in which it has invested when it enjoys rights that confer the possibility of directing the entity's significant activities, has an exposure or a right to receive variable returns from its involvement in the entity and has the real possibility of using its power to influence the amount of its returns from the investment.

Equity investments held in companies over which significant influence is exercised ("associates"), which is presumed to exist when the percentage of the equity investment is between 20% and 50%, are measured using the equity method.
Application of the equity method involves aligning the carrying amount of the equity investment with shareholders' equity, adjusted where necessary to reflect the application of the IFRS endorsed by the European Commission (and includes any goodwill identified at the time of acquisition).

The share of gains/losses realised by the associate after the acquisition is recognised in the income statement, while the share of movements in reserves after the acquisition is booked in equity reserves. When the Group's share of losses in an associate is equal to or more than its non-controlling interest in this associate, taking any unsecured credit into account, the value of the investment is reduced to zero and the Group recognises no further losses other than those pertaining to it, unless and to the extent that the Group is obliged to meet them. Unrealised gains and losses on transactions with associates are derecognised according to the value of the Group's equity investment in these associates.
"Joint arrangements" (agreements under which two or more parties hold common control, within the meaning of IFRS 11) are included, where they exist, according to the equity method, if they qualify as joint ventures, or by recognising their specific shares of assets, liabilities, costs and revenues, if they qualify as joint operations.
The financial statements of the subsidiaries are consolidated line by line in the consolidated financial statements from the date at which control is assumed until the date at which this control ceases.

Where necessary, the financial statements used to prepare the consolidated financial statements have been appropriately restated and adjusted to comply with the Group's accounting policies.

The following consolidation criteria are used:

- for equity investments consolidated line by line, the carrying amount of the individual consolidated equity investments is eliminated against the relative shareholders' equity, with the assumption of the assets, liabilities, costs and revenues of the subsidiaries, regardless of the size of the investment held. Any shares of shareholders' equity and net profit attributable to minorities are identified separately in shareholders' equity and in the income statement;

- all inter-company balances and transactions are derecognised, as are profits and losses (the latter only if they do not represent effective impairment of the asset transferred) arising from commercial transactions, including the sale of business units in the Parent Company's subsidiaries, or financial inter-company transactions not yet realised with third parties;

- all increases/decreases in the shareholders' equity of the consolidated companies arising from results generated after the date of acquisition of the equity investment are booked in a dedicated equity reserve named "Retained earnings (accumulated losses)" at the time of the elision;

- the dividends distributed to Group companies are eliminated in the income statement at the time of consolidation;

- changes in the percentage of ownership of subsidiaries that do not entail a loss of control, or that represent increases after control has been acquired, are recognised under changes in shareholders' equity.

3.4 Business combinations

The Group recognises business combinations using the acquisition method pursuant to IFRS 3 - Business Combinations.

Under this method, the consideration transferred to a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred and the liabilities assumed at the acquisition date. The ancillary costs of the transaction are usually recognised in the income statement when they are incurred.

Goodwill is determined as the excess of the sum of the considerations transferred to the business combination, shareholders' equity attributable to third parties and the fair value of any equity investment previously held in the acquiree, over the fair value of the net assets acquired and liabilities assumed at the acquisition date.

If a business combination takes place in stages with successive purchases of shares, each phase is valued separately, using the cost and information on the fair value of the assets, liabilities and contingent liabilities at the date of each operation to determine the amount of any difference. When a subsequent purchase means that control of a company is obtained, the stake previously held is re-presented based on the fair value of the identifiable assets, liabilities and contingent liabilities determined at the date that control is acquired, and the difference is recognised in the income statement.

The OVS Group completed the acquisition of STEFANEL in 2021. More specifically, on 1 March 2021, OVS S.p.A. completed the transfer of ownership of the STEFANEL business unit, comprising the Stefanel brand and 23 directly operated stores. The price paid to the seller (Stefanel S.p.A. in extraordinary administration) to acquire the business unit was approximately €3.7 million, of which €1.0 million already paid, as a deposit for the acquisition, on 3rd December 2020. The 23 stores, in high-quality locations, have been progressively reopened and have served as a starting point for the re-launch of the brand, which has been subject to a more extensive growth plan already under way in the second half of 2021, which will continue in 2022.

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**

Acquisition-related costs of €324,000 were also incurred. These include legal and notarial costs, registration tax, patent and trademark registration tax and other costs for professional services.

The amounts relating to the shareholders' equity acquired and the amounts deriving from the definitive purchase price allocation process (concluded within 12 months of the acquisition date, i.e. in these financial statements at 31 January 2022) are summarised below:

(amounts in thousands of euros)	Net Equity transferred	Puschase price allocation (definitive)	Equity adjusted
Tangible assets	331		331
Right of use		14,911	14,911
STEFANEL brand	1,905	1,495	3,400
Other non-current receivables	234		234
Inventories	1,216	(966)	250
Other current receivables	22		22
Provisions for risks and charges		(345)	(345)
Deferred tax assets (liabilities)		(249)	(249)
Financial liabilities for leases		(14,911)	(14,911)
Total	**3,709**	**(65)**	**3,643**

Residual goodwill of €65,000 was obtained from the difference between the total consideration transferred and the final adjusted shareholders' equity of €3,643,000.

Finally, it should be noted that in 2021, the agreement signed by OVS S.p.A. with Douglas Italia S.p.A. became effective, aimed at the purchase of a business unit for a non-significant amount, consisting of 13 stores previously managed under the Douglas name. The purchase of these stores, which took place on 1 August 2021, did not involve financial resources for OVS, while a definitive goodwill emerged for an amount of € 80 thousand, as a result of the accounting according to IFRS 3 of net assets for € 75 thousand and net liabilities of € 155 thousand.
These points of sale, in line with the development plans underlying their purchase, were converted according to the small format brands of the OVS Group.

3.5 Financial statements in foreign currencies

The translation into euros of the financial statements of foreign subsidiaries denominated in currencies other than the euro is carried out by applying the exchange rates in force at the end of the year to assets and liabilities and applying average exchange rates in the period to income statement items, while shareholders' equity is recognised at historical exchange rates, usually identified as the exchange rates at the end of the first year in which the investee company was included in the consolidation scope.
Foreign exchange gains or losses arising from the translation of financial statements presented in foreign currencies using the above methods are cumulatively recognised under other comprehensive income in a specific equity reserve until the equity investments are disposed of.
The exchange rates used for translation are shown in the following table:

Currency	Code	Final exchange rate at		Average of the year ended	
		31.01.2022	31.01.2021	31.01.2022	31.01.2021
US Dollar	USD	1.12	1.21	1.18	1.15
Hong Kong dollar	HKD	8.70	9.41	9.14	8.92
Chinese renminbi	RMB	7.10	7.80	7.57	7.89
Croatian kuna	HRK	7.53	7.57	7.53	7.55
Serbian dinar	RSD	117.59	117.76	117.54	117.62
Indian rupee	INR	83.37	88.43	87.06	85.46

3.6 Goodwill

Goodwill is recognised at cost, less any accumulated impairment.
Goodwill acquired as part of a business combination is determined as the excess of the sum of the considerations transferred to the business combination, shareholders' equity attributable to non-controlling interests and the fair value of any equity investment previously held in the acquiree, over the fair value of the net assets acquired and liabilities assumed at the acquisition date.

If the value of the net assets acquired and liabilities assumed exceeds the sum of the considerations transferred, the shareholders' equity attributable to non-controlling interests and the fair value of any equity investment previously held in the acquiree, the excess amount is immediately recognised in the income statement as income.
Goodwill is not amortised, but is tested annually, and whenever events or circumstances indicate the possibility of impairment, for recoverability pursuant to IAS 36 - Impairment of Assets.
If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount. If goodwill is allocated to a cash-generating unit that is partially transferred/disposed of, the goodwill associated with this unit is used to determine any gain/loss arising from the operation.

3.7 Brands

Brands deriving from business combinations are recognised at fair value at the date of the combination, according to the acquisition method. They are not amortised as they have an indefinite useful life, but are tested annually, and whenever events or circumstances indicate the possibility of impairment, for recoverability pursuant to IAS 36 - Impairment of Assets. After initial recognition, the brands are valued at cost less any cumulative impairment.

3.8 Intangible assets

Intangible assets consist of non-monetary items, identifiable and without physical substance, which can be controlled by the Group, can generate future economic benefits and whose cost can be reliably determined. These items are recognised at cost, less amortisation, calculated using the straight-line method for a period corresponding to the useful life, and any impairment. Useful life is reviewed annually. Specifically:

Licences

Licences deriving from business combinations are recognised at fair value at the date of the combination, according to the acquisition method. After initial recognition, licences are valued at cost less amortisation and any cumulative impairment. Amortisation is calculated based on the difference between the cost and the residual value at the end of their useful life, on a straight line basis over their useful life (defined as 40 years).
Please see note 6.10 (Intangible assets) for a description of the criteria used to define useful life and residual value at the end of useful life.

Software

The costs of software licences, including ancillary costs, are capitalised and recognised in the financial statements net of amortisation and any cumulative impairment. The amortisation rate used is 20%.

Other intangible assets

These assets are measured at acquisition cost, less amortisation calculated on a straight-line basis throughout their useful life and cumulative impairment.
The value of the franchising network recognised post-business combination is amortised on the basis of a useful life of 20 years.

3.9 Property, plant and equipment

Property, plant and equipment is measured at acquisition cost, including ancillary costs booked directly, less depreciation and cumulative impairment. Land is not depreciated even if acquired at the same time as buildings.

Depreciation is booked from the month in which the assets are available and ready for use.

Depreciation is charged on a monthly basis at constant rates that allow assets to be depreciated until their useful life is ended or, in the case of disposals, until the last month of use.
The depreciation rates used are as follows:

Buildings	3-6%
Light construction	10%
Plant and equipment for lifting. loading. unloading and weighing	7.5%
Miscellaneous machinery. appliances and equipment	11.1%
Special facilities for communications and remote signalling	25%
Furnishings	11.1%
Alarm systems	11.1%
Specific bar. restaurant and canteen facilities	8%
Bar. restaurant and canteen furnishings	11.1%
Office furniture and ordinary machinery	12%
Electromechanical and electronic office equipment	20%
Cash registers	20%
Motor vehicles and transportation equipment	20-25%

Ordinary maintenance costs are charged in full to the income statement in the period in which they are incurred.
Leasehold improvements are classified as tangible assets. The depreciation period is the lesser of the remaining useful life of the tangible asset and the remaining term of the lease.

3.10 Right of use assets

When signing a contract, the OVS Group assesses whether it is, or contains, a lease, i.e. whether the contract confers the right to direct the use of an identified asset for a period of time in exchange for a consideration.

The Group uses a single model of recognition and measurement for all leases, except for leases of low-value assets. The Group recognises liabilities relating to lease payments and the right of use asset, which represents the right to use the asset underlying the contract.

The Group recognises right of use assets at the lease commencement date (i.e. the date on which the underlying asset is available for use). Right of use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. The cost of the right of use includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made as of the commencement or before inception, net of any incentives received.

Right of use assets are depreciated on a straight-line basis from the date on which the underlying asset is available for use over the shorter of the end of the useful life of the asset and the end of the lease term.
Right of use assets are subject to impairment. Please see the information provided in the following section. See also the note below regarding “Accounting standards, amendments and interpretations effective as of financial year 2021”.

3.11 Impairment of tangible and intangible assets

IAS 36 stipulates that tangible and intangible assets must be tested for impairment if indicators suggest that such a problem might exist.
Impairment testing takes place at least once a year in the case of goodwill, other intangible assets with an indefinite useful life and assets not available for use.
In accordance with the Group's policies, the recoverability of the amounts recognised is assessed by comparing the carrying amount with the higher of the fair value (current realisable value) less the costs of disposal and the value in use of the asset. Value in use is defined by discounting the expected cash flows generated by the asset.

To determine value in use, expected future cash flows are discounted using a rate that reflects current market valuations of the time value of money, compared with the investment period and the specific risks associated with the activity.
For the purposes of assessing impairment, assets are analysed starting from the lowest level for which there are separately identifiable independent cash flows (cash generating units). Within the Group, the individual stores have been identified as cash generating units.
If the recoverable amount of an asset is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. This reduction constitutes impairment and is charged to the income statement.
If there is an indicator of reversal of the impairment loss, the recoverable amount of the asset is recalculated and the carrying amount is increased to this new amount. The increase in the carrying amount may not, however, exceed the net carrying amount that the asset would have had if impairment had not occurred.
Goodwill write-downs cannot be reversed.
In order to provide complete information, it should be noted that in 2019, the Group approved another update of this policy (the "IAS 36 Policy on Impairment and Impairment Testing"), making several revisions, particularly in order to bring it into line with the amendments made to the accounting standards and, specifically, with the entry into force of the new IFRS 16 international accounting standard from 2019, which entailed the inclusion of a new "category" of tangible assets with a very significant overall value, relating to the rights to use the assets underlying the leases, consequently increasing both the carrying amount of the OVS Group's CGUs and their EBITDA accounting flows (due to the "removal" of the cost of lease payments). However, no significant changes were made to the methodology used and summarised above.

As was the case in previous years, when compiling the financial statements at 31 January 2022, the Group made use of an external expert to prepare the impairment testing. The methods applied, the parameters used and the results of the impairment tests are extensively commented on in the following sections of these notes.

3.12 Other equity investments

Other equity investments (i.e. other than in subsidiaries, associates and joint ventures), where these exist, are included among non-current assets, or among current assets if they will remain among the assets of the OVS Group for a period of, respectively, more than one year and no longer than one year.
Other equity investments constituting FVTPL (see next section) financial assets are measured at fair value, if this can be determined, and any gains or losses deriving from changes in the fair value are entered directly under other comprehensive gains/(losses), until they are transferred or undergo impairment, at which time the other comprehensive gains/(losses) previously recognised in equity are recognised in the income statement for the period.
Other equity investments for which the fair value is not available are recognised at cost, written down for any impairment.

3.13 Financial assets

Financial assets are recognised under current and non-current assets based on maturity and expectations of when they will be converted into monetary assets. Financial assets include equity investments in other companies (other than associates and joint ventures), derivatives, receivables, and cash and cash equivalents.
The OVS Group's financial assets are classified according to the business model adopted for the management of these assets and the related cash flows. The categories identified are as follows:

Financial assets measured at amortised cost

This category includes financial assets for which the following requirements have been verified: (i) the asset is owned within the framework of a business model whose objective is to own the asset in order to collect contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount to be repaid. In this specific case, these are mainly loans recognised as assets (if these exist), and trade and other receivables, as described in the section "Trade and other receivables" below. Receivables and loans recognised as assets are included in current assets, except for those with a contractual maturity of more than 12 months from the reporting date, which are classified as non-current assets. Receivables are classified in the statement of financial position as trade and other receivables. Loans recognised as assets are classified as financial assets (current and non-current). With the exception of trade receivables that do not contain a significant financial component, other receivables and loans recognised as assets are initially recognised in the financial statements at their fair value plus any ancillary costs directly attributable to the transactions that generated them. Upon subsequent measurement, assets in this category are measured at amortised cost using the effective interest rate. The effects of this measurement are recognised among the financial income components. Such assets are also subject to the impairment model described in the section "Trade and other receivables".
It should be noted that, pursuant to IFRS 16, the OVS Group, as an intermediate lessor in a sub-lease, classifies the sub-lease as a finance lease if it meets the conditions laid down by the standard. If the sub-lease is classed as a finance lease, the original lessee eliminates the right of use on the lease asset in the main lease agreement at the inception of the sub-lease and continues to account for the original lease liability in accordance with the lessee's accounting model, while simultaneously booking a financial asset for leases that represents the entire life of the sub-lease.
See also note 3.29 below regarding "Accounting standards, amendments and interpretations effective as of financial year 2021".

Financial assets at fair value through other comprehensive income ("FVOCI")

This category includes financial assets for which the following requirements have been verified: (i) the asset is owned within the framework of a business model whose objective is achieved either through the collection of contractual cash flows or through the sale of the asset; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount to be repaid. These assets are initially recognised in the financial statements at their fair value plus any ancillary costs directly attributable to the transactions that generated them. Upon subsequent measurement, the valuation carried out at the time of recognition is updated and any changes in fair value are recognised in the statement of comprehensive income. As with the preceding category, these assets are subject to the impairment model described in the section "Trade and other receivables" below.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that cannot be placed in any of the previous categories are classified under this category (a residual category). These are mainly derivatives and listed equity instruments that the Group has not irrevocably decided to classify as FVOCI at initial recognition or at the time of transition. Assets in this category are classified under current or non-current assets according to their maturity and recognised at fair value at the time of initial recognition. In particular, equity investments in non-consolidated companies over which the Group does not exercise significant influence are included in this category and recognised under "Equity investments". The ancillary costs incurred when recognising the asset are immediately charged to the consolidated income statement. Upon subsequent measurement, FVTPL financial assets are measured at fair value. Gains and losses arising from changes in fair value are recognised in the consolidated income statement in the period in which they are recorded, under other net income/(expenses).

Purchases and disposals of financial assets are booked at the settlement date.
Financial assets are removed from the statement of financial position when the right to receive the cash flows from the instrument has been extinguished and the Group has substantially transferred all the risks and benefits relating to the instrument and its control.

The fair value of listed financial instruments is based on the current offering price. If the market for a financial asset is not active (or unlisted securities are involved), the Group defines fair value using valuation techniques. These techniques include referring to advanced trading in progress, securities with the same characteristics, cash flow analyses, and price models based on the use of market indicators and aligned, as far as possible, with the assets to be valued.

In the process of formulating the valuation, the Group emphasises the use of market information over the use of internal information specific to the nature of the Group's business.

3.14 Inventories

Inventories are recognised at the lower of acquisition cost and net realisable value.
The acquisition cost is determined by configuring the weighted average cost for the reporting period. The cost also includes ancillary costs directly attributable to the purchase of goods.
Goods relating to the collections are written down according to the presumed possibility of future realisation, by recognising a specific adjustment provision.

3.15 Trade and other receivables

The assumption adopted by OVS with regard to trade and other receivables is that these do not contain a significant financial component maturing in less than one year: they are therefore recognised initially at the price defined for the relevant transaction (determined according to the provisions of IFRS 15 – Revenue from Contracts with Customers). Upon subsequent measurement, they are valued using the amortised cost method and the impairment model introduced by IFRS 9. According to this model, the Group assesses receivables on an expected loss basis, replacing the framework set out in IAS 39 above, which is typically based on incurred losses.
For trade receivables, the Group has adopted a simplified measurement approach, which does not require the recognition of periodic changes in credit risk, but rather the recognition of an expected credit loss ("ECL") calculated over the entire life of the receivable ("lifetime ECL"). Depending on the diversity of customers, it was decided to use different matrices for different groups of receivables, based on the characteristics of the credit risk. In particular, the expected solvency of counterparties is assessed according to different clusters and the stratification of the trade receivables in each cluster into different categories based on past due days. Write-down rates are applied to these categories that reflect the related expected losses (based on historical trade receivables payment profiles). Some trade receivables are assessed individually and, if necessary, fully written down, if there is no reasonable expectation of recovery, or if there are inactive commercial counterparties (situations of bankruptcy and/or initiation of legal actions, classified by OVS in the "Disputed receivables" category).

3.16 Cash and banks

The Cash and banks item includes available cash and credit balances of bank current accounts with no limits or restrictions, recognised at nominal value. These liquid assets are short-term, highly liquid investments that are readily convertible to cash, for which the risk of a change in

value is insignificant. Investments are generally classified as cash and cash equivalents when their original maturity is three months or less.
Cash in foreign currency is valued according to period-end exchange rates.

3.17 Provisions for risks and charges

Provisions for risks and charges are allocated for current obligations, legal or constructive, arising from a past event in respect of third parties for which the utilisation of resources, the amount of which can be reliably estimated, is probable.
The amount recognised as a provision is the best estimate of the expenditure required to settle the current obligation fully. Risks for which the emergence of a liability is only possible are disclosed in the notes to the financial statements, and no provision is made.

3.18 Employee benefits

Pension plans

Post-employment benefits are defined under either "defined contribution" plans or "defined benefit" plans.
Defined benefit plans, such as the provision for employee severance benefits accrued before the entry into force of the 2007 Budget, are plans with guaranteed benefits for employees that are paid out at the end of the employment

relationship. The liability relating to defined benefit plans is determined on the basis of actuarial assumptions and booked on an accruals basis in line with the service required to obtain the benefits; the liability is measured annually with the help of independent actuaries.
Employee severance benefits and pension provisions, which are determined using an actuarial method, provide for the recognition in the income statement under employment cost of the rights accrued during the year, while the figurative cost is included among net financial income (expenses). Actuarial gains and losses that reflect the effects of changes in the actuarial assumptions used are instead fully recognised in a specific equity reserve in the year in which they arise, with immediate recognition in the statement of comprehensive income.

From 1 January 2007, the 2007 Budget and the associated implementing decrees introduced significant amendments to the rules on employee severance benefits, including options for employees, to be exercised by 30 June 2007, with regard to the allocation of their accruing severance benefits. Specifically, new flows of severance benefits may be directed by the employee to preselected or company pension schemes (in the latter case, the company pays severance benefit contributions into a treasury account set up with the INPS (the Italian social security and welfare institution).
As a result of these amendments, the provision for employee severance benefits accrued since the date of the employee option (defined benefit plan) has been recalculated by independent actuaries to exclude the component relating to future pay increases.

The portion of the employee severance benefits that has accrued since the option date (30 June 2007) is regarded as a defined benefit plan, and the accounting treatment is similar to that used for all other contribution payments.

Employee benefits also include pension provisions and similar obligations. This provision mainly includes liabilities and rights accrued by the employees of the former Standa, in relation to supplementary pension schemes pertaining to them; the liability associated with such defined-benefit programmes is determined on the basis of actuarial assumptions and the amount recognised in the financial statements represents the present value of the OVS Group's obligation.

Compensation plans in the form of stock options

The Group provides additional benefits to certain employees and consultants through stock option plans offering equity-settled stock options. In accordance with IFRS 2 – Share-based Payments, the current value of the stock options determined at the grant date using the "Black & Scholes" method is recognised in the income statement under staff costs on a straight-line basis over the period between the grant date of the stock options and the vesting date, with a direct balancing entry in shareholders' equity.
The present value is defined on the basis of market parameters and non-allocation conditions and is not subject to subsequent amendments after the date of initial determination.

The effects of granting conditions not related to the market (performance and retention conditions) are not taken into account in the evaluation of the fair value of the options granted, but are relevant to the evaluation of the number of options expected to be exercised.
At the reporting date the Group reviews its estimates of the number of options that are expected to be exercised. The effect of the review of the original estimates is recognised in the income statement over the vesting period with a balancing entry in shareholders' equity.
When the stock options are exercised, the amounts received from the employee, net of costs directly attributable to the transaction, are credited to the share

capital in an amount equal to the nominal value of the issued shares, with the remaining portion credited to the share premium reserve.

3.19 Financial liabilities and trade and other payables

Payables and other financial and/or trade liabilities are initially recognised at fair value, less any transaction costs incurred in relation to obtaining the obligation. They are subsequently carried at amortised cost; in the case of loans, any difference between the amount received (less transaction costs) and the total repayment amount is recognised in the income statement over the period of the loan, using the effective interest rate method.
Trade payables are classified as current liabilities if payment will take place within one year of the reporting date. Otherwise, such payables are classified as non-current liabilities.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for 12 months after the reporting date; in this case, only the portion falling due within 12 months of the reporting date is classified as a current liability. Payables to banks and other lenders are removed from the financial statements when they are settled, that is when all risks and charges relating to the instrument are transferred, cancelled or extinguished. The classification of financial liabilities has not changed since the introduction of IFRS 9.

3.20 Financial liabilities for leases

At the commencement date of a lease, the Group recognises financial liabilities for leases, measuring them at the present value of the lease payments due and not yet paid at that date. The payments due include fixed payments (including substantially fixed payments) net of lease incentives received, variable lease payments that are index or rate dependent, and amounts expected to be paid for residual value guarantees. Lease payments also include the exercise price of a call option if it is reasonably certain that this option will be exercised by the Group, and lease termination penalty payments if the lease term takes into account the Group's exercise of the lease termination option.
Variable lease payments that are not dependent on an index or rate are recognised as costs in the period in which the event or condition that generated the payment occurs.

In calculating the present value of the payments due, the Group uses the incremental borrowing rate at inception if the implicit interest rate cannot be easily determined. After the commencement date, the amount of the lease liability is increased to reflect interest on the lease liability and decreased to reflect payments made. In addition, the carrying value of lease payables is recalculated in the event of any amendments to the lease or the revision of the contractual terms to change the payments; it is also recalculated in the event of changes to the valuation of the option to purchase the underlying asset or for changes in future payments that result from a change in the index or rate used to determine such payments.
Rent concessions obtained from landlords as a consequence of the Covid-19 pandemic are recorded as negative variable rents and recognised in the income statement when they meet the following conditions:

- they relate to reductions in only payments due by 30 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.

See also note 3.29 below regarding "Accounting standards, amendments and interpretations effective as of financial year 2021".

3.21 Derivatives

At the date of entering into the contract, derivatives are initially recognised at fair value as FVTPL financial assets when the fair value is positive or as FVTPL financial liabilities when the fair value is negative.
The Group normally uses derivatives to hedge foreign exchange risk or interest rate risk.
Pursuant to IFRS 9, derivatives may only be booked using hedge accounting methods when:

- at the beginning of the hedge there is formal designation and documentation of the hedging relationship;
- it is assumed that the hedge is highly effective;
- the effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

When derivatives meet the criteria for hedge accounting, the following accounting treatments apply:

- if the derivatives hedge the risk of changes in the fair value of the assets or liabilities being hedged (fair value hedge, e.g. hedging of fluctuations in the fair value of fixed-rate assets/liabilities), the derivatives are recognised at fair value through profit or loss; correspondingly, the assets or liabilities being hedged are adjusted to reflect changes in fair value associated with the hedged risk;
- if the derivatives hedge the risk of changes in the cash flows of the assets or liabilities being hedged (cash flow hedge, e.g. hedging of changes in the cash flows of assets/liabilities due to variations in interest rates), changes in the fair value of the derivatives are initially recognised in equity and subsequently in profit or loss in line with the economic effects of the hedged transaction.

If hedge accounting is not applied, gains or losses arising from the measurement of the derivative at fair value are immediately recognised in the income statement.

3.22 Segment reporting

The information relating to business segments was provided pursuant to IFRS 8 - Operating segments, which stipulates that information be presented in a way that is consistent with the procedures used by management to make operational decisions. The operating segments and the information presented are therefore identified according to the internal reports used by management to allocate resources to the various segments and to analyse their performance.

IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and iii) for which discrete financial information is available.
The operating segments identified by management, which incorporate all of the services and products provided to customers, are represented by the OVS division, dedicated to the marketing of clothing products for the value fashion market segment, and the Upim division, which provides clothing for women, men and children for the value segment of the Italian market, as well as products in the homeware and fragrance segments.

In 2021, the acquisition of STEFANEL resulted in the identification of a new operating division within the Group: however, given the recent entry of the brand into the OVS Group and its irrelevance in terms of invested capital and turnover (less than 1% compared with Group figures), it is shown as "Other businesses".

3.23 Revenues and costs

On the basis of the five-step model introduced by IFRS 15, the Group recognises revenues after identifying contracts with its customers and the related services to be provided (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for providing each of these services, and assessing how these services are provided (at a point in time or over time).

Revenues from the sales of DOS are recognised when the customer makes the payment. More specifically, revenues from the sale of goods are recognised in the income statement when control of the product sold is transferred to the customer, usually coinciding with the delivery or shipment of the goods to the customer; revenues for services are recognised in the period in which the services are rendered, with reference to completion of the service provided and as a proportion of the total services still to be rendered.

Revenues are recognised at the fair value of the consideration received. Revenues are recognised net of value added tax, expected returns and any trade discounts, rebates and bonuses granted.
Payment times granted to Group customers do not exceed a 12-month period, so the Group does not make transaction price adjustments to take financial components into account.

Costs are recognised when they relate to goods and services acquired or used during the year, while in the case of multi-year use the costs are

systematically spread. The acquisition of goods, mirroring revenue, is determined by the transfer of control over them.

3.24 Income from leases

Income from operating leases is recognised on a straight-line basis over the term of the leases to which it relates, unless it relates to sub-leases with characteristics to which the IFRS 16 accounting standard applies (in such cases, see the note on "Financial assets" above).

3.25 Income tax

Current income tax for the year is calculated by applying the current tax rates to reasonably estimated taxable income, determined in accordance with the tax regulations in force. The expected payable, net of payments on account and withholding taxes, is recognised in the statement of financial position under "Current tax liabilities" (or under "Current tax assets" if the payments on account made and the withholdings exceed the estimated payable).
Deferred tax assets and deferred tax liabilities are determined on the basis of taxable temporary differences between the carrying amount of assets and liabilities and their value for tax purposes, except for goodwill, which is not tax deductible, and are classified under non-current assets and liabilities.
Income tax is recognised in the income statement, except in relation to items directly credited to or debited from equity, in which case the tax effect is recognised directly in equity.

Deferred tax assets, including those relating to any previous tax losses, are recognised to the extent that it is probable that future taxable income will be available in respect of which they can be recovered. The value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to use all or part of this receivable.
Deferred tax assets and deferred tax liabilities are

measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates in force and tax rates that have been enacted or substantively enacted at the reporting date.

3.26 Foreign exchange gains/losses

Foreign exchange transactions are recognised at the current exchange rate at the date of completion of the transaction (or the relative down payment flows). Monetary assets and liabilities denominated in foreign currencies are translated into euros at the current exchange rate at the reporting date and recognised in the income statement under the “Foreign exchange gains and losses” item.

3.27 Earnings per share

Earnings per share - basic

Basic earnings per share is calculated by dividing the profit pertaining to the OVS Group by the weighted average of the ordinary shares outstanding during the year, excluding treasury shares.

Earnings per share - diluted

Diluted earnings per share is calculated by dividing the profit pertaining to the OVS Group by the weighted average of the ordinary shares outstanding during the year, excluding treasury shares. To calculate diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming the exercise by all owners of rights with a potentially dilutive effect, while the profit pertaining to the OVS Group is adjusted to take account of any effects, net of tax, arising from the exercise of these rights.

3.28 Dividends

Dividends are recognised at the date of approval by the Shareholders’ Meeting.

3.29 Accounting standards, amendments and interpretations effective as of financial year 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 European Union endorsed the amendments on 14 January 2020. The amendments are effective for annual reporting periods starting on or after 1 January 2021. They have had no impact on the Group's consolidated 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 amendments granted by lessors to operating lease payments as of 1 January 2020 but not beyond June 2021, due to the effects of the Covid-19 pandemic.

The European Union endorsed the amendment on 12 October 2020 and it applied to financial statements for accounting periods beginning on or after 1 June 2020, but, as early adoption was permitted, the OVS Group took this option and applied the amendment to the financial statements for the year ended 31 January 2021, to which the reader is referred.

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 the practical expedient for simplifying the accounting by lessees of rent concessions (i.e. reductions or cancellations of lease payments granted to a lessee by the lessor) obtained due to the Covid-19 pandemic, which go 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 deciding whether they entail a lease modification, but allowing it to account for them as a variable lease payment when the concession is recognised, recording it in the income statement as operating income that directly reduces the lease liability.

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 of payments 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 already 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). The agreements signed at a later date were reflected in the accounts in 2021, even though, for management purposes, the Group had valued them on the basis of the reference period shown in the amendment agreements themselves.
Discount agreements linked to the government restrictions in 2021 were also recognised as variable lease payments in accordance with the second amendment of IFRS 16.

3.30 New accounting standards and interpretations endorsed by the European Union and effective for financial years starting on or after 31 January 2022 and not yet adopted by the OVS Group

At the date of preparation of these annual financial statements, the competent bodies of the European Union have completed the endorsement process for the adoption of the following accounting standards and amendments. With regard to the applicable standards, the Group has decided not to exercise the early adoption option, where this exists.

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 came into effect on 1 January 2022.

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.

The Group will apply these new standards and amendments when they become effective. The Group does not expect any significant impact as a result of their adoption.

3.31 Accounting standards, amendments and interpretations not yet endorsed by the European Union and not adopted by the OVS Group

The international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB and not yet adopted by the OVS Group as they are not yet endorsed by the European Union, are shown below.

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. The European Union has not yet endorsed the amendments.

The IASB has also 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.

In January 2014, the IASB issued IFRS 14 Regulatory Deferral Accounts, the endorsement process for which is, however, suspended pending the new accounting standard on rate-regulated activities.
Amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture) were issued in September 2014. The endorsement process for these amendments is, however, suspended pending the conclusion of the IASB equity method project.

In 2021, two amendments were issued: The Amendment to IFRS 17 (Initial Application of IFRS 17 and IFRS 9 – Comparative Information) and Amendment to IAS 12 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction), both applicable as of 1 January 2023: however, they have not yet been endorsed by the European Union.
As already mentioned, no accounting standards and/or interpretations for which adoption is mandatory for periods beginning on or after 1 January 2022 have been adopted early.
Furthermore, the Group will adopt the new standards and amendments on the basis of the scheduled application date, and will assess their potential impacts on the consolidated financial statements when they are endorsed by the European Union.

4. Use of estimates

The preparation of the consolidated financial statements in accordance with the IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. The final results may differ from these estimates. Estimates are used to recognise provisions for doubtful accounts, inventory obsolescence, lives, depreciation and amortisation, impairment of assets, employee benefits, restructuring provisions, deferred tax assets, other provisions for risk and valuations of derivatives. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.

In addition to the above, and in accordance with the instructions in both Consob Communication No. 1/21 of 16/02/2021 (which in turn refers to the ESMA document of 28 October 2020) and the Warning Notice of 18 March 2022 (which in turn refers to the ESMA document of 14 March 2022 on the impacts of the Russian-Ukrainian crisis on the EU financial markets), it should be noted that during 2021, although the pandemic continues to influence the global economic scenario, the available forecasts for scenarios in the foreseeable future are consistent with the assumptions and hypotheses used when preparing the impairment test for the Group's consolidated financial statements at 31 January 2021, whose estimation process for 2021 is described in detail in notes 6.11 and 6.12 below. Accordingly, no indicators of possible impairment at 31 January 2022 (trigger events) were identified in addition to the impairment losses already recorded in previous years. There were no significant changes in the volatility of the estimates for other items regarded as material (inventories and trade receivables from customers). For further details, please see in any case notes 6.2 and 6.3 below and the extensive comments in the Report on Operations.

4.1 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.

4.2 Depreciation and amortisation

Depreciation and amortisation reflect the best estimate of the expected useful life of assets with a finite life.
This estimate is based on the possibility of use of these assets and their capacity to contribute to the OVS Group's results in future years.

4.3 Inventory obsolescence and inventory differences

The OVS Group develops and sells items of clothing that change according to customer taste and trends in the world fashion. The provision for inventory write-downs therefore reflects estimated expected impairment of the collections in stock, taking account of the OVS Group's capacity to sell items of clothing through a range of distribution channels.
The provision for inventory differences reflects the estimate of inventory differences at the end of each of the periods under review, in view of the fact that the OVS Group carries out a physical inventory in February and/or June of each year.

4.4 Provisions for doubtful accounts

The provision for doubtful accounts reflects the best estimate of losses relating to the portfolio of trade receivables. This estimate is based on the losses expected by the OVS Group, determined on the basis of past experience with similar receivables, current and previous receivables falling due, the careful monitoring of credit quality and projections of economic and market conditions. See what is reported above regarding "Trade and other receivables".

4.5 Deferred taxes

Deferred tax assets are booked based on expectations of taxable income in future years for the purpose of recovering 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.

4.6 Pension funds and other employee benefits

The cost of the defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on investments, future salary increases, mortality rates and future pension increases. Because of the long-term nature of these plans, such estimates are subject to significant uncertainty.

Further details are provided in note 6.19.
The costs recognised in the income statement in relation to incentive plans for managers (please see the explanations in note 7.26 “Staff costs”) are mainly influenced by the estimated timing of the occurrence of the event that triggers vesting, as well as the actual possibility of the occurrence of the event and the presumed reference value of the plan. Therefore, this estimate depends on factors that may vary over time and variables that the directors might find it hard to predict and determine. Changes in these items may significantly influence the assessments made by the directors and therefore result in changes in the estimates.

4.7 Provisions for risks and charges

Provisions representing the risk of a negative outcome are recognised for legal and tax risks. The amount of provisions recorded in the financial statements in relation to these risks represents 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 significant effects compared with the current estimates used to prepare the financial statements.

4.8 Valuation of derivatives

The determination of the fair value of unlisted financial assets, such as derivatives, takes place using commonly used valuation techniques that require basic assumptions and estimates. These assumptions may not occur within the time frames and in the manner envisaged. Estimates of derivatives may therefore differ from the final figures.

4.9 Financial liabilities and assets for leases and right of use assets

The Group recognises the right of use asset and the lease liability. The right of use asset is initially measured at cost, and subsequently at cost, net of depreciation and cumulative impairment losses and adjusted to reflect the revaluations of the lease liability.

The Group values its lease liability at the present value of lease payments due and not paid at the commencement date, discounting them using the interest rate as defined above.

The lease liability is subsequently increased by interest accruing on that liability and decreased by the lease payments owed, and is revalued in the event of a change in future lease payments due as a result of a change in the index or rate, in the event of a change in the amount that the Group expects to have to pay as a residual value guarantee or when the Group changes its assessment with regard to the exercise of a purchase, extension or termination option.

Leases in which the Group acts as lessee may provide for renewal options which 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.

5. Information on financial risks

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

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

The OVS Group aims to maintain balanced management of its financial exposure over time, to ensure that its liability structure is in balance with the composition of its balance-sheet assets and to provide the necessary operational flexibility through the use of cash generated by current operating assets and bank loans.
Management of the relative financial risks is centrally guided and monitored. Specifically, the central finance function is responsible for evaluating and approving projected financial requirements, monitoring progress and establishing appropriate corrective action if necessary.

The financial instruments most used by the OVS Group are as follows:

- medium/long-term financing, including by means of bond loans, to cover investments in non-current assets;
- short-term loans and use of credit facilities on current accounts to fund working capital.

The OVS Group has also signed derivatives in order to reduce exchange rate risks relating to the US dollar, which is the main currency used to purchase goods from suppliers in the Far East.
The following section provides qualitative and quantitative information on the impact of these risks on the OVS Group's business.

5.1 Credit risk

Credit risk represents the OVS Group's exposure to the risk of potential losses arising from default by counterparties.
There were no significant concentrations of credit risk at the end of the year under review.
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 January 2022, the total guarantee amount was €74.5 million, including €18.1 million in overdue receivables (€61.9 million at 31 January 2021, including €18.9 million in overdue receivables).

Recently, the Group has also implemented revolving assignments without recourse with a restricted and selected group of customers. At 31 January 2022, the value of the receivables assigned was €6.2 million.

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 €89.3 million at 31 January 2022 (€102.1 million at 31 January 2021).

Receivables written down (partially or fully) amounted to €11.9 million at 31 January 2022 (€11.2 million at 31 January 2021).
Overdue receivables amounted to €26.5 million (€30.6 million at 31 January 2021).
The following tables provide a breakdown of trade receivables at 31 January 2022 and at 31 January 2021, grouped according to maturity and net of the provision for doubtful accounts:

(amounts in millions of euros)	At 31.01.2022	Not yet matured	Matured within 90 days	Matured between 90 and 180 days	Matured beyond 180 days
Trade Receivables	101.2	63.0	23.2	1.5	13.5
Provision for doubtful accounts	(11.9)	(0.2)	0	(0.2)	(11.5)
Net value	**89.3**	**62.8**	**23.2**	**1.3**	**2.0**

(amounts in millions of euros)	At 31.01.2021	Not yet matured	Matured within 90 days	Matured between 90 and 180 days	Matured beyond 180 days
Trade Receivables	113.3	71.5	24.8	1.5	15.5
Provision for doubtful accounts	(11.2)	0	(0.4)	(0.7)	(10.1)
Net value	**102.1**	**71.5**	**24.4**	**0.8**	**5.4**

The following table analyses financial assets for leases according to the contractual maturities on which collection will take place, at 31 January 2022 and 31 January 2021:

(amounts in millions of euros)	Balance at 31.01.2022	< 1 year	1 - 5 years	> 5 years	Total
Financial assets for leases	7.0	2.5	4.0	0.5	7.0

(amounts in millions of euros)	Balance at 31.01.2021	< 1 year	1 - 5 years	> 5 years	Total
Financial assets for leases	9.5	3.4	5.4	0.7	9.5

5.2 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 strengthen the financial solidity already achieved by the Group with the shares and instruments implemented during 2020 (please see the annual financial statements at 31 January 2021 for further details), the Parent Company, OVS S.p.A., completed a capital increase during the year, allowing for a further increase in available cash of approximately €80 million. In the second half of 2021, the Parent Company OVS S.p.A. also completed the issue of a sustainability-linked bond (the "Bond Loan"), which was completed on 10 November 2021, contributing around €160 million to partially repay the existing debt. For a detailed description of the above operations, please see the notes below on "Shareholders' equity" and "Bank debt", respectively.

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 future 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 financial year, see also note 6.14 below. Please see the section on events after the reporting period for the additional changes made to strengthen the Group's financial structure in April 2022.

The following table breaks down financial liabilities (including trade and other payables): in particular, all the flows shown are nominal future undiscounted cash flows, calculated with reference to residual contractual maturities (for both the principal portion and the interest portion). Loans have been included based on the contractual maturity of the repayment.

(amounts in millions of euros)	Balance at 31.01.2022	< 1 year	1 - 5 years	> 5 years	Total
Trade payables	317.9	317.9	0	0	317.9
Payables to banks (*)	171.4	101.2	70.2	0	171.4
Financial liabilities for leases	974.9	135.1	464.4	375.4	974.9
Bond	160.0	0	0	160.0	160.0
Financial expenses payable to banks (**)		8.1	17.9	0.0	26.0
Financial expenses for leases		40.1	103.4	45.2	188.7
Total	**1,624.2**	**602.4**	**655.9**	**580.6**	**1,838.9**

(*) The amount includes interest accrued but not yet paid at 31 January 2022.
(**) The amount was calculated by applying the forward curve recorded at 31 January 2022 to the loan repayment plan. For the Revolving Line, an average utilisation level of 50% was assumed.

The same breakdown for 31 January 2021 is as follows:

(amounts in millions of euros)	Balance at 31.01.2021	< 1 year	1 - 5 years	> 5 years	Total
Trade payables	264.0	264.0	0	0	264.0
Payables to banks (*)	479.7	62.8	416.9	0	479.7
Financial liabilities for leases	916.9	171.5	405.6	339.8	916.9
Other financial payables	0	0	0	0	0
Financial expenses payable to banks (**)		15.4	15.7	0	31.1
Financial expenses for leases		42.3	111.0	53.3	206.6
Total	**1,660.6**	**556.0**	**949.2**	**393.1**	**1,898.3**

(*) The amount includes interest accrued but not yet paid at 31 January 2021.
(**) The amount was calculated by applying the forward curve recorded at 31 January 2021 to the loan repayment plan. For the Revolving Line, an average utilisation level of 50% was assumed.

The following table, meanwhile, shows the breakdown of the derivatives entered into by the OVS Group:

	2021		2020	
(amounts in millions of euros)	Assets	Liabilities	Assets	Liabilities
Forward contracts - trading	15.2	0	0	9.1
Total	**15.2**	**0**	**0**	**9.1**
Current portion:				
Forward contracts - trading	15.2	0	0	9.1
Total current portion	**15.2**	**0**	**0**	**9.1**
Non-current portion:				
Forward contracts - trading	0	0	0	0
Total non-current portion	**0**	**0**	**0**	**0**

It should be noted that, as described in more detail in the subsequent notes, in particular note 6.14, in the months after the reporting date the Group fulfilled all the contractual provisions of the loan agreements, also taking into account the 2020 Waiver and the 2021 Waiver.

Lastly, it should be noted that during the year the net changes in financial assets and liabilities presented in the consolidated statement of cash flows (corresponding to net cash absorption of €147.3 million) can be broken down as follows: the net repayment balance of -€25.0 million for the Revolving Credit Facility and -€10.0 million for the UBI Banca Hot Money facility, a decrease of -€3.9 million in financial payables due to interest, a Term B1 repayment, net of inflows from the bond loan, of -€90.0 million, Term B2 repayments of -€16.7 million, and -€1.7 million of other minor changes.

5.3 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, effective as of 2 March 2015 and 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. Finally, with regard to the Bond Loan, it should be noted that this carries a fixed coupon of 2.25% until maturity (10 November 2027), except for a possible step-up of an additional 25 bps from 2024 if certain ESG parameters are not achieved.

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.

Sensitivity Analysis

The OVS Group's exposure to interest rate risk was measured using a sensitivity analysis that shows the effects on the income statement and on shareholders' equity of a hypothetical change in market rates of 40 bps higher or lower than the hypothetical forward rate curve at 31 January 2022. This analysis is based on the assumption of a general and instantaneous change in benchmark interest rates.

Excluding the impact of amortised cost on the loans, the results of such a hypothetical, instantaneous and unfavourable (favourable) change in the short-term interest rates applicable to the OVS Group's financial liabilities at variable interest rates are shown in the following table:

Effect of change on financial expenses - income statement

(amounts in millions of euros)	- 40 bps	+ 40 bps
At 31 January 2022	0.0	0.4

The same figure at 31 January 2021 is shown below:

Effect of change on financial expenses - income statement

(amounts in millions of euros)	- 40 bps	+ 40 bps
At 31 January 2021	0.0	0.0

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, including those that are highly probable although not obtained, pursuing the management aim of minimising exposure to risk.

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

It should be noted that in exceptional cases the Group may unwind the hedging derivatives contracts for goods to be purchased, as occurred in 2020 (please see the 2020 annual report for more information). No similar operation was necessary during 2021.

The derivatives described are recognised at 31 January 2022 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.

At 31 January 2022, this measurement was positive for €15.2 million, relating to the fair value of the contracts in place at year-end, as the forward exchange rate for the portfolio at 31 January 2022 was 1.1778, while the average EUR/USD exchange rate at year-end was 1.1156. This figure is added to the release to the income statement with a positive effect of the negative fair value recognised at 31 January 2021 of €9.1 million, with a total positive effect in the income statement of €24.3 million, all recognised as foreign exchange differences in the financial area.

The following table summarises key information relating to currency forwards:

	Transaction date	Maturity date	Notional in USD/000	Strike price	Notional in Eur/000	Fair value in Eur/000
At 31 January 2022	from 30.11.2020 to 12.01.2022	from 01.02.2022 to 23.01.2023	355,000	from 1.1298 to 1.2281	301,417	15,213

In the year under review, the nature and structure of exposure to foreign exchange risk and the hedge management policies followed by the OVS Group did not change substantially.

Sensitivity Analysis

To perform the exchange rate sensitivity analysis, items in the statement of financial position (financial assets and liabilities) denominated in currencies other than the function currencies of each company within the OVS Group were identified.

The effects of a 5% appreciation and depreciation in the US dollar against the euro are summarised below:

Effect of change on result and shareholders' equity

(amounts in millions of euros)	- 5%	+ 5%
At 31 January 2022	8.9	(8.1)

The same analysis at 31 January 2021 is as follows:

Effect of change on result and shareholder's equity

(amounts in millions of euros)	- 5%	+ 5%
At 31 January 2021	8.3	(7.5)

However, with regard to the appreciation/depreciation of 5% in the Hong Kong dollar against the euro, it should be noted that, at 31 January 2022, the translation reserve in equity reserves would have been subject to a positive/negative change of €0.9 million and €0.8 million, respectively.

5.4 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, in 2021 there were no transfers of financial assets and liabilities classed in 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.

In addition to the information on financial risk, the following is a reconciliation between classes of financial assets and liabilities as identified in the Group's statement of financial position, and the types of financial assets and liabilities identified pursuant to IFRS 7 at 31 January 2022:

(thousands of euros)	Financial assets at fair value trough profit ot loss	Financial liabilities at fair value trough profit or loss	Financial assets at amortised cost	Fiancial liabilities at amortised cost	Currency derivatives	Total
Cash and banks			143,150			143,150
Trade receivables			89,293			89,293
Current financial assets					15,213	15,213
Current financial assets for leases			2,470			2,470
Other current receivables			16,242			16,242
Equity investments	0					0
Non-current financial assets					0	0
Non-current financial assets for leases			4,548			4,548
Other non-current receivables	4,185		2,722			6,907
Current financial liabilities				100,782		100,782
Current financial liabilities for leases				135,083		135,083
Trade payables				317,911		317,911
Other current payables				156,522		156,522
Non-current financial liabilities				228,732		228,732
Non-current financial liabilities for leases				839,813		839,813
Other non-current payables				14,059		14,059

The same reconciliation for 31 January 2021 is provided below.

(thousands of euros)	Financial assets at fair value through profits or loss	Financial liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Currency derivatives	Total
Cash and banks			77,507			77,507
Trade receivables			102,061			102,061
Current financial assets					43	43
Current financial assets for leases			3,408			3,408
Other current receivables			10,707			10,707
Equity investments	0					0
Non-current financial assets					0	0
Non-current financial assets for leases			6,086			6,086
Other non-current receivables	3,909		5,319			9,228
Current financial liabilities				71,617		71,617
Current financial liabilities for leases				171,497		171,497
Trade payables				263,996		263,996
Other current payables				111,304		111,304
Non-current financial liabilities				414,105		414,105
Non-current financial liabilities for leases				745,365		745,365
Other non-current payables				16,867		16,867

6. 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).

6.1 Cash and banks

	31.01.2022	31.01.2021	change
Cash and banks	**143,150**	**77,507**	**65,643**

The balance represents cash and cash equivalents at the reporting date and breaks down as follows (in thousands of euros):

		31.01.2022	31.01.2021	change
1)	Bank and post office deposits	136,885	72,230	64,655
2)	Cheques	6	5	1
3)	Cash and cash equivalents on hand	6,259	5,272	987
	Total	**143,150**	**77,507**	**65,643**

Cash and cash equivalents consist of cash, bank and post office deposits and checks and cash on hand at the head office and stores in the direct sales network.
The significant balance at 31 January 2022 is mainly due to the capital increase, which was completed in July 2021, and the excellent performance of operational management. For a detailed description of the capital increase, please see note 6.22 below.

In addition, at 31 January 2022, ordinary current accounts were set up as pledges (last updated on 1 January 2022) to secure the Loan Agreement (described in note 6.14 below), in the amount of €136,518,000, and foreign currency current accounts in the amount of USD20,077,000, corresponding to €17,663,000, the balance of which is still fully available to the OVS Group.

6.2 Trade receivables

	31.01.2022	31.01.2021	change
Trade receivables	**89,293**	102,061	(12,768)

The breakdown of trade receivables was as follows (amounts in thousands of euros):

	31.01.2022	31.01.2021	change
Trade receivables			
Receivables for retail sales	429	433	(4)
Receivables for wholesale sales	88,419	97,404	(8,985)
Receivables for services rendered	4,854	7,932	(3,078)
Disputed receivables	7,486	5,855	1,631
Trade receivables from related parties	0	1,617	(1,617)
Subtotal	**101,188**	**113,241**	**(12,053)**
(Provision for doubtful accounts)	(11,895)	(11,180)	(715)
Total	**89,293**	**102,061**	**(12,768)**

Receivables for wholesale sales derive from sales to affiliates.
Receivables from services mainly include charges for department management and subletting to external managers.
Disputed receivables mainly consist of receivables for problem loans. Most of these receivables are written down by recognising a specific provision for doubtful accounts.
The write-downs relate to receivables from affiliates or business partners, collection of which is presumed to be difficult, for disputes, or, in the majority of cases, for pending legal proceedings against customers.

It should also be noted that trade receivables (mainly for the provision of products to the franchising affiliates) amounting to €91.2 million were also used to secure the Loan Agreement at 31 January 2022.

The provision for doubtful accounts amounted to €11,895,000 at 31 January 2022. During the year, €785,000 was utilised and an accrual of €1,500 was made.
Changes in the provision for doubtful accounts are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2021	**11,180**
Allocations in the year	1,500
Utilisations in the year	(785)
Balance at 31 January 2022	**11,895**

The change in the provision for doubtful accounts in the previous year is as follows:

(amounts in thousands of euros)	
Balance at 31 January 2020	**17,181**
Allocations in the year	2,530
Utilisations in the year	(8,531)
Balance at 31 January 2021	**11,180**

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

6.3 Inventories

	31.01.2022	31.01.2021	change
Inventories	**389,849**	420,110	(30,261)

The breakdown of inventories is shown in the following table:

(amounts in thousands of euros)	31.01.2022	31.01.2021
Goods	448,164	464,564
Gross stock	**448,164**	**464,564**
Provision for depreciation	(43,454)	(33,126)
Provision for inventory differences	(14,861)	(11,328)
Total provision for stock write-downs	**(58,315)**	**(44,454)**
Total	**389,849**	**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, found itself managing the overstock generated as a result of the closure of almost the entire sales network in March and April 2020 and the consequent lack of sales of goods purchased in the usual way.
This had caused the Group to carry over into 2021 the unsold items from the Spring/Summer collection, given the high proportion of items from the children's segment. In particular, the spring goods already delivered to stores in January-February 2020 (which, due to the store closures, was not actually "seen" by customers) had been returned for storage. A part of the summer goods was distributed to stores when they reopened, to support sales towards the end of the season, while the remainder had been kept in storage.
This strategic decision enabled the Group to optimise the purchases planned for 2021, although the partial lockdowns, mainly in March and April 2021, affected the spring collection for the second time. This collection was already subject to roll-forward from 2020: its sell-out was therefore penalised, with a consequent effect on the level of the depreciation provisions set aside at 31 January 2022.

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 macroeconomic situation. 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 year ended 31 January 2022 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**
Allocation	39,327	13,547	52,874
Utilisation	(28,999)	(10,014)	(39,013)
Balance at 31 January 2022	**43,454**	**14,861**	**58,315**

The change in the same provisions in the previous year was as follows:

(amounts in thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2020	**28,460**	**11,194**	**39,654**
Allocation	25,225	13,864	39,089
Utilisation	(20,559)	(13,730)	(34,289)
Balance at 31 January 2021	**33,126**	**11,328**	**44,454**

6.4 Other current and non-current financial assets

	31.01.2022	31.01.2021	change
Current financial assets	**15,213**	43	15,170
Non-current financial assets	**0**	0	0

The breakdown of the "Financial assets" item into current and non-current at 31 January 2022 and at 31 January 2021 is shown below:

(amounts in thousands of euros)	31.01.2022	31.01.2021
Derivatives (current portion)	15,213	43
Total current financial assets	**15,213**	**43**
Derivatives (non-current portion)	0	0
Total non-current financial assets	**0**	**0**
Total	**15,213**	**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.

6.5 Financial assets for current and non-current leases

	31.01.2022	31.01.2021	change
Current financial assets for leases	**2,470**	3,408	(938)
Non-current financial assets for leases	**4,548**	6,086	(1,538)

Financial assets for leases are recorded in accordance with IFRS 16 with effect from the 2019 financial year. Please refer to note 3.13 above for information on the valuation criteria for these assets.

6.6 Current tax assets

	31.01.2022	31.01.2021	change
Current tax assets	**16,635**	15,637	998

The balance mainly consists of receivables for excess IRES payments on account made by the Parent Company, OVS S.p.A. (€10,910,000) paid on a historical basis, already net of the payable for taxes accrued during the year by both OVS S.p.A. and 82 S.r.l. In fact, during 2021, OVS S.p.A. joined the national tax consolidation scheme provided for by Articles 117 et seq. of Presidential Decree No. 117 of 22 December 1986 ("TUIR") and the Ministerial Decree of 1 March 2018, with the subsidiary, 82 S.r.l. (the consolidated entity). The national tax consolidation will continue uninterrupted during the period 2021-2023. The agreement also provides for the automatic renewal of the option for a further three years pursuant to Article 14, paragraph 1, of the Ministerial Decree of 1 March 2018 (for further details, please see the section of the Report on Operations on significant events during the reporting period).

The remaining balance of the item consists of receivables for withholding tax on fees (€1,340,000), tax credits of €4,177,000 and taxes withheld at source.

6.7 Other current and non-current receivables

	31.01.2022	31.01.2021	change
Other current receivables	**16,242**	10,707	5,535
Other non-current receivables	**6,907**	9,228	(2,321)

Other receivables break down as follows

	31.01.2022	31.01.2021	change
Other receivables	3,088	3,429	(341)
Receivables from insurance companies for claims reimbursment	385	216	169
Receivables from employees	1,042	1,018	24
Accrued income and prepaid expenses - rents and service charges	4,690	873	3,817
Accrued income and prepaid expenses - insurance	825	726	99
Accrued income and prepaid expenses - interest on security deposits	24	24	0
Accrued income and prepaid expenses - other	6,188	4,421	1,767
Total current receivables	**16,242**	**10,707**	**5,535**
Security deposits	4,184	3,909	275
Minor investments	20	20	0
Other receivables	2,703	5,299	(2,596)
Total non-current receivables	**6,907**	**9,228**	**(2,321)**

The "Other receivables" item in current receivables relates to guarantee deposits made for new leases amounting to €477,000 and receivables for business unit disposals amounting to €1,675,000, while the remainder refers to social security receivables and advances to suppliers and shippers.
Receivables from insurance companies mainly comprise the scheduled reimbursement for damage to goods during transport (€237,000) and damage due to flooding at the OVS store in Marcon (€119,000).
The item "Accrued income and prepaid expenses - other" primarily includes prepayments for advertising and marketing services of €2,094,000 and the share of deferred financial fees (€509,000) incurred to obtain the revolving credit facilities described in more detail in note 6.14 ("Financial liabilities") 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 €0.4 million were used to secure the Loan Agreement at 31 January 2022.
"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 €2,520,000 and the medium/long-term portion of deferred financial fees of €29,000.

6.8 Property, plant and equipment

	31.01.2022	31.01.2021	change
Property. plant and equipment	**250,782**	234,702	16,080

Appendix 1 shows the historical cost for each item, the accumulated depreciation and amortisation, changes during the year and the final balances.
Investments during the year mainly related to:

- expenses for modernising, renovating and upgrading stores in the sales 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.

Pursuant to IAS 36, for businesses showing signs of impairment the Group assessed the recoverability of the relative assets using the discounted cash flow method.
The analysis performed at the end of the year showed insignificant impairment (approximately €118,000).

Pursuant to the Loan Agreement, at 31 January 2022 a lien was created on property in the amount of €164.3 million. However, it should be noted that, with the early termination of the Loan Agreement and the SACE Loan Agreement on 8 April 2022, the underlying guarantees were fully cancelled.

6.9 Right of use assets

	31.01.2022	31.01.2021	change
Right of use	**922,232**	824,352	97,880

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, please see Appendix 2 relating to changes in the period and the section below on "Impairment testing".

6.10 Intangible assets

	31.01.2022	31.01.2021	change
Intangible assets	**599,171**	604,139	(4,968)

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

Intangible assets at 31 January 2022 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 January 2022, these amounts included:

- €377.5 million for the OVS brand, with an indefinite life (included under "Concessions, licences and brands");
- €13.3 million for the Upim, with an indefinite life (included under "Concessions, licences and brands");
- €52.0 million for the OVS franchising network, amortised over 20 years (included under "Other intangible assets");
- €20.7 million for the Upim franchising network, amortised over 20 years (included under "Other intangible assets");
- €77.4 million for licences relating to OVS stores, amortised over 40 years (included under "Concessions, licences and brands");
- €20.5 million for licences relating to Upim stores, amortised over 40 years (included under "Concessions, licences and brands");
- €3.4 million for the Stefanel brand, registered during 2021 due to the acquisition of the STEFANEL business unit in March 2021, with an indefinite life (included under "Concessions, licences and trademarks").

All the brands owned by 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.

The recoverability of the value of these brands was measured using the discounted cash flow method for the CGUs to which these brands are allocated (except in the case of Stefanel, which was acquired during the year). Please see the following section, "Impairment testing", for the outcome of the assessments carried out.

The useful life of the licences is 40 years.
This was estimated on the basis of historical analyses carried out within the OVS Group.
It should be noted, in this regard, that the time limit placed on the term of the leases is insignificant. In fact, there are protections provided to the tenant in market practice and under specific legal provisions; in addition, a strategy of gradual further expansion of the network is being implemented by the OVS Group, which usually renews leases before they expire naturally. All these factors have resulted over time in the almost completely successful implementation of the renovation policy. Also note that we have identified a component of residual value (non-amortised residual value at the end of the useful life) calculated over 18 monthly rental payments, representing the amount payable by the lessor if the lease is not renewed for a reason not attributable to the OVS Group.
The remainder of the item mainly consists of rights to industrial patents and intellectual property rights relating to investments in software programmes.

It should also be noted that, pursuant to the Loan Agreement, at 31 January 2022 a lien was created on OVS Group brands/trademarks in the amount of €390.8 million. With the early termination of the Loan Agreement and the SACE Loan Agreement on 8 April 2022, the underlying guarantees were fully cancelled, including the liens on brands/trademarks.

6.11 Goodwill

	31.01.2022	31.01.2021	change
Goodwill	297,686	297,541	145

The goodwill mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011 (the carrying amount was originally €451,778,000, allocated to the OVS CGU, which was written down by €155,000,000 in 2019 following impairment testing).
The change during the year was due to the acquisitions of the STEFANEL business unit for €65,000 and the Douglas business unit for €80,000, definitively allocated. Please refer to note 3.4 ("Business combinations") above.
For the results of the impairment testing carried out at 31 January 2022, please see the following section.

6.12 Impairment testing

Pursuant to IAS 36, the Group verifies the recoverability of intangible assets with an indefinite useful life (goodwill and brands) when indicators of impairment are identified, and in any event at the closing date of the year, while for tangible assets and other assets with a finite useful life this takes place when indicators of impairment are identified. The recoverable amount of the cash-generating units (CGUs) to which the individual assets are allocated is verified by calculating their value in use and/or fair value.
The cash generating units identified by management coincide with the OVS and Upim and, since 2021, Stefanel operating segments, which include all services and products provided to customers.

OVS CGU

Impairment testing entailed the comparison of the carrying amount of the cash generating unit (CGU) and its value in use (VIU). The carrying amount of the OVS CGU includes goodwill, entirely allocated to the CGU, of €297.5 million, and the OVS brand for €377.5 million, both with an indefinite useful life.

The estimated value in use of the OVS operating segment for the purposes of impairment testing is based on the discounting of provisional data for the OVS CGU, determined on the basis of the following assumptions:

- the projected cash flows for the OVS operating segment were extrapolated from the 2022 Budget and the business plan for the three years from 2022 to 2024 (the "Plan"), both drawn up by management and the former approved by the Board of Directors on 31 January 2022. Provisional cash flows for the OVS CGU were determined according to levels of turnover growth and EBITDA, based on both past operating and profit performance and on future projections, also taking the ongoing context of uncertainty into account;
- future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 1.4% a year, applied to EBITDA in the final year of the Plan (essentially flat compared with 31 January 2021). Annual investments were estimated consistently on the basis of depreciation and amortisation in the last year of the Plan (€52.2 million): this amount is believed to be representative

of the standardised investments needed to maintain existing fixed assets, while annual investments of €113.7 million were estimated to be required to maintain right of use assets;

- the discount rate (WACC) used to estimate the present value of cash flows was 5.4% and was determined based on the following assumptions: i) the risk-free rate used was 0.8%, corresponding to the return on ten-year Italian government bonds (average over the last 12 months); ii) the equity risk premium used was 4.5%, an average rate in line with both the results of the long-term analysis for industrialised countries and professional practices; iii) the beta coefficient was estimated based on a panel of comparable listed companies operating in the retail clothing sector and was 1.1; iv) borrowing costs (4.4%) were estimated as the one-month average of the ten-year EurIRS rate (average over the last 12 months), plus a spread of 430 bps; and v) the debt/equity ratio used was calculated based on the average figure presented by a panel of comparable companies.

Based on the above considerations, the value in use of the OVS CGU at 31 January 2022 was €2,042.5 million. The comparison between the VIU (€2,042.5 million) and the carrying amount (net invested capital) of the OVS CGU (€1,689.3 million, including the effects of IFRS 16), shows that the value in use of the CGU is higher than its carrying amount: therefore, based on the flows approved by management in January 2022, there is no impairment to be recognised.

In addition, the Group analysed the sustainability of the results of the impairment testing, based on changes in the following assumptions of the model:

- 50 bps increase in the discount rate;
- 50 bps decrease in the growth rate;

These sensitivity analyses performed separately for each of the above assumptions would not, however, result in write-downs to be recorded in 2021 in relation to the OVS CGU.

Upim CGU

Although no substantial goodwill amount has been allocated for the Upim CGU, the Group has carried out impairment testing on it, in view of the fact that it includes an amount allocated to the brand of €13.3 million, with an indefinite useful life.
The estimated value in use of the Upim operating segment for the purposes of impairment testing is based on the discounting of provisional data for the Upim CGU, determined on the basis of the following assumptions:

- the projected cash flows for the Upim operating segment were extrapolated from the 2022 Budget and the business plan for the three years from 2022 to 2024 (the "Plan"), both drawn up by management and the former approved by the Board of Directors. Provisional cash flows for the OVS CGU were determined according to levels of turnover growth and EBITDA, based on both past operating and profit performance and on future projections, also taking the ongoing context of uncertainty into account;
- expected future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 1.4% a year (essentially flat compared with 31 January 2021) applied to EBITDA in the final year of the Plan. Annual investments were estimated consistently on the basis of depreciation and amortisation in the last year of the Plan (€14.8 million): this amount is believed to be representative of the standardised investments needed to maintain existing fixed assets, while annual investments of €32.8 million were estimated to be required to maintain right of use assets;

- the discount rate (WACC) used to estimate the present value of cash flows was 5.4% and was determined based on the following assumptions: i) the risk-free rate used was 0.8%, corresponding to the return on ten-year Italian government bonds (average over the last 12 months); ii) the equity risk premium used was 4.5%, an average rate in line with both the results of the long-term analysis for industrialised countries and professional practices; iii) the beta coefficient was estimated based on a panel of comparable listed companies operating in the retail clothing sector and was 1.1; iv) borrowing costs (4.4%) were estimated as the one-month average of the ten-year EurIRS rate (average over the last 12 months), plus a spread of 430 bps; and v) the debt/equity ratio used was calculated based on the average figure presented by a panel of comparable companies.

Based on the above considerations, the VIU of the Upim CGU at 31 January 2022 was €624.8 million. The comparison between the VIU (€624.8 million) and the carrying amount (net invested capital) of the Upim CGU (€330.1 million, including the effects of IFRS 16), shows that the value in use of the CGU is higher than its carrying amount: therefore, there is no impairment to be recognised.

In addition, the Group analysed the sustainability of the results of the impairment testing, based on changes in the following assumptions of the model:

- 50 bps increase in the discount rate;
- 50 bps decrease in the growth rate;

These sensitivity analyses, performed separately for each of the above assumptions, would not, however, result in write-downs to be recorded in 2021 in relation to the Upim CGU.

Lastly, as regards the Stefanel CGU, it should be noted that it includes the eponymous brand, amounting to €3.4 million, which also has an indefinite useful life, like the Group's other brands. However, given the recent nature of the acquisition (less than 12 months before the reporting date) and the limited value of the CGU (capital invested less than 2% of the total consolidated capital invested), it was not deemed necessary to carry out impairment testing at 31 January 2022. The recoverability of the carrying amount of the CGU will be verified during 2022.

Impairment testing on licences and right of use assets relating to stores

Licences relating to some OVS and Upim stores and right of use assets showing indicators of impairment were tested for impairment by calculating the value in use for each store thus identified.

The key assumptions used to determine the value in use of the CGUs concern the discounting rate and the growth rate. Specifically, the post-tax discount rate (WACC) was used and no growth rate was projected for the period following the 2022 Budget, except where reasonably foreseeable.
Based on the analysis carried out, in the year ended 31 January 2022, there were no write-downs or reversals of previous write-downs relating to right of use assets, while, with regard to licences, five OVS commercial licences were written down by a total net book value of €2,011,000; the net book values of four OVS commercial licences and one Upim commercial licence previously written down were also restored, by a total write-up value of €3,003,000 at 31 January 2022.

6.13 Equity investments

	31.01.2022	31.01.2021	change
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 €136,000, had already been fully written down when this company was placed in liquidation during 2020.
There were no other changes in 2021.

6.14 Other current and non-current financial liabilities

	31.01.2022	31.01.2021	change
Current financial liabilities	**100,782**	71,617	29,165
Non-current financial liabilities	**228,732**	414,105	(185,373)

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 January 2022 and 31 January 2021 is shown below:

(amounts in thousands of euros)	31.01.2022	31.01.2021
Current bank payables	71,000	41,074
Current portion of non-current debt	29,782	21,396
Other current financial payables	0	9,147
Current financial liabilities	**100,782**	**71,617**
Non-current bank payables	228,732	414,079
Other non-current financial payables	0	26
Non-current financial liabilities	**228,732**	**414,105**

The OVS Group's current and non-current bank payables at 31 January 2022 are shown below:

			At 31.01.2022		
(amounts in thousands of euros)	Maturity date	Interest rate	Total	of which non-current portion	of which current portion
Facility B2	26.08.2022	Euribor + 3.50%	66,667	-	66,667
Due for financial expenses			2,208	-	2,208
Negative bank account			2,125	-	2,125
Current bank payables			**71,000**	**-**	**71,000**
Sustainability Linked Bond	10.11.2027	2.25%	160,000	160,000	-
SACE Loan	30.09.2024	Euribor + 2.25%	100,000	70,000	30,000
SG Loan	30.06.2024		394	210	184
Loan ancillary costs			(1,880)	(1,478)	(402)
Non-current bank payables			**258,514**	**228,732**	**29,782**

The lines of credit available to the Group at 31 January 2022 mainly refer to:

1. a loan agreement initially signed on 23 January 2015, disbursed on 2 March 2015 (the "Loan Agreement"), subsequently amended on 19 September 2019, for a total amount of €450,000,000, which provided for the granting of:
   - a medium/long-term facility of €250,000,000 (Term B1), which was fully repaid on 10 November 2021;
   - an amortising facility of €100,000,000, with six half-yearly repayments of equal amounts as of 28 February 2020 (Term B2). At 31 January 2022, this line was in place for €66,666,667 and its repayment schedule, at the reporting date, still includes two instalments of €33,333,333 each, in February 2022 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.
3. A sustainability-linked bond loan (the "Bond Loan") subscribed on 10 November 2021 for a nominal total of €160,000,000.

The following is a summary of the main events during the year that related to the Group's financial package summarised above.

In particular, 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 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 Intesa Sanpaolo S.p.A. as the Agent for the Loan Agreement and by UniCredit S.p.A. as the Agent for the SACE Loan Agreement, both countersigned by the Parent Company, OVS S.p.A., and the consequent approval of the 2021 Waiver.

The 2021 Waiver, 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 as at 31 January 2022 to EBITDA for 2021, the maximum value of the said test having to be less than or equal to 4.0x;
- the sending to the banks of a liquidity statement, to be drawn up in line with the provisions of the previous 2020 Waiver obtained in May 2020 (please see the 2020 annual report for a more detailed description), as of 31 March 2021. The last statement for 31 January 2022 was duly sent on 28 February last;
- 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. The last test was carried out on 31 January 2022.

In addition, in October 2021, the Board of Directors resolved to issue a sustainability-linked bond with the aim of improving the Group's financial structure, reducing the cost of debt, and freeing up resources to activate technological innovation initiatives aimed at energy saving, including the installation of photovoltaic panels, the replacement of lighting systems with others with less heat dispersion and the digitalisation of store energy control and management systems. This transaction was completed in November 2021 with the subscription for bonds for a total nominal amount of €160,000,000. The ESG objectives underlying the Sustainability-Linked Bond Loan are aligned with the Group's sustainability path and reflect the main elements in the OVS strategic plan, including:

- guiding supply chain towards sustainable objectives with the aim of minimising social impacts throughout the chain, by means of careful monitoring of working conditions and respect for human rights, and ensuring complete product traceability;
- increasing the sustainability of the stores by designing and managing them in a way that is completely respectful of the environment and people, following green design and energy efficient approaches, while ensuring the well-being of customers;
- combating climate change through initiatives to reduce the carbon footprint and the overall environmental footprint by controlling the consumption of natural resources, including water, and waste production, including in relation to product packaging.

Below is a detailed description of the current conditions underlying the loans outstanding at 31 January 2022.

As regards the Loan Agreement, the applicable interest rate for both the Term B2 Facility and the Revolving Credit Facility at 31 January 2022 is equal to the sum of (i) the margin of 3.50% per annum (the "Margin") and (ii) the Euribor parameter, which is equal to zero in the event of a negative parameter.

The Interest is calculated on a quarterly or half-yearly basis for Term B2, and on a monthly, quarterly or half-yearly basis for the Revolving Credit 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 the valuation of the Margin from 1 February 2020 for the Term B2 and Revolving lines of credit (the only lines still in place at 31 January 2022) will be 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 January 2022, the ratio of average financial debt to EBITDA was 2.23x.
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 owned by OVS S.p.A. (in particular on the OVS and UPIM brands);

7. a pledge on some current accounts held by OVS S.p.A.

OVS S.p.A. has also undertaken 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, OVS S.p.A., or any guarantor to meet its contractual obligations under the Loan Agreement.

In terms of financial obligations, the only parameter that the Parent Company, 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 previously indicated, the 2021 Waiver 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) for any breach of the maximum permitted value of the financial parameter of the Leverage at any Test Date (as defined in the Loan Agreement and the SACE Loan Agreement) up to and excluding January 2022 (a new Leverage not exceeding 4.0x was required for that date, as previously described), therefore maintaining compliance with the original parameter as of the April 2022 Test Date.
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 sent a written notice to the OVS Group or the day on which the OVS Group became 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% counter-guaranteed by SACE. This loan, disbursed in a lump sum in June 2020, will have a term of approximately four years, with the deadline for payment of the final instalment in September 2024. The loan provides for a grace period of 24 months and 10 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 aforementioned 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.

Lastly, the main characteristics of the Bond Loan are set out below.

The loan amount of €160,000,000, disbursed in one lump sum, has a term of six years, with a repayment deadline of November 2027.
As part of the offer, 160,000 bonds with a nominal value of €1,000 each were subscribed at an issue price equal to 100% of the nominal value.
The gross annual yield of the Bonds is 2.25%.
Furthermore, as described in the Prospectus for the operation, in the KID (Key Information Document) for the Bonds and in the Sustainability-Linked Bond Framework relating to the sustainability objectives of OVS, available to the public on the Parent Company's website (www.ovscorporate.it), it should be noted that, in view of the "sustainability-linked" nature of the bonds, the interest rate will be increased, until the maturity date of the bonds, by a margin of up to 0.25% per annum for each interest period starting on or after the interest payment date immediately following any failure by OVS to achieve the sustainability performance objectives (listed above) in relation to certain key performance indicators provided for in the Bond Loan Regulations by 2024, or in the event of any failure on the part of OVS to report on these key performance indicators at the maturities established in the Bond Loan Regulations.

In order to ensure that investors have public updates on the progress of the achievement of each KPI, the relevant targets and any other significant event during the year, OVS will publish an annual Sustainability-Linked Bond Progress Report ("SLB Progress Report") no later than 120 days after the end of each financial year (ending on 31 January).

As reported in the section headed "Significant events after the reporting period", on 7 April 2022, the Parent Company, OVS S.p.A., entered into a new loan agreement with a restricted pool of banks (the "2022 Loan") to restructure the debt in place at 31 January 2022 relating to the Loan Agreement and the SACE Loan Agreement. The 2022 Loan of €230,000,000 has allowed the OVS Group to fully terminate the Loan Agreement and the SACE Loan Agreement early. As previously mentioned, these loans had respective natural maturities of March 2023 and June 2024.

The main features of the 2022 Loan are as follows:

- a term of five years, with final repayment in April 2027;
- an Amortising Sustainability-Linked Credit Line of €110,000,000; includes a grace period and eight subsequent twice-yearly instalments of an equal amount, and a final instalment of €50,000,000;
- a Revolving Sustainability-Linked Credit Line of €120,000,000;
- pricing of the two lines at between 175 bps and 225 bps, to which the value of the Euribor should be added, if positive;
- an interest rate linked to a selection of ESG KPIs, in line with the provisions of the Bond Loan, to be documented annually through a Progress Report at the same time as the SLB Progress Report. This mechanism for variability in the Margin of the above KPIs from 2024 provides for a maximum step up/step down of 10 bps;

- the Covenant is the Leverage Ratio and will be tested every six months at 31 January and 31 July of each year, from 31 January 2022; the parameter is set at 3.5x until July 2023 and 3.0x thereafter;
- lastly, the entire agreement does not provide for specific guarantee packages.

The breakdown of the consolidated net debt of the OVS Group at 31 January 2022 and 31 January 2021, re-presented according to the outline in Consob Communication DEM/6064293 of 28 July 2006, supplemented by Consob's Warning Notice no. 5/21, also including the effects on debt of IFRS 16, is as follows:

(amounts in thousands of euros)		31.01.2022	31.01.2022 excluded IFRS 16	31.01.2021	31.01.2021 excluded IFRS 16
A,	Cash	143,150	143,150	77,507	77,507
B,	Cash equivalents	-	-	-	-
C,	Other current financial assets	17,683	15,213	3,451	43
D,	**Liquid assets (A) + (B) + (C)**	**160,833**	**158,363**	**80,958**	**77,550**
E,	Current financial liabilities	(71,000)	(71,000)	(50,221)	(50,221)
F,	Current portion of non-current financial liabilities	(164,865)	(30,878)	(192,893)	(21,857)
G,	**Current financial debt (E) + (F)**	**(235,865)**	**(101,878)**	**(243,114)**	**(72,078)**
H,	**Net current financial debt (G) + (D)**	**(75,032)**	**56,485**	**(162,156)**	**5,472**
I,	Non-current financial debt	(908,545)	(71,575)	(1,159,444)	(415,683)
J,	Bond	(160,000)	(160,000)	-	-
K,	Trade payables and other non-current liabilities	-	-	(26)	(26)
L,	**Non-current financial debt (I) + (J) + (K)**	**(1,068,545)**	**(231,575)**	**(1,159,470)**	**(415,709)**
M,	**Net debt (H) + (L)**	**(1,143,577)**	**(175,090)**	**(1,321,626)**	**(410,237)**
Non-current financial receivables		**4,548**	**0**	**6,086**	**0**
Net financial position		**(1,139,029)**	**(175,090)**	**(1,315,540)**	**(410,237)**

The following table shows the breakdown of current and non-current financial payables at 31 January 2022 and at 31 January 2021:

(amounts in thousands of euros)	31.01.2022	31.01.2022 excluded IFRS 16	31.01.2021	31.01.2021 excluded IFRS 16
Current bank payables	71,000	71,000	41,074	41,074
Derivatives	-	-	9,147	9,147
Payables for finance leases	135,083	1,096	171,497	461
Current portion of non-current debt	29,782	29,782	21,396	21,396
Current financial payables	**235,865**	**101,878**	**243,114**	**72,078**
Non-current bank payables	228,732	228,732	414,079	414,079
Derivatives	-	-	26	26
Payables for finance leases	839,813	2,843	745,365	1,604
Non-current financial payables	**1,068,545**	**231,575**	**1,159,470**	**415,709**

6.15 Financial liabilities for current and non-current leases

	31.01.2022	31.01.2021	change
Current financial liabilities for leases	135,083	171,497	(36,414)
Non-current financial liabilities for leases	839,813	745,365	94,448

Financial lease liabilities are recognised in accordance with the application of IFRS 16 with effect from 2019. As already indicated with regard to "Accounting standards and consolidation criteria", the application of the practical expedient of discounts and/or exemptions from payments on lease agreements due to the Covid-19 crisis (introduced with the amendments to IFRS 16 previously described) resulted in a gain in the income statement of around €35 million, including around €17 million related to rent for 2020, whose discount was formalised after 31 January 2021.

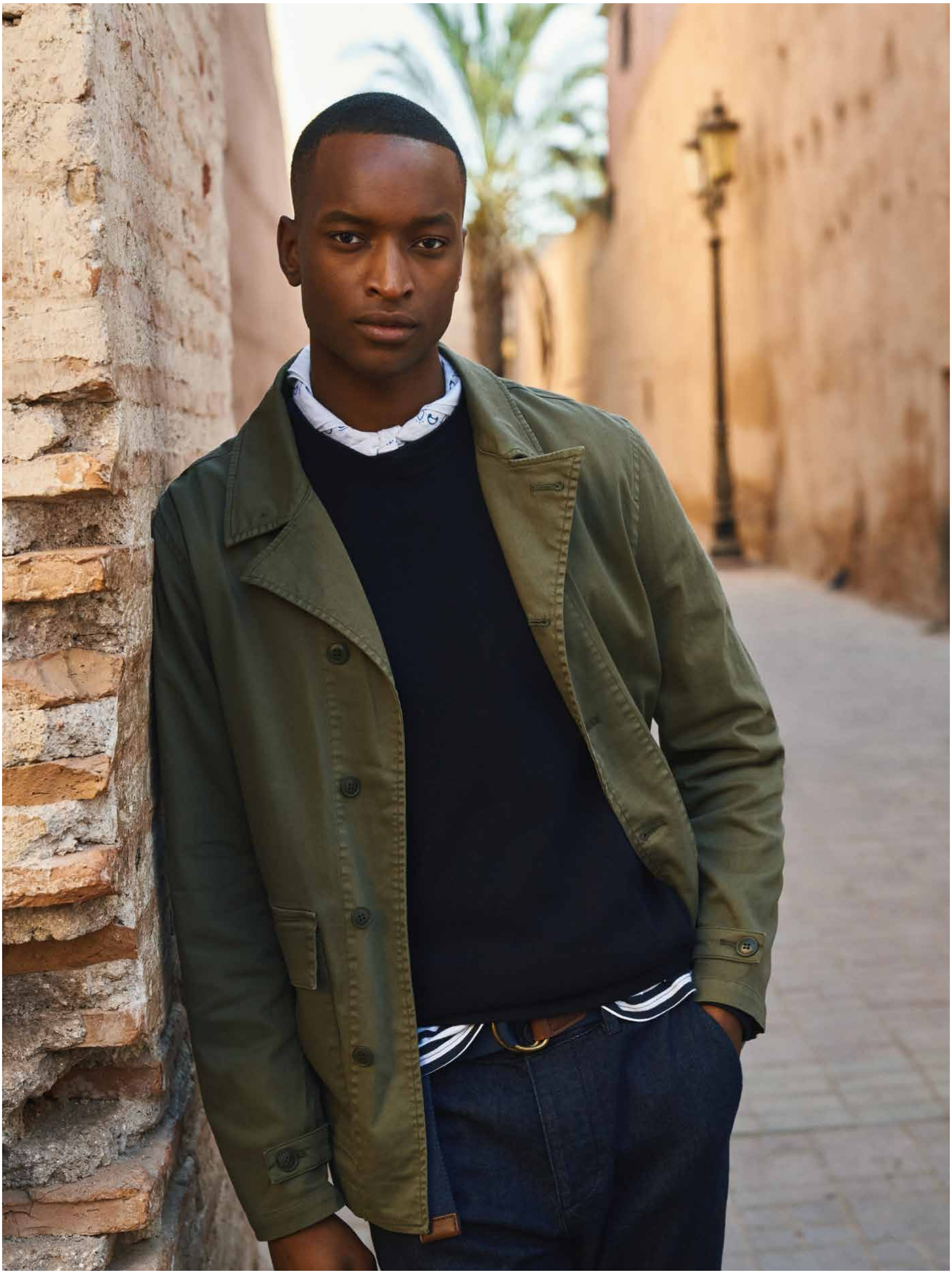
Lastly, it should also be noted that the cash flow of financial liabilities for leases include a portion of rent and interest (€49,964,000) that, at 31 January 2021, had not yet been paid as it is part of extended negotiations with the respective real estate owners.

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	
(thousands of euros)	31.01.2022	31.01.2021	31.01.2022	31.01.2021
Within 1 year	175,173	163,821	135,083	121,532
From 1 to 5 years	567,725	516,601	464,359	405,606
Beyond 5 years	420,666	393,111	375,454	339,760
Total	**1,163,564**	**1,073,533**	**974,896**	**866,898**

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

(thousands of euros)	31.01.2022	31.01.2021
Minimum payments owed for finance leases	1,163,564	1,073,533
(Future financial expenses)	(188,668)	(206,635)
Present value of payables for finance leases	974,896	866,898



6.16 Trade payables

	31.01.2022	31.01.2021	change
Trade payables	317,911	263,996	53,915

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 €180,580,000; it also includes exposure in foreign currency (mainly USD) amounting to USD 171,418,000.

The significant increase is due to the Group's gradual return to normal operating flows, in terms of both purchases of goods and annual investment volumes.

6.17 Current tax liabilities

	31.01.2022	31.01.2021	change
Current tax liabilities	4,591	3,927	664

The item mainly includes current taxes accrued during the year for IRAP by the Parent Company, OVS S.p.A. (€4,543,000, already net of the excess payments on account), while current IRES is offset by excess payments on account.

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

6.18 Other current and non-current payables

	31.01.2022	31.01.2021	change
Other current payables	156,522	111,304	45,218
Other non-current payables	14,059	16,867	(2,808)

The breakdown of the "Other payables" item into current and non-current at 31 January 2022 and at 31 January 2021 is shown below:

(thousands of euros)	31.01.2022	31.01.2021	change
Payables to employees for unused leave and related contibutions	8,324	5,994	2,330
Payables to employees for deferred salaries. overtime. bonuses and related contributions	32,342	15,926	16,416
Payables to Directors and Auditors for emoluments	519	531	(12)
Other payables	34,949	28,781	6,168
Payables to pension and social security institutions	6,661	4,285	2,376
VAT payables	38,799	28,016	10,783
Other tax payables	3,563	2,335	1,228
Other payables - to customers	432	309	123
Accrued expenses and deferred income - rents	3,144	4,030	(886)
Accrued expenses and deferred income - utilities	4,837	2,993	1,844
Accrued expenses and deferred income - insurance	559	434	125
Accrued expenses and deferred income - other	22,393	17,670	4,723
Total current payables	**156,522**	**111,304**	**45,218**
Tax payables	3,714	7,428	(3,714)
Accrued expenses and deferred income - other	10,345	9,439	906
Total non-current payables	**14,059**	**16,867**	**(2,808)**

Payables to employees relate to benefits accrued and not paid out at 31 January 2022.
"Other payables" mainly relate to the recognition of €18,764,000 for the value of expected returns on sales made, pursuant to IFRS 15 (€16,651,000 at 31 January 2021).

The balance also includes advance payments by customers for pre-orders of goods and purchases of vouchers amounting to €7,489,000, and payables for deposits and securities received from customers to guarantee affiliation agreements of €7,668,000.
The increase in payables to pension and social security institutions reflects payables to the INPS.
At the reporting date, the Group had a VAT payable deriving from retail and wholesale sales and to a lesser extent from the sale of goods and services.
The "Other tax payables" item includes IRPEF (personal tax) on employees, payables to tax offices and payables for unpaid withholding tax.
The "Other accrued expenses/deferred income" item includes €11,673,000 of accrued expenses for local taxes, €600,000 of travel expenses,

€504,000 of bank charges, €2,140,000 of deferred income for contributions payable by partners and lessors and €5,400,000 of unredeemed reward points relating to customer loyalty programmes (€3,600,000 at 31 January 2021).

"Non-current payables" also include €9,888,000 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 €457,000 relating to the deferral of the contribution deriving from investments in new capital goods, which benefited from the "Tremonti-quater" exemption. 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, which took place in 2020.

6.19 Employee benefits

	31.01.2022	31.01.2021	change
Employee benefits	**32,873**	35,146	(2,273)

The amount mainly includes the provisions made by the Parent Company, OVS S.p.A., for accrued employee severance benefits. Post-employment benefits are guaranteed by the Group as part of its defined benefit plans. The defined benefit plans include the provision for employee severance benefits accrued at 31 December 2006, since which date, due to the reform that has taken place, the provision has been identified as a defined contribution provision.
As already mentioned, from 1 January 2007, the 2007 Budget and the associated implementing decrees introduced significant amendments to the rules on employee severance benefits, including options for employees with regard to the allocation of their accruing severance benefits. Specifically, new flows of severance benefits may be directed by the employee to preselected or company pension schemes (in the latter case, the company will pay severance benefit contributions into a treasury account set up with the INPS (the Italian social security and welfare institution)).
The change in the "Employee benefits" item is shown below.

(amounts in thousands of euros)	31.01.2022	31.01.2021
Balance at the beginning of the year	**35,146**	**37,044**
Increase in the year	134	44
Actuarial (gains) / losses	(62)	236
Benefits paid	(2,345)	(2,178)
Balance at the end of the year	**32,873**	**35,146**

The economic and demographic assumptions used for actuarial evaluation are listed below:

Demographic assumptions:

- for the expectation of death, the IPS55 demographic, broken down by gender;
- for the expectation of disability, the assumptions used by the INPS model for projections to 2010. Expectations are constructed starting with the distribution by age and gender of pensions in force at 1 January 1987 starting in 1984, 1985 and 1986 relating to personnel in the credit unit;
- for the age of retirement of the general working population, achievement of the first retirement requirement applicable for Mandatory General Insurance was assumed;
- for the probability of leaving employment for reasons other than death, based on statistics provided by the Group, an annual frequency rate of 5.00% was assumed;
- for the probability of early retirement, a year-on-year figure of 3.00% was assumed.

Economic and financial assumptions:

Annual discount rate	0.67%
Annual inflation rate	1.70%
Annual increase in employee severance indemnities	2.78%

The iBoxx Eurozone Corporates AA 7-10 index at the calculation date was used as the benchmark for the discount rate. This expiry relates to the average remaining period of service at the company of the employees of Group Companies, weighted with the expected payments.
For the choice of the annual inflation rate, reference was made to the NADEF 2021 document, which was published on 29 September 2021 as an update to DEF 2021 and which reports provisional rates of 1.6%, 1.4% and 1.7% for the years 2022, 2023 and 2024 respectively. On the basis of the above, and taking the current macro-economic situation into account, it was deemed appropriate to use a constant rate of 1.7%.

Sensitivity analysis

As required by the revised version of IAS 19, a sensitivity analysis was carried out on changes in the key actuarial assumptions included in the calculation model.

The above scenario was used as the baseline scenario; from this, the most significant assumptions - i.e. the average annual discount rate, the average inflation rate and the turnover rate, were increased and decreased. The results obtained are summarised in the following table:

(amounts in millions of euros)	Annual discount rate + 0.50%	Annual discount rate -0.50%	Annual inflation rate + 0.25%	Annual inflation rate - 0.25%	Annual turn over rate + 2.00%	Annual turn over rate - 2.00%
OVS	31.6	34.2	33.2	32.5	32.4	33.3

Future cash flows

As required by IAS 19, the expected future payment flows for the next few years were calculated, as the following table shows (in millions of euros):

years	Cash Flow
0- 1	2.6
1- 2	2.2
2- 3	1.8
3- 4	1.8
4- 5	2.4
5 - beyond	23.8

The average number of personnel during the year just ended was 98 managers, 6,464 white-collar workers and 241 blue-collar workers.
At 31 January 2022, the Group had 101 managers, 6,420 white-collar workers and 241 blue-collar workers in its employ.

6.20 Provisions for risks and charges

	31.01.2022	31.01.2021	change
Provisions for risks and charges	**6,919**	4,927	1,992

Changes in the "Provision for risks and charges" item are shown below:

(amounts in thousands euros)	31.01.2022	31.01.2021
Balance at the beginning of the year	**4,927**	**4,687**
Allocations in the year	1,690	268
Purchase of business combination	345	0
Utilisations in the year	(43)	(28)
Balance at the end of the year	**6,919**	**4,927**

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 year-end.

The provision for the year of €1.7 million relates to legal or contractual risks. The further increase of €345,000 is due to the purchase price allocation of the Stefanel business unit acquired during the year and refers to the estimated costs of restoring/ensuring the compliance of certain commercial premises within the acquired scope.
The decrease refers to drawings on previous provisions made for disputes with former employees and various legal cases.

6.21 Deferred tax liabilities

	31.01.2022	31.01.2021	change
Deferred tax liabilities	**20,050**	2,485	17,565

The changes in 2021 are shown below:

(amounts in thousands of euros)	Balance at 31.01.2021	Allocated/ released to income statement	Allocated/ released to statement comprehensive income	Balance at 31.01.2022
Provision for stock write-downs	10,570	2,826	232	13,628
Appropriation for local taxes	2,149	605		2,754
Provisions for risks and charges	1,169	395	96	1,660
Doubtful accounts	2,524	431		2,955
Tangible and intangible assets	(42,166)	(6,035)	(578)	(48,779)
IFRS 15 - Rights of return	1,854	365		2,219
IFRS 16 - Leasing	(359)	196		(163)
Employee severance benefits calculated according to IAS 19	1,213	0	(15)	1,198
Tax loss	19,640	(16,722)		2,918
Other minor	921	515	124	1,560
Total net prepaid (deferred)	**(2,485)**	**(17,424)**	**(141)**	**(20,050)**

The same details are shown for the previous year:

(amounts in thousands of euros)	Balance at 31.01.2020	Allocated/ released to income statement	Allocated/ released to statement comprehensive income	Balance at 31.01.2021
Provision for stock write-downs	9,455	1,115		10,570
Appropriation for local taxes	1,744	405		2,149
Provisions for risks and charges	1,117	52		1,169
Doubtful accounts	3,805	(1,485)		2,320
Tangible and intangible assets	(147,574)	105,408		(42,166)
IFRS 9 - Doubtful accounts	204	0		204
IFRS 15 - Rights of return	1,836	18		1,854
IFRS 16 - Leasing	(359)	0		(359)
Employee severance benefits calculated according to IAS 19	1,156	0	57	1,213
Tax loss	0	19,640		19,640
Other minor	817	104		921
Total net prepaid (deferred)	**(127,799)**	**125,257**	**57**	**(2,485)**

Deferred tax liabilities related to the higher carrying amount, compared with the amount for tax purposes, 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.

There was also a substantial utilisation of the tax losses booked at the end of 2020 during the year: this resulted in the release of deferred tax assets of approximately €16.7 million. The Group expects all of the remaining previous tax losses to be recoverable within the current 2022 financial year.

6.22 Shareholders' equity

Shareholders' equity amounted to €896.8 million.
During the year, the Parent Company, OVS S.p.A., carried out 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 on 15 December 2020, through an optional offer (the "Offer") 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 to the shareholders of OVS S.p.A.
The Offer was promoted in the form of an offer to the public exclusively in Italy and on the basis of the offer Prospectus and the 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 an option ratio of 13 New Shares for every 46 ordinary shares held (the "Option Rights").
The New Shares have regular dividend rights and are therefore fungible with the ordinary shares of OVS S.p.A. traded on the MTA. Consequently, the New Shares carry coupon no. 4 and the ISIN code assigned to them is IT0005043507.
The ISIN code IT0005433260 has been assigned to the Option Rights for subscription for New Shares.
The period of validity of the Offer was 12 July 2021 to 26 July 2021, inclusive (the "Option Period").

The Option Rights were tradeable on the MTA from 12 July 2021 to 20 July 2021, inclusive.
Any 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 Offer").

During the Option Period, 218,391,256 option rights were exercised to subscribe for 61,719,268 New Shares, equal to approximately 96.55% of the total New Shares, with a total value of €77,149,085.00.
The shareholder TIP - Tamburi Investment Partners S.p.A., in accordance with the commitment made on 13 November 2020, also subscribed for and fully paid up all the New Shares indirectly due to it as options (equal to 14,960,127 New Shares) and those deriving from the exercise of the other option rights vested in order to avoid any splitting, as per the internal dealing notice circulated, with the consequent total subscription for 14,960,153 New Shares, representing approximately 23.40% of the New Shares included in the Capital Increase.

The CEO, Stefano Beraldo, in accordance with the commitment made on 13 November 2020, also subscribed for and fully paid up all the New Shares indirectly due to him as options (equal to 657,098 New Shares) and those deriving from the exercise of the other option rights vested in order to avoid any splitting, as per the internal dealing notice circulated, with the consequent total subscription for 657,111 New Shares, representing approximately 1.03% of the New Shares included in the Capital Increase.
At the end of the Option Period, 7,799,484 option rights were unexercised (the "Unopted Rights"), relating to 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 on the MTA, 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 offer was closed early 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 Offer.

The Unopted Rights could be used to subscribe for New Shares at a price of €1.25 per New Share (including a share premium of €0.25), in a ratio of 13 New Shares for every 46 Unopted Rights.

The exercise of the Unopted Rights acquired as part of the Stock Exchange Offer and, consequently, the subscription for the New Shares, had to take place by and not later than 29 July 2021, with the same value date, if the Stock Exchange Offer closed early due to the sale of all of the Unopted Rights during the session of 28 July 2021, or (ii) by and not later than 30 July 2021, with the same value date, if the Unopted Rights were not all sold during the first session and the Stock Exchange Offer closed on 29 July 2021.
During the first session on 28 July 2021, all 7,799,484 option rights unexercised at the end of the Option Period were sold, relating to subscription for 2,204,202 New Shares, corresponding to approximately 3.45% of the total.

The exercise of the Unopted Rights purchased as part of the offering on the MTA and, consequently, the subscription for the relevant New Shares had to be carried out, on penalty of forfeiture, by 29 July 2021 at the latest. The Unopted Rights were made available to the purchasers through authorised intermediaries that are members of the centralised administration system of Monte Titoli S.p.A.
As mentioned above, following the sale during the stock exchange session of 28 July 2021 of all 7,799,484 option rights not exercised during the optional offer period (for a corresponding income of €1,096,607), 2,204,202 New Shares deriving from the exercise of all 7,799,484 Unopted Rights were subscribed for a consideration of €2,755,252.50.
Given that 61,719,268 New Shares were subscribed during the optional offer period, equal to approximately 96.55% of the total, 63,923,470 New Shares were therefore subscribed overall, equal to all of the New Shares offered in the optional capital increase, for a total consideration of €79,904,337.50.
As a result of this transaction, the share capital of OVS is now €290,923,470 and is divided into 290,923,470 shares with no par value.
On 30 July 2021, the certificate of completion of the capital increase was filed with the Venezia Rovigo Companies Register pursuant to Article 2444 of the Italian Civil Code and the new text of the Articles of Association.

Further details of all the changes in the items included in shareholders' equity are provided in the relative accounting schedule.

Share capital

At 31 January 2022, 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 offer for subscription and sale of ordinary shares of OVS S.p.A., with the aim of listing this company on the MTA, was successfully completed.
The subscription operation entailed a further capital increase of €87,000,000, increasing the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.

Lastly, the aforementioned paid capital increase, in tranches, entailed an increase in share capital of €63,923,470, from €227,000,000 to €290,923,470, divided into 290,923,470 ordinary shares with no par value.

Treasury shares

At 31 January 2022, the Parent Company, 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 €1,496,000. All of the shares were purchased in 2018. No further purchases/disposals took place in 2021.
These transactions were carried out as part of the authorisation to purchase treasury shares approved by the Shareholders' Meeting of the Parent Company on 31 May 2018. The Shareholders' Meeting had 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, would not exceed, in total, 10% of the Issuer's share capital, for a period not exceeding 18 months from the date of the resolution.

Other reserves

The breakdown of other reserves is as follows:

The **share premium reserve**, amounting to €528.7 million, derives from the increases in the capital of OVS S.p.A., as previously mentioned, and is shown net of listing costs of €7,590,000 (gross costs of €10,469,000 and deferred tax of €2,879,000), and the capital increase of July 2021, amounting to €394,000 (gross costs of €518,000 and deferred costs of €124,000).
With regard to the accounting treatment applied to these costs, pursuant to IAS 32, following the positive outcome of the listing process, the ratio between the number of new shares/number of shares post-listing determined the percentage of charges registered as a direct reduction in shareholders' equity, while the remainder was recognised under costs in the income statement.
The **legal reserve** came to €11.7 million, and was created when earnings for previous years were appropriated.

There are also **other reserves**, with a positive net balance of €18.6 million, which mainly include retained earnings of €7.6 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 7.26 ("Staff costs") and the impacts of the adoption of IFRS 9 and IFRS 16 on the date of the respective transition.

Changes in the reserve for actuarial gains/(losses) were as follows:

(amounts in thousands of euros)	2021	2020
Value at beginning of the year	**(3,840)**	**(3,661)**
Change in provision for employee severance benefits under IAS 19	62	(236)
Deferred tax effect	(15)	57
Total changes	*47*	*(179)*
Value at the end of the year	**(3,793)**	**(3,840)**

Due to the realignment of the tax value of the OVS and Upim brands to their statutory value, as required by Decree Law 104/2020 (the "August Decree"), Article 110, paragraph 8, a restriction was imposed on the untaxed share premium reserve of €360,238,047

Minority interest capital and reserves

Minority interests relate to the incorporation, during 2017, of 82 S.r.l., which is 70% owned by OVS S.p.A. and 30% owned by Massimo Piombo. The amount shown includes €3,000 for share capital and a negative €60,000 for net losses accrued as at 31 January 2022.

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

7. Notes to the consolidated income statement

The breakdown of some income statement items (values are expressed in thousands of euros), and comments on the main changes compared with the previous year, are provided below.

7.23 Revenues

The breakdown of the "Revenues" item is as follows:

	31.01.2022	31.01.2021
Revenues from retail sales	1,354,057	1,011,534
VAT on retail sales	(244,577)	(182,854)
Net sales	**1,109,480**	**828,680**
Revenues from sales to affiliates, administered and wholesale	248,750	188,613
Subtotal net sales	**1,358,230**	**1,017,293**
Revenues from services	669	515
Total	**1,358,899**	**1,017,808**

As reported in the Report on Operations, to which the reader is referred, in the financial year ended 31 January 2022 the Group made an almost complete return to its pre-pandemic turnover levels.

7.24 Other operating income and revenues

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

	31.01.2022	31.01.2021
Revenues from services rendered	48,191	32,834
Rental and leasing revenues	13,042	12,551
Damages	1,101	281
Capital gains from asset disposals	1,088	646
Other revenues	10,344	5,532
Total	**73,766**	**51,844**

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

7.25 Purchases of raw materials, consumables and goods

Purchases of raw materials, supplies, consumables and goods mainly consist of purchases of products for sale and amount to €590,411,000.
The item breaks down as follows:

	31.01.2022	31.01.2021
Purchase of raw materials, consumables and goods	560,150	481,409
Change in inventories	30,261	(27,016)
Total	**590,411**	**454,393**

The consideration in euros for purchases abroad, mainly in dollars, including ancillary costs, is €452,572,000.

7.26 Staff costs

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

	31.01.2022	31.01.2021
Wages and salaries	211,197	165,848
Social security charges	61,452	48,340
Employee severance benefits	13,459	12,239
Other staff costs	1,360	1,331
Directors' fees	1,254	1,149
Total	**288,721**	**228,907**

The number of employees, expressed as the "full-time equivalent" headcount, was 5,906 at the end of 2021, compared with 5,915 at 31 January 2021. The significant increase compared with 2020 is due to the gradual return to the pre-pandemic level of operation of the entire sales network and a consequent decrease in the use of employment support tools.

7.27 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 have been identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the "Beneficiaries").

The Shareholders' Meeting also approved, respectively, a capital increase for the issue of shares to be offered for subscription to beneficiaries of the 2019-2022 Plan. Based on this capital increase, the authorised capital has a nominal value of €5,000,000, 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 13,836,375 options, none of which had been exercised by 31 January 2022.
In total, the Board of Directors, in execution of the powers granted to it, approved the following Plans:

Stock Option Plan	Assignable	Assigned	Excercised
2015-2020	-	5,101,375	-
2017-2022	145,000	3,935,000	-
2019-2022	200,000	4,800,000	-
Total	**345,000**	**13,836,375**	**-**

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 for or purchase 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), reduced to €1.72 per share during 2021.

The ordinary shares of the Company allocated to beneficiaries after the exercise of the options will carry ordinary rights, the same as those of the ordinary shares of the Company outstanding on the allocation date, and will therefore carry the coupons in effect at that date.

All the Plans provide for a vesting period of at least three years for options allocated to beneficiaries. Each beneficiary may exercise the options allocated on condition that specific annual performance targets (or cumulative targets in the case of the 2019-2022 Plan) are met, relating to OVS's consolidated EBITDA.

The Stock Option Plan authorises beneficiaries to exercise the options early if certain events occur, including:

- a change of control within the meaning of Article 93 of the TUF, including if this does not entail a public tender offer obligation;
- a public tender offer for the Company's shares pursuant to Article 102 et seq. of the TUF; or
- resolutions on transactions that could result in the delisting of ordinary shares of OVS.

The Plan also requires, as a condition for participation in the Plan itself, that the relationship of permanent employment or executive management with OVS or a subsidiary, depending on the type of beneficiary (the "Relationship"), be maintained.

For the 2015-2020 Plan and the 2017-2022 Plan, beneficiaries will be able to exercise the potentially exercisable options for which the performance objectives have been achieved, to the following extent and within the following periods:

- up to 1/3 of the Options granted, rounded down to the lowest whole unit, after 36 months from the Grant Date (First Vesting Period);
- up to 1/3 of the Options granted, rounded down to the lowest whole unit, after 48 months from the Grant Date (Second Vesting Period);
- the balance of the potentially exercisable options after 60 months from the Grant Date (Third Vesting Period).

For the 2019-2022 Plan, beneficiaries were able to exercise potentially exercisable options for which the cumulative performance targets during the three-year period 2019-2021 were achieved, and provided that the condition of access to the plan was 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, was at least €2.50). However, in the case of the latter plan, in view of its structure, an amendment was also appropriate to take account of the effects of the Covid-19 pandemic, which were extraordinary and unforeseen when the plan was drafted and which had a significant impact on the 2020 results, while keeping the contents and mechanisms of the approved plan as unchanged as possible: Cumulative EBITDA of €400 million, taking into account the years 2019, 2021 and 2022 (compared with the 2019, 2020 and 2021 financial years previously taken into account), with a consequent change in the initial duration of the plan.
In addition, as regards the three existing plans, it was also necessary to neutralise the dilutive effect of the capital increase in July 2021 by changing the strike price of these plans and any price for the access condition (only present in the 2019-2022 Plan). The new values, calculated 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

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 €10,629,000 (of which €9,423,000 was accounted for at 31 January 2021), were recognised with a balancing entry in shareholders' equity. It should also be noted that during the year, 609,250 options lapsed that had accrued to some Beneficiaries who left the Group as bad leavers or good leavers but did not exercise the right by the deadline established in the event of termination of the employment relationship. This entailed a reversal of the IFRS 2 reserve of €605,000.

The movements recorded in the various Stock Option Plans in 2021 are as follows:

Stock Option Plan	Strike Price	Currency	Options at 31.01.2021	Options Assigned	Options Cancelled	Options Exercised	Options Forfeited	Options at 31.01.2022
2015-2020 Plan	4.88	Euro	2,947,963	-	-	-	(349,000)	2,598,963
2017-2022 Plan	6.39	Euro	1,442,250	-	-	-	(260,250)	1,182,000
2019-2022 Plan	1.72	Euro	5,000,000	-	(200,000)	-	-	4,800,000
Total			**9,390,213**					**8,580,963**

At 31 January 2022, 8,580,963 options were potentially exercisable (accrued or accruable).
No options were exercised in 2021.

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 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 €1.72 per share. This price was revised in 2021 to neutralise the dilutive effect of the July 2021 capital increase. 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.

7.28 Depreciation, amortisation and write-downs of assets

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

	31.01.2022	31.01.2021
Amortisation of intangible assets	19,715	19,436
Depreciation tangible assets	43,668	43,446
Amortisation of right of use	147,997	140,004
Write-downs of tangible and intangible assets	2,534	3,843
Total	**213,914**	**206,729**

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 relating to 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.

7.29 Other operating expenses

Service costs

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

	31.01.2022	31.01.2021
Advertising	31,121	19,689
Utilities	33,002	27,945
Miscellaneous sales costs	59,442	51,497
Service costs - professional and consulting services	23,083	19,245
Travel and other employee expenses	8,656	6,269
Insurance	3,260	3,286
Maintenance, cleaning and security	35,749	30,306
Service costs - other services	1,491	1,311
Board of Statutory Auditors' fees / Supervisory Body	234	214
Total	**196,018**	**159,762**

Costs for the use of third-party assets

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

	31.01.2022	31.01.2021
Rental costs and ancillary charges	(7,295)	(6,484)
Leasing of plant, equipment and vehicles	3,554	3,115
Total	**(3,741)**	**(3,369)**

The item "Rental costs and ancillary charges" mainly includes rents deriving from leases accounted for outside the scope of IFRS 16, variable rent components within the scope of the standard and the service charges of the sales network. The leases were entered into under arm's length conditions.
As already indicated with regard to "Accounting standards and consolidation criteria", the application of the practical expedients of discounts and/or exemptions from payments on lease agreements due to the Covid-19 crisis resulted in a gain in the income statement of around €35 million (including around €17 million related to 2020, but formalised in 2021), taking the net balance of the item at 31 January 2022 to -€7,295,000.

Write-downs and provisions

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

	31.01.2022	31.01.2021
Doubtful accounts	1,472	2,614
Provisions for risks	1,690	268
Total	**3,162**	**2,882**

For details of the amounts described above, see note 6.2 "Trade receivables" and note 6.20 "Provisions for risks and charges".

Other operating charges

Other operating charges break down as follows:

	31.01.2022	31.01.2021
Materials and equipment for offices and stores	6,631	6,078
Taxes	8,925	8,496
Capital losses	2,279	1,431
Donations	614	683
Corporate expenses	609	506
Other general and administrative expenses	863	954
Other operating expenses	3,486	3,856
Total	**23,407**	**22,005**

The "Other operating expenses" item mainly comprises €1,578,000 relating to rebates, fines and rounding liabilities and €179,000 for discounts on partner goods distributed to customers during special events; the same item also includes transactional agreements with lessors and suppliers for €823,000, and miscellaneous reimbursements for expenses.

7.30 Financial income (expenses)

Financial income

	31.01.2022	31.01.2021
Financial income on bank current accounts	2	6
Financial income from miscellaneous sources	8	11
Financial income on financial assets for leases	358	654
Income from related company	0	1
Total	**368**	**672**

Financial expenses

	31.01.2022	31.01.2021
Financial expenses on bank current accounts	8	56
Financial expenses on loans	17,803	18,414
Interests on lease liabilities	43,925	47,580
Interest cost on provision for employee severance benefits	12	44
Other financial expenses / fees	4,875	3,376
Total	**66,622**	**69,469**

Other financial expenses on loans mainly include fees associated with existing loans.
With regard to the financial income/expenses for leases due to adoption of IFRS 16, please see the extensive comments in the section above on accounting policies and consolidation criteria.
The weighted average IBR applied in 2021 was 4.47%.

Foreign exchange gains and losses

	31.01.2022	31.01.2021
Foreign exchange gains	4,585	18,776
Foreign exchange losses	(10,381)	(10,168)
Gains (losses) on the change in fair value of currency derivatives	24,343	(16,736)
Total	**18,547**	**(8,128)**

Gains (losses) from equity investments

	31.01.2022	31.01.2021
Gains (losses) from equity investments	0	(136)
Total	**0**	**(136)**

7.31 Taxes

Income taxes amounted to €24.4 million in 2021 (compared with a positive balance of €113.8 million in 2020). In 2020, the OVS Group had benefited from a lower tax rate, thanks to the accounting for extraordinary tax benefits related to the realignment provided for by the "August Decree".

The following is a breakdown of the charge to the income statement:

(amounts in thousands of euros)	31.01.2022	31.01.2021
IRES tax	1,433	78
IRAP tax	5,419	469
Tax on foreign companies	246	410
Deferred tax (net change)	17,328	(114,783)
Total	**24,426**	**(113,826)**

The following table shows the reconciliation of the theoretical tax charge with the effective tax charge:

(amounts in thousands of euros)	31.01.2022	%	31.01.2021	%
Net result for the year before tax	73,066		(78,718)	
Theoretical income tax (IRES)	(17,536)	(24.0)%	18,892	(24.0)%
IRAP tax	(5,419)	(7.4)%	(469)	0.6%
Tax effect of permanent differences and other differences	(1,471)	(2.0)%	95,403	(121.2)%
Taxes	**(24,426)**		**113,826**	
Effective tax rate		**(33.4)%**		**(144.6)%**

The tax rate for 2021 was 33.4%, compared with -144.6% in 2020.

The effective tax charge for 2021 differs from the theoretical tax charge due to certain permanent items increasing the tax base for the year by approximately €3 million.
Lastly, 2021 was affected by the significant impact on profit for the year before tax of the current IRAP charge of the Parent Company, OVS S.p.A. (approximately €5.4 million), which had been practically zero in the previous year (€0.5 million).

7.32 Earnings per share

As previously indicated, due to the 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, i.e. 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 are actually outstanding.

	31.01.2022	31.01.2021
Result for the year (in thousands of euros)	48,500	35,037
Number of ordinary shares at the end of the year	290,923,470	227,000,000
Average weighted number of shares outstanding for the calculation of basic earnings per share	259,441,849	226,190,774
Basic earnings per share (in euros)	**0.187**	**0.156**
Diluted earnings per share (in euros)	**0.185**	**0.156**

Diluted earnings per share were substantially in line with basic earnings per share, at 31 January 2022 the dilutive effects of the various stock option plans (see previous note 7.27) were not significant.

8. Relations with related parties

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

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

Following the alignment of the Consob Regulation with the parameters laid down 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 the Consob determinations. For this reason, income statement balances are reported up to that date, while statement of financial position balances are no longer reported at 31 January 2022.

	Related parties					
(amounts in thousands of euros)	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 January 2022	0	0	0	0	89,293	0.0%
At 31 January 2021	1,617	0	0	1,617	102,061	1.6%
Current financial assets for leases						
At 31 January 2022	0	0	0	0	2,470	0.0%
At 31 January 2021	1,319	0	0	1,319	3,408	38.7%
Non-current financial assets for leases						
At 31 January 2022	0	0	0	0	4,548	0.0%
At 31 January 2021	1,303	0	0	1,303	6,086	21.4%
Trade payables						
At 31 January 2022	0	0	0	0	(317,911)	0.0%
At 31 January 2021	0	2	0	2	(263,996)	0.0%
Other current payables						
At 31 January 2022	0	0	(6,778)	(6,778)	(156,522)	4.3%
At 31 January 2021	0	0	(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. Business relations with the company had already ceased in 2020.

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

(amounts in thousands of euros)	Related parties: Coin S.p.A.	Related parties: Centomila-candele S.c.p.A. in liquidazione	Related parties: Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Year ended 31 January 2022						
Revenues	395	0	0	395	1,358,899	0.0%
Other operating income and revenue	728	0	0	728	73,766	1.0%
Purchases of raw materials, consumables and goods	0	0	0	0	(590,411)	0.0%
Staff costs	0	0	(9,713)	(9,713)	(288,721)	3.4%
Service costs	(32)	128	0	96	(196,018)	(0.0)%
Costs for the use of third-party assets	97	0	0	97	3,741	2.6%
Write-downs and provisions	0	28	0	28	(3,162)	(0.9)%
Other operating charges	0	0	0	0	(23,407)	0.0%
Financial income	66	0	0	66	368	17.9%
Financial charges	0	0	0	0	(66,622)	0.0%
Gains (losses) from equity investments	0	0	0	0	0	0.0%

At 31 January 2021, the OVS Group's economic relations with related parties were as follows:

(amounts in thousands of euros)	Related parties: Coin S.p.A.	Related parties: Centomila-candele S.c.p.A. in liquidazione	Related parties: Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Year ended 31 January 2021						
Revenues	722	0	0	722	1,017,808	0.1%
Other operating income and revenue	1,553	0	0	1,553	51,844	3.0%
Purchases of raw materials, consumables and goods	0	0	0	0	(454,393)	0.0%
Staff costs	0	0	(5,352)	(5,352)	(228,907)	2.3%
Service costs	(81)	(77)	0	(158)	(159,762)	0.1%
Costs for the use of third-party assets	331	0	0	331	3,369	9.8%
Write-downs and provisions	0	(83)	0	(83)	(2,882)	2.9%
Other operating charges	0	0	0	0	(22,005)	0.0%
Financial income	186	1	0	187	672	27.8%
Financial charges	0	0	0	0	(69,469)	0.0%
Gains (losses) from equity investments	0	(136)	0	(136)	(136)	100.0%

The main economic relations with related parties in 2021 relate to:

- brokerage fees for goods purchases 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 2021 (or until the time when the related party qualification ended), rather than changes during the year in the item in the financial statements to which they relate.

	Related parties					
(amounts in thousands of euros)	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
Year ended 31 January 2022						
Cash flow generated (absorbed) by operating activities	0	130	(4,056)	(3,926)	384,646	(1.0)%
Cash flow generated (absorbed) by investing activities	0	0	0	0	(84,072)	0.0%
Cash flow generated (absorbed) by financing activities	0	28	0	28	(234,931)	(0.0)%
Year ended 31 January 2021						
Cash flow generated (absorbed) by operating activities	4,497	93	(3,881)	709	45,457	1.6%
Cash flow generated (absorbed) by investing activities	0	0	0	0	(39,232)	0.0%
Cash flow generated (absorbed) by financing activities	0	(83)	0	(83)	25,626	(0.3)%

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

9. 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;
- 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; and
- with the acquisition of STEFANEL in March 2021, a third operating segment was identified for the offer of women's clothing products under the STEFANEL brand, a feminine total look that aims to re-interpret the brand's heritage with an updated narrative and a contemporary identity, aware of its past, but projected into the present and the future. However, given the irrelevance of this new operating segment compared with the consolidated accounting balances, it is included in the "Other businesses" category.

The results of the operating segments are measured by analysing revenues and adjusted EBITDA, with the latter defined as earnings before depreciation and amortisation, asset write-downs, financial income and expenses and tax, net of non-recurring income and expenses and other non-monetary accounting effects, as well as the effect of application of IFRS 16.
Specifically, management believes that revenues and adjusted EBITDA provide a good performance indicator as they are not affected by tax legislation or depreciation/amortisation policy.

(thousands of euros)	31.01.2022 OVS	UPIM	Other business	Total	31.01.2021 OVS	UPIM	Total
Revenues by segment	**1,054,419**	**294,394**	**10,086**	**1,358,899**	**815,630**	**202,837**	**1,018,467**
EBITDA Adjusted	**124,566**	**27,195**	**(4,578)**	**147,183**	**55,454**	**17,491**	**72,945**
% of revenues	11.8%	9.2%	(45.4)%	10.8%	6.8%	8.6%	7.2%
Non-recurring expenses				(8,008)			(12,152)
Forex reclassification				(2,544)			(1,225)
Stock Option plan				(1,206)			(2,141)
IFRS 16 effects				199,262			147,645
EBITDA				**334,687**			**205,072**
Depreciation. amortisation and write-downs of assets				(213,914)			(206,729)
Profit before net financial expenses and taxes				**120,773**			**(1,657)**
Financial income				368			672
Financial expenses				(66,622)			(69,469)
Foreign exchange gains and losses				18,547			(8,128)
Gains (losses) from equity investments				0			(136)
Net result for the year before tax				**73,066**			**(78,718)**
Taxes				(24,426)			113,826
Net result for the year				**48,640**			**35,108**

10. Other information

10.1 Contingent liabilities

It should be noted that, other than what is described in note 6.20, “Provisions for risks and charges”, no other potential risks exist.

10.2 Sureties and guarantees relating to third parties

These amounted to €83,786,000 (€75,872,000 at 31 January 2021) and were granted on behalf of the Group by banks or insurance companies, mainly to guarantee Italian leases.

10.3 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.

10.4 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 thousand of euros)	Directors	Auditors
Year ended 31 January 2022	1,095	182
Year ended 31 January 2021	1,002	162

10.5 Reconciliation of shareholders' equity and net result for the year of the Parent Company with consolidated shareholders' equity and consolidated net result for the year

(amounts in thousand of euros)	Result for the year	Shareholders' equity
Financial statements of OVS S.p.A. at 31 January 2022, prepared according to the international financial reporting standards (IFRS)	**49,925**	**884,460**
Shareholders' equity and profit for the year of the fully consolidated subsidiaries, net of the carrying amount of the equity investments	13,825	7,604
Elimination of infra-group dividends	(19,122)	0
Elimination of unrealised infra-group results net of the relative tax effect	279	(830)
Exchange rate gains or losses from the translation of financial statements in foreign currencies	0	1,086
Elimination of intercompany write-downs	3,733	4,523
Consolidated financial statements of OVS Group at 31 January 2022, prepared according to the international financial reporting standards (IFRS)	**48,640**	**896,843**

10.6 Significant non-recurring events and operations

In accordance with Consob Communication no. DEM/6064293 of 28 July 2006, the Group's results for 2021 were influenced by non-recurring net expenses of €6,086,000.

	31.01.2022	31.01.2021
Revenues	0	679
Other operating income and revenues	0	(479)
Staff costs	781	679
Depreciation, amortisation and write-downs of assets	660	0
Service costs	6,130	8,971
Other operating charges	437	2,302
Taxes	(1,922)	(98,049)
Total	**6,086**	**(85,897)**

Non-recurring charges refer to:

- staff costs of €781,000 relating to transactions with employees;
- amortisation and write-downs of €660,000, relating in particular to the amortisation of right of use assets connected to the Stefanel acquisition in the first period before the restructuring, in which they were not fully utilised;
- services costs of €6,130,000, mainly relating to expenses of €5,194,000 directly attributable to the Covid-19 crisis;
- operating expenses of €437,000, mainly relating to expenses of €339,000 directly attributable to the Covid-19 crisis;
- the tax effect on the above non-recurring items of €1,922,000.

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

10.7 Public funds – Information pursuant to Law No. 124/2017

Pursuant to Article 1, paragraph 125, of Law no. 124/2017, regarding the obligation to indicate in the notes any sums of money received during the year by way of subsidies, grants, remunerated mandates and any economic benefits of any kind from public administrations and from the parties referred to in paragraph 125 of the same article, please see the guidelines in the National Register of State Aid pursuant to Article 52 of Law no. 235 of 24 December 2012.

10.8 Information pursuant to Article 149-duodecies of the Consob Issuers' Regulation

The following table, which was prepared pursuant to Article 149-duodecies of the Consob Regulation for Issuers, shows the fees for 2021 and 2020 for auditing services and other services provided by the independent auditor, PricewaterhouseCoopers S.p.A., as well as services provided by companies within the same network:

(amounts in thousand of euros)	2021		2020	
a) Audit services:				
- to OVS S.p.A.	278		260	
- to Subsidiaries (network PwC)	38		39	
b) Attestation services:				
- Attestation services to OVS S.p.A.by PwC S.p.A.	0		0	
- Attestation services to OVS S.p.A. (network PwC)	0		0	
- Other sevices to OVS S.p.A.	21	(*)	38	(*)
c) Other services by network PwC:				
- to OVS S.p.A.	148	(**)	0	

(*) Fees for services “audit related” for the purposes of the limited examination of the Consolidated non-financial Statement and fiscal compliance visa.
(**) Fees for services related to the issue of comfort letters on the prospectus for the share capital increase and on the prospectus for the issue of the bond.

11. Significant events after the reporting period

On 1 February 2022, OVS S.p.A. and The GAP Inc. signed the final agreement for the sale to OVS of the Italian business unit of the GAP Group, which consists of GAP stores in Italy.

The agreement helps to create value for the OVS Group and represents a further step in the strategic evolution of OVS, which is increasingly becoming a platform open to collaborations with other brands that are consistent with its positioning and values.

OVS will use its wealth of retail experience and its exceptional creativity to accelerate GAP's expansion in Italy, in both physical and digital channels.
It will be recalled that on 20 October, The GAP Inc. had announced a strategic review of its business in Europe. The transfer to OVS of the 11 Italian stores will enable GAP to maintain a market presence with a more efficient partnership model and take advantage of the experience of OVS, which is the leader in the Italian clothing market. However, the GAP store in Milan will cease to operate in November 2022, when the lease agreement expires.

On 2 February 2022, the programme to increase the portfolio of treasury shares of the Parent Company, OVS S.p.A., became operational in order to: (i) execute, directly or through intermediaries, any investment transactions, also to contain anomalous share price trends, regularise trading and price performance and support the liquidity of the security on the market to facilitate the orderly conduct of trading outside normal fluctuations related to market performance, without prejudice in any case to compliance with current provisions, (ii) retention for subsequent uses (shares held as inventory), including: as consideration in extraordinary transactions, also exchanges or disposals of equity investments to be carried out by means of exchange, transfers or other instruments of disposal and/or use, with other entities, including allocation to service bonds convertible into company shares or bonds with warrants; and iii) to service compensation and incentive plans based on financial instruments reserved for the directors and employees of the company and/or the companies directly or indirectly controlled by the company, either through the granting of free purchase options or free shares (stock option plans and stock grant plans) pursuant to Article 114-bis of the Consolidated Finance Act (TUF), as well as plans for the allocation of bonus shares to shareholders.

It will be recalled that the above share buy-back programme was approved by the Shareholders' Meeting on 28 May 2021 and its implementation was defined by the Board of Directors on 31 January 2022; the Board resolved to grant a mandate to a top-tier intermediary that, as of 2 February 2022, makes decisions regarding purchases of OVS shares fully independently, in accordance with contractually pre-established parameters and criteria as well as the provisions of the applicable regulations and the aforementioned Shareholders' Meeting resolution.

In accordance with the resolutions passed by the Shareholders' Meeting, buy-backs, which may take place on one or more occasions within the limits of the distributable profits and available reserves recorded in the latest financial statements approved at the time of each transaction, may concern a maximum number of shares with a total par value of not more than one-tenth of the share capital of OVS, including any shares owned by OVS and its subsidiaries.
The shares will be purchased at a unit price of no more or less than 15% of the reference price posted by the OVS stock during the trading session preceding each individual buy-back transaction.
The daily purchase amounts will not exceed 25% of the average daily volume of OVS shares traded during the 20 trading days preceding the buy-back dates.

The share buy-back programme will be carried out for a maximum of €10 million.
Authorisation to make the buy-backs will last until 28 November 2022, unless revoked earlier. Any purchases will be made on the Euronext market, pursuant to Article 144-bis, paragraph 1, subparagraph b) of CONSOB Regulation no. 11971/1999 and other applicable provisions (including EU and Italian legislation on market abuse), to ensure the equal treatment of shareholders pursuant to Article 132 of the Consolidated Finance Act (TUF) and Article 5 of (EU) Regulation 596/2014, and in accordance with the operating procedures established in Borsa Italiana S.p.A.'s organisational and management regulations. OVS will provide the market, in accordance with the provisions in force, with details of any purchase transactions carried out.

As of today, the Company holds 3,355,351 treasury shares (equivalent to 1.1533% of the share capital), while its subsidiaries do not hold any OVS shares.
For further details, please refer to the authorisation resolution approved by the Shareholders' Meeting and the relevant explanatory report by the Board of Directors, available at www.ovscorporate.it (Governance/Shareholders' Meetings/Shareholders' Meeting of 28 May 2021).

On 1 February 2022, the Parent Company also appointed two new Managers with strategic responsibilities: the current Director of Sourcing, Operations and Sustainability and the current Director of OVS Retail Italia. Both managers have been with the Company for many years, and their appointment is part of a process of reorganising and strengthening the individual areas that they oversee. In particular, the former, in addition to managing all sourcing and operations, also focuses on sustainability-related activities and how these play out in relation to products, while the latter is responsible for the network of all OVS stores in Italy and for the Stefanel network. Both managers report directly to the Group Chief Executive Officer.

On 7 April 2022, OVS S.p.A. signed a loan agreement consisting of two lines of credit totalling €230 million, both sustainability-linked and with a term of five years.

This transaction will further improve the Group's financial structure, which has already been strengthened thanks to a strong performance in terms of cash flows generated during 2021, the recent capital increases and the issue of the sustainability-linked bond. The new lines present significant advantages in terms of cost, extension of terms and, more generally, contractual conditions in line with the Group's situation.

The loan agreement allows the Parent Company to access financial resources aimed, inter alia, at repaying and replacing: i) two lines of credit, one revolving line for €100 million and one term line for the remaining €33 million, granted under a loan agreement signed in 2015 and amended in 2019, both with a reduced maturity, and ii) a line of credit for €100 million that is 80% guaranteed by SACE, obtained under a loan agreement, signed in 2020 to meet needs related to the Covid-19 pandemic, which is no longer consistent with the Group's financial structure.

The new lines of financing contracted, which will mature in April 2027, consist of a term line of €110 million with a grace period until 31 May 2023, followed by a repayment plan consisting of eight twice-yearly instalments, and a revolving line of €120 million.

The lines, as per market practice, will be subject to compliance with a covenant relating to the ratio of the average adjusted NFP to adjusted EBITDA, set at 3.5x until 31 July 2023 and thereafter at 3.0x. These levels ensure a large margin compared with the current situation and future reasonable management forecasts.
The new loan includes pricing of between 175 bps and 225 bps, to which the value of Euribor should be added if positive, with costs lower than the lines being repaid.

The structure of the financing agreement also provides for a decrease or increase in the cost of financing of 10 bps, depending on the achievement of specific sustainability targets aligned with those provided for the sustainability-linked bond. With this agreement, all of the Group's main lines of financing are now linked to sustainability performance.

Another significant event occurring after 31 January 2022 was, unfortunately, the conflict between Russia and Ukraine, which began on 24 February this year. The war in Ukraine is having major and entirely unpredictable global consequences, not only because of the resulting serious humanitarian crisis, but also because of its potential economic and geopolitical effects on global markets. The initial effects were immediately reflected in increases in the costs of various commodities, such as gas and oil, as well as sharp drops in the world's largest stock markets.

The exposure of sales, which is to franchisees located in the Russian and Ukrainian markets, rather than Russian tourists buying in other markets, is essentially nothing compared with the OVS Group's annual turnover.
Furthermore, the Group does not have goods suppliers in Russia or Ukraine.

However, it cannot be ruled out that a further expansion of the conflict will have unforeseeable repercussions on other neighbouring countries where the Group operates with some subsidiaries.
The Parent Company is constantly monitoring the situation so that it can take any necessary action, particularly with regard to the containment of certain costs (such as electricity and gas supply). Therefore, while it has no significant economic problems, the Group remains heavily involved in humanitarian matters, together with the Italian people, who reacted immediately, trying to offer practical tools to help people who have been forced to flee to other countries, including Italy.

In this regard, OVS has redoubled its commitment to providing support and protection, together with Save the Children, to the Ukrainian people affected by the war.
No other significant events took place after 31 January 2022.

12. Appendices to the consolidated financial statements

The following documents contain additional information on the consolidated financial statements for the year ended 31 January 2022.

Appendices:

- 1: Property, plant and equipment at 31 January 2022;
- 2: Right of use assets at 31 January 2022;
- 3: Intangible assets at 31 January 2022;
- 4: Property, plant and equipment at 31 January 2021;
- 5: Right of use assets at 31 January 2021;
- 6: Intangible assets at 31 January 2021.

APPENDIX 1

Property, plant and equipment

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

	Balance at 31.01.2021	Movements during the year: Purchases	Sales/ disposals	Amortisation/ write-downs	Balance at 31.01.2022
Leasehold improvements					
initial cost	214,179	13,253	(5,022)	0	222,410
write-downs	0	0	0	(35)	(35)
amortisation	(163,814)	0	4,017	(8,814)	(168,611)
net	**50,365**	**13,253**	**(1,005)**	**(8,849)**	**53,764**
Land and buildings					
initial cost	6,829	0	(6)	0	6,823
write-downs	0	0	0	0	0
amortisation	(1,893)	0	6	(32)	(1,919)
net	**4,936**	**0**	**0**	**(32)**	**4,904**
Plant and machinery					
initial cost	305,973	15,098	(6,983)	0	314,088
write-downs	0	0	0	(31)	(31)
amortisation	(230,604)	0	5,636	(12,419)	(237,387)
net	**75,369**	**15,098**	**(1,347)**	**(12,450)**	**76,670**
Industrial and commercial equipment					
initial cost	353,485	29,261	(15,475)	0	367,271
write-downs	0	0	0	(52)	(52)
amortisation	(263,029)	0	14,119	(19,475)	(268,385)
net	**90,456**	**29,261**	**(1,356)**	**(19,527)**	**98,834**
Other assets					
initial cost	63,677	2,560	(301)	0	65,936
write-downs	0	0	0	0	0
amortisation	(55,440)	0	253	(2,928)	(58,115)
net	**8,237**	**2,560**	**(48)**	**(2,928)**	**7,821**
Assets under construction and payments on account					
initial cost	5,339	5,365	(1,915)	0	8,789
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**5,339**	**5,365**	**(1,915)** (1)	**0**	**8,789**
Total					
initial cost	949,482	65,537	(29,702)	0	985,317
write-downs	0	0	0	(118) (3)	(118)
amortisation	(714,780)	0	24,031	(43,668)	(734,417)
net	**234,702**	**65,537**	**(5,671)** (2)	**(43,786)**	**250,782**

(1) Of this amount, € 1,915 thousand represents assets under construction at 31/01/2021, reclassified to the specific asset categories in 2021.
(2) Includes € 2,947 thousand relating to fixed assets disposed of and written down in the period due to the closure of point of sale.
(3) Includes € 118 thousand relating to assets written down after impairment test or planned disposal of point of sale.

APPENDIX 2

Right of use

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

	Balance at 31.01.2021	Movements during the year: Increases	Remeasurements	Decreases	Amortisation/ Write-downs	Balance at 31.01.2022
Land and buildings						
initial cost	1,075,778	114,552	127,915	(25,906)	0	1,292,339
write-downs	0	0	0	0	0	0
amortisation	(254,366)	0	0	25,906	(146,505)	(374,965)
net	**821,412**	**114,552**	**127,915**	**0**	**(146,505)**	**917,374**
Plant and machinery						
initial cost	640	0	0	0	0	640
write-downs	0	0	0	0	0	0
amortisation	(95)	0	0	0	(71)	(166)
net	**545**	**0**	**0**	**0**	**(71)**	**474**
Industrial and commercial equipment						
initial cost	2,023	1,618	0	0	0	3,641
write-downs	0	0	0	0	0	0
amortisation	(460)	0	0	0	(253)	(713)
net	**1,563**	**1,618**	**0**	**0**	**(253)**	**2,928**
Other assets						
initial cost	4,572	1,622	170	(529)	0	5,835
write-downs	0	0	0	0	0	0
amortisation	(3,740)	0	0	529	(1,168)	(4,379)
net	**832**	**1,622**	**170**	**0**	**(1,168)**	**1,456**
Total						
initial cost	1,083,013	117,792	128,085	(26,435)	0	1,302,455
write-downs	0	0	0	0	0	0
amortisation	(258,661)	0	0	26,435	(147,997)	(380,223)
net	**824,352**	**117,792**	**128,085**	**0**	**(147,997)**	**922,232**

APPENDIX 3

Intangible assets

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

	Balance at 31.01.2021	Movements during the year: Purchases	Sales/ Disposals	Amortisation/ Write-downs	Balance at 31.01.2022
Rights to industrial patents and intellectual property rights					
initial cost	168,075	9,734	(56)	0	177,753
write-downs	0	0	0	0	0
amortisation	(142,014)	0	52	(10,343)	(152,305)
net	**26,061**	**9,734**	**(4)**	**(10,343)**	**25,448**
Concessions, licenses and trademarks					
initial cost	515,600	5,750	(3,238)	0	518,112
write-downs	(10,896)	0	1,734	992	(8,170)
amortisation	(9,551)	0	138	(1,166)	(10,579)
net	**495,153**	**5,750**	**(1,366)**	**(174)**	**499,363**
Assets under construction and payments on account					
initial cost	933	220	(933)	0	220
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**933**	**220**	**(933)** (1)	**0**	**220**
Other intangible assets					
initial cost	165,410	354	0	0	165,764
write-downs	0	0	0	0	0
amortisation	(83,418)	0	0	(8,206)	(91,624)
net	**81,992**	**354**	**0**	**(8,206)**	**74,140**
Total					
initial cost	850,018	16,058	(4,227)	0	861,849
write-downs	(10,896)	0	1,734	992 (3)	(8,170)
amortisation	(234,983)	0	190	(19,715)	(254,508)
net	**604,139**	**16,058**	**(2,303)** (2)	**(18,723)**	**599,171**
Goodwill					
initial cost	297,541	145	0	0	297,686
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**297,541**	**145**	**0**	**0**	**297,686**

(1) Of this amount, € 933 thousand represents assets under construction at 31/01/2021, reclassified to the specific asset categories in 2021.
(2) Includes € 462 thousand relating to assets disposed of and written down in the period due to the closure of point of sale.
(3) Includes € 2,011 thousand relating to assets written down after impairment test of point of sale, net of reversal of previous years for € 3,003 thousand.

APPENDIX 4

Property, plant and equipment

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

	Balance at 31.01.2020	Movements during the year: Purchases	Sales/ Disposals	Amortisation/ Write-downs	Balance at 31.01.2021
Leasehold improvements					
initial cost	214,716	5,076	(5,613)	0	214,179
write-downs	0	0	0	0	0
amortisation	(159,651)	0	4,702	(8,865)	(163,814)
net	**55,065**	**5,076**	**(911)**	**(8,865)**	**50,365**
Land and buildings					
initial cost	6,829	0	0	0	6,829
write-downs	0	0	0	0	0
amortisation	(1,861)	0	0	(32)	(1,893)
net	**4,968**	**0**	**0**	**(32)**	**4,936**
Plant and machinery					
initial cost	314,707	8,580	(17,314)	0	305,973
write-downs	0	0	0	0	0
amortisation	(233,372)	0	15,748	(12,980)	(230,604)
net	**81,335**	**8,580**	**(1,566)**	**(12,980)**	**75,369**
Industrial and commercial equipment					
initial cost	351,774	12,732	(11,021)	0	353,485
write-downs	0	0	0	0	0
amortisation	(252,804)	0	8,573	(18,798)	(263,029)
net	**98,970**	**12,732**	**(2,448)**	**(18,798)**	**90,456**
Other assets					
initial cost	61,946	2,291	(560)	0	63,677
write-downs	0	0	0	0	0
amortisation	(53,190)	0	521	(2,771)	(55,440)
net	**8,756**	**2,291**	**(39)**	**(2,771)**	**8,237**
Assets under construction and payments on account					
initial cost	5,976	2,342	(2,979)	0	5,339
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**5,976**	**2,342**	**(2,979)** (1)	**0**	**5,339**
Total					
initial cost	955,948	31,021	(37,487)	0	949,482
write-downs	0	0	0	0	0
amortisation	(700,878)	0	29,544	(43,446)	(714,780)
net	**255,070**	**31,021**	**(7,943)** (2)	**(43,446)**	**234,702**

(1) Of this amount, € 2,979 thousand represents assets under construction at 31/01/2020, reclassified to the specific asset categories in 2020
(2) Includes € 3,605 thousand relating to fixed assets disposed of and written down in the period due to the closure of point of sale.

APPENDIX 5

Right of use

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

	Balance at 31.01.2020	Movements during the year: Increases	Remeasure-ments	Decreases	Amortisation/ Write-downs	Balance at 31.01.2021
Land and buildings						
initial cost	999,038	108,566	(11,031)	(20,795)	0	1,075,778
write-downs	0	0	0	0	0	0
amortisation	(136,759)	0	0	20,795	(138,402)	(254,366)
net	**862,279**	**108,566**	**(11,031)**	**0**	**(138,402)**	**821,412**
Plant and machinery						
initial cost	640	0	0	0	0	640
write-downs	0	0	0	0	0	0
amortisation	(24)	0	0	0	(71)	(95)
net	**616**	**0**	**0**	**0**	**(71)**	**545**
Industrial and commercial equipment						
initial cost	2,023	0	0	0	0	2,023
write-downs	0	0	0	0	0	0
amortisation	(229)	0	0	0	(231)	(460)
net	**1,794**	**0**	**0**	**0**	**(231)**	**1,563**
Other assets						
initial cost	4,374	493	16	(311)	0	4,572
write-downs	0	0	0	0	0	0
amortisation	(2,747)	0	0	307	(1,300)	(3,740)
net	**1,627**	**493**	**16**	**(4)**	**(1,300)**	**832**
Total						
initial cost	1,006,075	109,059	(11,015)	(21,106)	0	1,083,013
write-downs	0	0	0	0	0	0
amortisation	(139,759)	0	0	21,102	(140,004)	(258,661)
net	**866,316**	**109,059**	**(11,015)**	**(4)**	**(140,004)**	**824,352**

APPENDIX 6

Intangible assets

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

	Balance at 31.01.2020	Movements during the year: Purchases	Sales/ Disposals		Amortisation/ Write-downs	Balance at 31.01.2021
Rights to industrial patents and intellectual property rights						
initial cost	159,215	8,928	(68)		0	168,075
write-downs	0	0	0		0	0
amortisation	(131,857)	0	45		(10,202)	(142,014)
net	**27,358**	**8,928**	**(23)**		**(10,202)**	**26,061**
Concessions, licenses and trademarks						
initial cost	518,425	33	(2,858)		0	515,600
write-downs	(11,818)	0	922		0	(10,896)
amortisation	(8,875)	0	287		(963)	(9,551)
net	**497,732**	**33**	**(1,649)**		**(963)**	**495,153**
Assets under construction and payments on account						
initial cost	2,657	933	(2,657)		0	933
write-downs	0	0	0		0	0
amortisation	0	0	0		0	0
net	**2,657**	**933**	**(2,657)**	(1)	**0**	**933**
Other Intangible assets						
initial cost	165,533	47	(170)		0	165,410
write-downs	0	0	0		0	0
amortisation	(75,227)	0	80		(8,271)	(83,418)
net	**90,306**	**47**	**(90)**		**(8,271)**	**81,992**
Total						
initial cost	845,830	9,941	(5,753)		0	850,018
write-downs	(11,818)	0	922		0	(10,896)
amortisation	(215,959)	0	412		(19,436)	(234,983)
net	**618,053**	**9,941**	**(4,419)**	(2)	**(19,436)**	**604,139**
Goodwill						
initial cost	297,541	0	0		0	297,541
write-downs	0	0	0		0	0
amortisation	0	0	0		0	0
net	**297,541**	**0**	**0**		**0**	**297,541**

(1) Of this amount, € 2,657 thousand represents assets under construction at 31/01/2020, reclassified to the specific asset categories in 2020.
(2) Includes € 238 thousand relating to assets disposed of and written down in the period due to the closure of point of sale.

Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation no. 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 consolidated financial statements in the period from 1 February 2021 to 31 January 2022.

2. The evaluation of the adequacy of the administrative and accounting procedures used in the preparation of the consolidated financial statements at 31 January 2022 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 consolidated financial statements at 31 January 2022:

   a) have been prepared in compliance with the international accounting standards recognised by the European Union pursuant to (EC) Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 as subsequently supplemented;

   b) correspond to the accounting books and records;

   c) are suitable to provide a true and fair representation of the financial position and results of the Issuer and all the companies included within the scope of consolidation.

   3.2. The Report on Operations includes a reliable analysis of the operating performance and results and the situation of the Issuer and all the companies included within the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Stefano Beraldo
Chief Executive Officer
Nicola Perin
Financial Reporting Officer

Mestre, Venice, 21 April 2022

Independent auditor's report

in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the shareholders of OVS SpA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of OVS Group (the Group), which comprise the consolidated statement of financial position as of 31 January 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 January 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38 of 28 February 2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of this report. We are independent of OVS SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key audit matters	*Auditing procedures performed in response to key audit matters*
Assessment of the recoverability of the balances of 'Goodwill', 'Intangible assets' and "Right of use" assets *Notes 6.9, 6.10 e 6.11 to the consolidated financial statements of OVS Group at 31 January 2022* The consolidated financial statements of OVS Group at 31 January 2022 include goodwill for Euro 297,686 thousand, intangible assets for Euro 599,171 thousand, comprising indefinite-lived intangible assets for Euro 394,199 thousand and intangible assets with definite lives for Euro 204,972 thousand, and right of use assets for Euro 922,232 thousand. Goodwill relates almost entirely to the OVS division. Indefinite-lived intangible assets comprise the OVS, UPIM and Stefanel brands, carried at Euro 377,492 thousand, Euro 13,307 thousand and Euro 3,400 thousand, respectively. The above amounts mainly originated from the recognition of business combinations carried out in previous years; only the amount referred to Stefanel originated from the business combination occurred during the financial year ended as of 31 January 2022. Right of use assets mainly relate to leases for store premises. In accordance with the applicable financial reporting standards, management of OVS Group tests goodwill and indefinite-lived intangible assets for impairment at least annually, based on the estimate of the values in use of the cash generating units to which the goodwill and intangible assets are allocated. Value in use is obtained by discounting the future cash flows estimated for the next three years and the terminal value ("impairment test"). The figures used for the impairment test were derived from the business plan for the financial years from 2022 to 2024 developed on the basis of budget 2022 approved by the board of directors of	We obtained the business plan for the financial years from 2022 to 2024 developed on the basis of budget 2022 approved by the board of directors of OVS SpA on 31 January 2022, the valuation models and documentary evidence used by management, and approved by the board of directors of OVS SpA on 21 April 2022, to determine the recoverable amount of the cash generating units to which goodwill, intangible assets and right of use assets are allocated. Also with the support of valuation experts belonging to the PwC network, we analysed the methodological approach used by OVS Group management to determine the recoverable amounts, we verified the mathematical accuracy of the valuation models used and we compared the value in use thus obtained with the carrying amount of each material cash generating unit. We analysed the reasonableness of OVS Group management's assumptions about the identification of the cash generating units and the process of allocation to the latter of goodwill, intangible assets and right of use assets, verifying their consistency with the Group's structure and operating segments. We analysed the forecasts of each cash generating unit to which the assets tested for impairment are allocated that were used to assess their recoverability, verifying the consistency of the figures with the business plan for the financial years from 2022 to 2024 developed on the basis of budget 2022 approved by the board of directors of OVS SpA on 31 January 2022 and performing a critical assessment of the reasonableness of the cash flows estimated by management for subsequent years. We assessed the appropriateness of the main assumptions used with reference to the estimated future cash flows in light of the past performance of OVS Group, by comparing the growth rates used by

OVS SpA on 31 January 2022. Intangible assets with definite lives, and right of use assets, are tested only if specific impairment indicators are identified. We identified goodwill, intangible assets and right of use assets as a key audit matter in consideration of the magnitude of the balances involved and the elements of estimation and uncertainty intrinsic to management's assessment of their recoverability. The key uncertainties and estimates relate to the correct definition and identification of the cash generating units, the estimation of the future cash flows and the determination of the discount rate to be applied to the estimated future cash flows.	management with external sources and other information normally available to financial analysts. We verified the method of calculation used to estimate the weighted average cost of capital used to discount the estimated future cash flows. Finally, our tests included an analysis of the notes to the consolidated financial statements to assess the adequacy and completeness of the disclosures provided.

Responsibilities of directors and the board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38 of 28 February 2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate OVS SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

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Additional disclosures required by article 10 of Regulation (EU) n° 537/2014

On 23 July 2014 the shareholders of OVS SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 January 2015 to 31 January 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) n° 2019/815

The directors of OVS SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) n° 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) n° 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree n° 39 of 27 January 2010 and article 123-bis, paragraph 4, of Legislative Decree n° 58 of 24 February 1998

The directors of OVS SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the OVS Group as of 31 January 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58 of 24 February 1998, with the consolidated financial statements of the OVS Group as of 31 January 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the OVS Group as of 31 January 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39 of 27 January 2010, issued on the basis of our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's regulation implementing Legislative Decree n° 254 of 30 December 2016

The directors of OVS SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree n° 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree n° 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Treviso, 10 May 2022

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

Separate financial statements of OVS S.p.A.

at 31 January 2022

Statement of financial position

(euro units)

ASSETS	Note	31.01.2022	of which related parties	31.01.2021	of which related parties
Current assets					
Cash and banks	6.1	139,741,815		73,985,478	
Trade receivables	6.2	99,799,370	11,984,571	115,092,653	16,323,662
Inventories	6.3	385,122,400		413,402,261	
Financial assets	6.4	15,453,386	240,000	42,701	
Financial assets for leases	6.5	2,470,483	0	3,407,768	1,318,774
Current tax assets	6.6	16,604,104		15,580,260	
Other receivables	6.7	15,825,370		10,344,172	
Total current assets		**675,016,928**		**631,855,293**	
Non-current assets					
Property, plant and equipment	6.8	247,523,095		232,102,516	
Right of use	6.9	915,162,811		817,006,152	
Intangible assets	6.10	597,029,957		603,374,003	
Goodwill	6.11	297,686,092		297,540,909	
Equity investments	6.13	8,444,641		8,486,656	
Financial assets	6.4	2,289,946	2,289,946	1,195,000	1,195,000
Financial assets for leases	6.5	4,547,797	0	6,085,573	1,302,733
Other receivables	6.7	6,324,488		8,475,103	
Total non-current assets		**2,079,008,827**		**1,974,265,912**	
TOTAL ASSETS		**2,754,025,755**		**2,606,121,205**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2022	of which related parties	31.01.2021	of which related parties
Current liabilities					
Financial liabilities	6.14	100,781,785		71,617,416	
Financial liabilities for leases	6.15	133,205,348		168,740,166	
Trade payables	6.16	338,326,125	20,920,594	283,854,297	20,773,861
Current tax liabilities	6.17	4,543,497		3,713,794	
Other payables	6.18	155,077,496	6,777,766	109,872,139	1,843,098
Total current liabilities		**731,934,251**		**637,797,812**	
Non-current liabilities					
Financial liabilities	6.14	228,732,267		414,104,671	
Financial liabilities for leases	6.15	833,728,054		740,090,176	
Employee benefits	6.19	32,853,410		35,138,375	
Provisions for risks and charges	6.20	7,864,445		6,535,587	
Deferred tax liabilities	6.21	20,394,935		2,912,870	
Other payables	6.18	14,058,732		16,866,667	
Total non-current liabilities		**1,137,631,843**		**1,215,648,346**	
TOTAL LIABILITIES		**1,869,566,094**		**1,853,446,158**	
SHAREHOLDERS' EQUITY					
Share Capital	6.22	290,923,470		227,000,000	
Treasury shares	6.22	(1,496,475)		(1,496,475)	
Other reserves	6.22	545,107,665		491,269,614	
Net result for the year		49,925,001		35,901,908	
TOTAL SHAREHOLDERS' EQUITY		**884,459,661**		**752,675,047**	
TOTAL LIABILITY AND SHAREHOLDERS' EQUITY		**2,754,025,755**		**2,606,121,205**	

Income statement
(euro units)

	Note	31.01.2022	of which related parties	31.01.2021	of which related parties
Revenues	7.23	1,350,697,637	11,557,246	1,013,262,216	10,333,303
Other income	7.24	73,136,335	1,160,056	50,216,964	1,533,575
Total revenues		**1,423,833,972**		**1,063,479,180**	
Purchases of raw materials, consumables and goods	7.25	616,697,956	29,028,988	481,248,512	26,876,552
Staff costs	7.26	278,733,901	9,712,748	218,695,245	4,999,436
Depreciation, amortisation and write-downs of assets	7.28	209,906,475		200,873,384	
Other operating expenses					
- Service costs	7.29	193,522,588	361,422	157,285,723	616,760
- Cost of the use of third-party assets	7.29	(4,780,309)	(96,962)	(4,288,462)	(670,440)
- Write-downs and provisions	7.29	2,499,010	(27,506)	3,850,850	1,074,200
- Other operating charges	7.29	22,540,039	0	20,728,223	(176,989)
Profit before net financial expenses and taxes		**104,714,312**		**(14,914,295)**	
Financial income	7.30	482,814	182,715	685,509	202,183
Financial expenses	7.30	(66,061,456)		(68,663,712)	
Exchange rate gains and losses	7.30	20,600,641		(9,559,358)	
Gains (losses) from equity investments	7.30	14,095,218	14,095,218	14,080,309	14,080,309
Net result for the year before tax		**73,831,529**		**(78,371,547)**	
Taxes	7.31	(23,906,528)		114,273,455	
Net result for the year		**49,925,001**		**35,901,908**	

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